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# OM 460 Semester Project

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## Introduction / Background

The focus of our semester's project is a small local clothing store. It is called U&I 12 Mall and is located in Detroit, Michigan, at 10786 Grand River Ave. Founded in 2006 by the owners, who immigrated to America from Korea, the business was established to provide an income to support their family who was in need. Today they offer various clothing options for both men and women, including jewelry.

The primary customers that shop at U&I 12 Mall are African Americans, who the owners stated are around 90-95% of the buyers. They operate in their local community, serving customers with a personalized shopping experience. However, they face competition with companies from large corporations opening stores close to them to try to take business away.

The 2008 financial crisis profoundly impacted firms of all sizes, including U&I Mall. They started picking up steam before the crash, which massively affected demand for their products, and sales dropped massively. They were forced to lower buying supplies which caused them to reduce spending in any way they could. This time was a challenging crisis for them, and they barely managed to survive, which caused them to learn about what they needed and what they didn't, which helped immensely.

Despite the competition and struggles, U&I Mall has managed to survive and thrive, offering its customers a wide range of options to meet their needs. The store's sole focus is to dedicate quality products to its customer's liking, and its dedication to being fair to its customers has enabled them to grow in size and revenue.

## Analysis

### **Chapter 1 - Supply Chain Overview**

U&I Mall's supply chain begins by sourcing clothing products nationwide from mega magic shows. The objective of the supply chain is to ensure that the business's clothing options are the most popular and trending at the moment while also gaining information on the liking of the customer's favorites to gain more information about what to acquire the next time.

To achieve those objectives, U&I Mall pays close attention to all Trends and issues in the clothing industry, such as the growing demand for sustainable fashion and the need for ethical practices and transparent company thinking. The business also manages product flows by carefully cleaning and maintaining its inventory to ensure they are of the best quality when sold.

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Information flows strongly influenced these shows, and engaging with suppliers helped them get what they wanted and decreased revenue and expense.

Supply chain decisions are made by the owner and his wife, who manages the store along with him; they closely monitor the store, their suppliers, and the customers. The decisions consider cost, quality, sustainability, and customer preferences. To guide these decisions use their knowledge in the industry to use frameworks concepts from Chapter 1 of the textbook, such as value chain and demand-driven supply chain.

Overall, U&I Mall's supply chain is designed to support the business's mission of providing affordable and sustainable clothing options to its local community while providing a reliable supply.

## **Chapter 2 - Supply Chain Strategy**

U&I Mall is a small business specializing in reselling clothing in its local community. The Business Strategy for U&I Mall is to provide its customers with affordable, sustainable fashion options while promoting ethical consumption practices. The supply chain strategy is to source highly trending clothing from various suppliers around the country, clean and display them in-store for customers to purchase to their personal choices.

U&I Mall achieves a competitive advantage through its location in their community, where they are the leading clothing store, which emphasizes sustainable fashion practices in their communities economy. It also focuses on providing excellent customer service through its ability to provide its customers with personalized shopping experiences when allowing customers to request certain products.

In terms of the competitive advantage matrix, U&I Mall fits the differentiation quadrant, as it differentiates itself from other clothing retailers with the ability to provide sustainable and affordable trending clothing through ethical consumption practices. This is why they are loved in their local community.

U&I Mall has an operations strategy of maintaining a lean supply chain, as it relies on sourcing clothing from multiple suppliers rather than manufacturing its products. It also has a product positioning strategy that emphasizes sustainable fashion practices to establish a loyal customer base and retain its customers. They put a value on customer satisfaction.

In the volume and profitability matrix, U&I Mall fits in the wide variety and low volume quadrant, as it offers a wide range of clothing options but sells them at lower prices than traditional retail stores. They would buy clothing and then sell them a double the price at which they acquired them. This has greatly helped them since prices are low, but they are making a profit.

Through all the competitive priorities, including product quality, demand for the product, and the sustainability of it all, to measure all of it, U&I Mall tracks its sales revenue, customer satisfaction, and inventory turnover for the needed information.

## **Chapter 6 - Sourcing**

The role that sourcing plays in the supply chain of U&I is that they choose specific suppliers needed to keep their business running by supplying them with goods and products required to be successful. Their interests include different styles of jeans, shirts, and accessories. Therefore, they have more than one supplier for additional items, quantities, and quality needed to manage their retail company properly. They indulge in strategic sourcing by having a continuous supplier relationship which allows them to purchase what their consumers want and need. The company's operational and financial impact is impacted because they spend about fifty percent of their revenue on materials, which also causes optimal inventory levels. Practices that are outsourced are their customer service and having overseas manufacturers. Without good customer service skills, any business will fail. U&I is successful with its customer service by greeting its customers and satisfying them with clothing pieces that are wanted and in style. The company does not have in-house manufacturing due to cost, time, and scope.

They score and assess their suppliers based on which products are sold the fastest, quality, and the number of items needed. To select their suppliers, they look for vendors with a better catalog of products in popular demand, communicate fast, and ship materials quickly. Their negotiation process involves communicating with their wholesalers about their orders. U&I have contracts with suppliers, employees, and the city their business resides in. They still have to pay property taxes and expenses to keep their building and pay their employee's wages. As for their procurement process, they need more supplies such as hangers, tags, bags, and more to make their business run more efficiently. In addition to procurement, U&I understands that keeping inventory is difficult. Therefore, they implement a system where they order a certain number of items and keep track of them by how many they sell through their system. When they sell them, they write them down and track them until their next buying period. Additionally, they count their stock of the item and how many they sold in the periods between sales. Then, order what they need based on those observations. This helps with knowing how many items they need to obtain while tracking inventory and ordering costs.

## **Chapter 7 - Logistics**

U&I Mall handles its logistics through a system of trucks and postal service. They usually purchase their products from magic shows, and upon arrival, the boxes are loaded off the trucks and taken to the back of their store to be looked at. They stock the inventory, and when the new inventory is recorded, the owners decide what goes out to the floor and the prices of said inventory. This includes hanging the clothes and placing them in the allocated sections.

Regarding reverse logistics, U&I Mall has a process for assessing returned items. If an item is clean and looks new, it would be placed on the floor to be sold at the original pricing of double what it bought. However, if the clothing has a defect, it will be sold at a discounted price or clearance.

Transportation plays an essential role in U&I Mall's supply chain. They use the trucking industry and the postal service to transport their inventory. Their transportation guideline involves the efficiency of loading and unloading clothing from trucks and carefully placing them in stocks. They have to pay attention to damages through shipping as well in case of damages brought by the trucking service. Lastly would be the trade-offs of using transportation on costs, time, and conduction of the transported products.

U&I Mall uses its backroom as the primary storage unit for storing and warehousing clothes. They store all inventory after shipping there; it's where the new stock is recorded and prepared to be placed outside for sale; they do not use any 3PL or 4PL providers.

In summary, U&I Mall handles its logistics through a system of trucks and postal services, with the backroom serving as a primary storage area. They assess returned items to determine whether they are still able to be sold or not. Transportation plays an essential role in their supply chain, and they pay attention to various trade-offs. They do not use any 3PL or 4PL providers.

## **Chapter 8 - Supply Chain Forecasting**

U&I Mall recognizes the importance of forecasting to keep up in its industry against competitors. Although no specific use of advertising is used, word of mouth influences the business's use of demand management. Satisfied customers are speaking well of the company to others who may be interested in the products sold. U&I Mall focuses on trends in the market to execute its forecast successfully. Forecasting uses the qualitative executive opinion method as U&I Mall

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focuses on the overall products coming in. As more business is coming in, that is when making new shipments is taken into account. U&I Mall has been able to successfully keep using this method for 15 years as they recognize the benefits of being highly responsive to the latest changes in the market and compensate for unusual events such as the 2008 recession. Because U&I Mall is a small business, there aren't too many variables to consider that negatively impact their current forecasting method.

## **Chapter 9 - Inventory Management**

In the supply chain of U&I retail stores, their inventory has more than the goods needed in stock. Therefore, their overstock of inventory is relatively large. Having fewer lists will cause revenue to plummet. This is because the company typically orders more goods than they can sell. This is due to seasonal changes and needing to listen to customers' needs. U&I also have too much overstock because they need to know when to order suitable clothing at the right time. For instance, if it is Spring now, they should call what is required the following Fall. That way, they can be ahead of the game and be prepared with a catalog before the following significant season change. This will help the owners know when to order and how much to call due to the demand for products their consumers want. Ordering ahead of time can also ensure safety stock. Also, their ordering costs would decrease, which is another way to gain profit.

The type of inventory the company manages is service inventory that involves selling clothes. The clothing items they contain are jeans, shirts, and graphic tees. Moreover, the organization operates urban wear in which there is independent demand for their products wanted and needed. To address economies of scale, the owners have more production than required. Therefore, they can make sales on their overstock, which increases their cost advantages. They can also market themselves better, such as using social media to attract potential customers. However, due to the fact, U&I retail is a small local business, their funding decreases.

Their inventory management policy could be more organized if they dealt with the complication of having too much inventory. They need to understand the demand of their customers to determine the quantity needed for their orders. The company has enough storage capacity but needs to order smaller quantities of clothing. To measure the company's inventory performance, the owners count to keep track of how many items are left from buying them in the timeframe between weekly orders and the end of the year. Lastly, that will determine how much merchandise to order and when to order due to seasonal changes and when they sell out of particular items.

## Recommendations

Considering U&I is a small local business, most people have probably never heard of them. Therefore, they can market themselves better to get their name out there. They can market themselves better by hiring a social media and digital marketing coordinator to rebrand. This can allow for more traffic to their store. A website can also be created to sell inventory faster. Although more money will be spent, this will increase their revenue and decrease overstock. You have to spend money to earn money. The company can also involve itself in pop-up shops and fashion shows to market its products and potentially have a larger target audience. In addition to advertising their retail store, they can also broadcast themselves on the radio or billboards.

U&I Mall also has problems with their location being very unrecognizable and hard to find. Their building's location and signs are hard to notice and don't look like a business's front shop. Also, the entrance is hard to find since it is located in the back of the building, so I recommend that they allocate some of their profits to fixing up the building itself since it is such a task to navigate around. This would help the business exponentially, considering they could attract the nearby store's customers, and the driving folks' attention would be caught when driving by. Fixing the building would also make the owners look more professional and organized. This would help attract new customers and place some fascination upon the store for people to check out.

Lastly, one of their biggest detriment would be their contact services. They are difficult to reach or acquire any information about unless you go to the store and meet the owners personally. This is very tedious and unhelpful when trying to find their store. They also have very little information on emails, phone numbers, and other communication. So it would benefit them to advertise how to contact them for any information on inquiries such as what they sell, who they are as owners, what items they have in stock, etc. Including any contact information would greatly help the business and bring in more customers and better explanations for anyone confused.

By taking many of these actions and steps into account for the future, they can potentially increase revenue and sales in their store. This could create a competitive advantage and increase their growth and potential in the retail industry. Their planning for the future would be an improvement for the business.