



Case Study

GOODBYE FRAGMENTED SUPPLY CHAIN.

PROVO CRAFT IMPROVES ITS OPERATIONS BY OUTSOURCING TO A SINGLE SERVICE PROVIDER, MODUSLINK.



CHALLENGES:

- Prepare supply chain for exponential growth and global expansion
- Improve warehouse management processes
- Reduce high volume of excess inventory
- Establish processes to track inventory and key performance metrics

SOLUTION:

- Provo Craft outsourced supply chain processes to ModusLink
- ModusLink assumed Provo Craft's facility in Utah and its warehouse employees
- ModusLink developed and refined warehouse and inventory management processes
- ModusLink to perform in-region postponement of Cricut scrapbooking cartridges to better align inventory with consumer demand

RESULTS:

- Committed to year-over-year cost reductions of up to six percent
- Migrated from a fixed cost structure to a variable cost structure
- Increased volume by six percent without increasing operational cost
- Achieved inventory accuracy greater than 98 percent
- Reduced lead times by seven to 10 business days through in-region postponement and delivery turnaround to three business days from time of order
- Shipped 99 percent of product on time



“Outsourcing our supply chain operations with ModusLink has benefited our business in many ways. During the past year, we have aligned with consumer demand, improved warehouse management processes and streamlined inventory,” says Nathan White, chief operating officer, Provo Craft.

Provo Craft, a leading global supplier of innovative crafting tools and technology, wanted to grow its business exponentially, as well as expand into Europe. However, the company's fragmented supply chain infrastructure, compounded with inefficient processes, warehouse and inventory management caused major obstacles on the path to expansion.

With the challenges at hand — and a clear vision of future goals — Provo Craft made the decision to outsource its supply chain processes to a single service provider. The company partnered with ModusLink for its supply chain infrastructure, expertise, and track record with helping clients expand globally.

By making the in-source to outsource transition, Provo Craft experienced the following benefits:

- The ability to focus on its core strengths, new product development, marketing and retail channel management
- Migration to a best-in-class global supply chain
- Progressive supply chain savings
- The flexibility and infrastructure to enter new global markets

As part of the partnership, ModusLink assumed Provo Craft's employees and facility in Spanish Fork, Utah, where configuration, fulfillment and returns management are performed. In order to optimize supply chain performance and enhance productivity, ModusLink applied 5S methodology — a system for organizing, cleaning, developing and sustaining a productive work environment — to the facility. ModusLink also worked with Provo Craft to implement an inventory management system, as well as processes to improve visibility to the end-to-end supply chain.

With warehouse management processes in place, ModusLink has streamlined order picking and fulfillment through usage statistics and time studies. This analysis has helped to establish efficient picking zones for high-volume products and identify slow-moving inventory. Due to long lead time of products manufactured and imported from various Asia Pacific facilities, Provo Craft often has inventory that is not in sync with consumer demand. The result is excess inventory sitting on warehouse shelves and the inability of Provo Craft to fulfill customer orders quickly and efficiently.

Provo Craft's most popular products are content cartridges that contain images that make cutting detailed designs possible on any of its Cricut electronic cutting systems. Working closely with ModusLink, Provo Craft made changes to the design and manufacturing of the cartridges to allow for in-region postponement of the product. Instead of stocking more than 200 individual titles, generic cartridges will be flash-programmed prior to packaging and shipping at the Spanish Fork Solution Center. This build-to-order process will allow Provo Craft to react quickly to changes in demand and generate additional revenue on new release titles. Redundant safety stock of individual SKUs will be eliminated and older, low-volume titles can be built-to-order in a matter of days.

“We look forward to growing our relationship with ModusLink and taking advantage of the many opportunities that outsourcing has afforded us.”

With ModusLink at the helm of its supply chain operations, Provo Craft is in the process of converting a number of additional products that lend themselves to in-region postponement. Over time, this will include purchasing raw materials, content loading, kitting and assembly, all at the facility in Utah. Phase one of this plan will target 33 percent of new product volume, and this percentage will increase over time. Performing in-region postponement can reduce millions of dollars worth of inventory and vastly reduce lead times: ModusLink plans to procure, build and ship product within seven to 10 business days, based on customer demand.

Outsourcing is providing Provo Craft with more efficient, streamlined and flexible supply chain processes that will continue to scale over time. As sales grow internationally, Provo Craft intends to leverage the ModusLink network of solution centers to support sales worldwide. This has already begun on a small scale in the UK and Europe. With a partner like ModusLink by its side, the company can take control of its inventory, react to ever-changing consumer demands, and remain on the path to grow its business according to plan.

MODUSLINK SOLUTIONS

SUPPLY CHAIN | Sustainable Solutions | Factory Supply | Optimized Configuration | Multichannel Fulfillment

AFTERMARKET | Returns Management | Repair/Remanufacture | Value Recovery

e-BUSINESS | ModusLink Commerce | ModusLink Live | ModusLink Returns | ModusLink Recall | ModusLink Auction | ModusLink Promotions | Entitlement Management

