

# Thinking of You

Electrolux is a global leader in home appliances and appliances for professional use, selling more than 40 million products to customers in 150 countries every year.



**“ COMMUNICATION IS INTEGRAL IN ANY BUSINESS. I CAN SUM UP OUR RELATIONSHIP WITH OUR SUPPLIERS IN TWO WORDS – ‘MUTUAL RESPECT’.**  
DILLON CHANG



The company focuses on innovations that are thoughtfully designed and based on extensive consumer insight to meet the real needs of consumers and professionals. Electrolux products include refrigerators, dishwashers, washing machines, vacuum cleaners and cookers that are under esteemed brands such as Electrolux, AEG-Electrolux, Westinghouse, Simpson, Kelvinator, Chef, Dishlex, Zanussi and Frigidaire.

In Australia and New Zealand, Electrolux employs approximately 1700 people and generates annual whitegoods sales of close to one billion dollars. The vast majority of local employees work in the company's two Australian manufacturing plants – the Electrolux Cooking Products Plant at Dudley Park in Adelaide and the Electrolux Refrigeration Plant in Orange, 250 kms west of Sydney.

In addition to locally-made ovens, fridges and freezers, Electrolux also imports significant volumes of smaller fridges, washing machines, clothes dryers, cooktops, dishwashers, air conditioners and range-hoods. All these products are sold under the Electrolux, AEG, Westinghouse, Simpson, Kelvinator, Chef and Dishlex brands. The combined market share of these brands outstrips all of the company's industry competitors, including those from offshore.

Electrolux Home Products is also the holding

company for Electrolux Floor Care and Small Appliances that has sold the famous Electrolux vacuum cleaners throughout Australia and New Zealand since the 1920s.

The Electrolux philosophy, 'thinking of you' is evident in all their business practices. Recognition as one of the world's leading ecological companies is a result of water and energy conservation being a major part of the Electrolux design DNA. The European Commission awarded Electrolux for its pursuit in reducing energy consumption of its plants, products and services. The company continues to adhere to the highest ideals in corporate governance under the Sarbanes-Oxley Act of 2002 and exceeds its corporate responsibilities across the globe.

Due to company expansion, a reliance on effective support systems to ensure products are manufactured and delivered to market as efficiently as possible is crucial. Electrolux is aware of the importance of a simplified supply chain management system and has invested significantly locally and internationally in ensuring the appropriate systems are in place.

**SUPPLY CHAIN FOCUS**

**ELECTROLUX HOME PRODUCTS PURCHASING MANAGER, DILLON CHANG AND JASON FURNESS GENERAL MANAGER, ELECTROLUX REFRIGERATION PLANT AT ORANGE, NSW SPOKE TO AUSTRALIA'S BEST AS TO HOW SUPPLY CHAIN MANAGEMENT AFFECTS THE COMPANY'S PRODUCTIVITY, REPUTATION AND OVERALL SUCCESS.**

**HOW AND WHY IS EFFICIENT SUPPLY CHAIN MANAGEMENT INTEGRAL TO ELECTROLUX?**

**DILLON:** Without capable supply chain management, businesses can run into a multitude of problems including late deliveries, poor quality and production stoppages. Poor cash flow/working capital can suffer severely and should be a main focus for consideration in today's unstable climate.

**JASON:** Business today is about cash flow and always has been. Supply chain is not so much about a cost effective flow of raw materials, components or finished goods. It's about maximising the flow of cash throughout the chain from raw materials through to the end user. Our supply chain encompasses many companies not just our own. Electrolux suppliers, transportation contractors, and retailers are the major external

groups to our organisation's supply chains.

**HOW HAS EFFICIENT SUPPLY CHAIN MANAGEMENT ASSISTED YOU IN CREATING A SUCCESSFUL BUSINESS?**

**DILLON:** At Electrolux, our system allows us and our suppliers 'real-time' visibility, down to the vessels the goods are loaded onto and the exact time it is scheduled to leave. This allows us to plan ahead should there be any delays and make informed decision on alternative vessels or airfreight as a last resort. This limits panic air freighting and therefore additional costs. Having this open relationship allows businesses to keep informed as well as in control.

**JASON:** Four years ago Electrolux held three times the raw materials that we hold today and still had shortages

of parts. Having the production areas stabilise their build plans helped improve on time delivery of finished goods. A Vendor Managed Inventory (VMI) project was put in place with one of our key partners Toyota Tsusho to help give suppliers greater visibility of our activities, make order recommendations and allowed us to have stock on our site that we did not pay for until we used it. The cooperation between the local Toyota Tsusho Manager, Mohammad Uppal and our Logistics Manager, Steve Brackenridge is incredible. It is one of the tightest, most result-focussed partnerships I have seen in my twenty years in the industry.

A lot of work has occurred between Electrolux and our transport providers to ensure the best utilisation of the trucking fleet to get the right product to the right place for the cheapest cost



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at the right time. There has also been a lot of work on reducing the cost of bringing our inbound raw materials and components from our global supply base. Cooperation amongst the logistics organisation of Electrolux globally is also part of this process.

#### WHAT ARE SOME OF THE TECHNIQUES YOU HAVE IN PLACE TO ENSURE OPTIMAL SUPPLY CHAIN MANAGEMENT?

**DILLON:** We follow a stringent quality approval system for all purchased parts. Most of our purchased parts are under consignment in a VMI system.

**JASON:** For finished goods, we utilise an approach where we produce the finished product in line with the actual customer sale, quite different from our old method of building to meet a forecast. This new approach is based upon the Theory of Constraints (TOC), a body of work by Israeli physicist Eliyahu Goldratt. People skilled in the TOC were brought in to coach our people on the process and how to transfer skills into our business.

The first thing we had to do was to change our mindset from the problem being 'forecast accuracy' to the problem being that the way we ran the factory wasted capacity. High forecast accuracy at an individual number level is a noble objective, but like many noble objectives it is not possible to achieve in a timely or cost effective fashion.

We now use the forecast data to help us order raw materials, though we are trying to move away from it. For our production schedule, we do not make the fridge until there is a signal from a database constructed by our Sydney Demand Flow Team that indicates that a product is required. Every night we download the data from all deliveries made to customers that day and based upon consumption patterns and lead times we receive a recommended build plan. This recommendation is then translated into the factory schedule by the Orange Factory.

#### HOW WOULD YOU DESCRIBE YOUR RELATIONSHIP WITH YOUR SUPPLIERS?

**JASON:** The relationship we have with our logistics suppliers is quite close, especially with those in Australia. Our component suppliers do work closely with us and the relationship does vary over time in line with how well we are living up to our obligations to each other.

**DILLON:** Essentially a good relationship with your suppliers comes down to good communication (and vice versa). Communication is integral in any business. I can sum up our relationship with, our suppliers in two words 'mutual respect'. I find that you have to understand the people you are dealing with whether it is a local supplier or an overseas supplier, cultural understanding is a must. ☺

*For more information, visit [www.electrolux.com.au](http://www.electrolux.com.au)*



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96 Wetherill Street Silverwater NSW 2128

Phone: (02) 9751 7700 Fax: (02) 9751 7777

Email: [ljwg@ljwallace.com.au](mailto:ljwg@ljwallace.com.au)