

Case Twist

It was a beautiful Thursday morning, and Rick Helms, Supply Chain Manager at Gaea, was looking forward to the weekend. As he unlocked his office door and stepped around his desk, he noticed a stack of financials, with a post-it note attached, signed by Mike Klonne, Chief Financial Officer. The note read: “Rick - Reading over the third and fourth quarter company financials, I have highlighted the considerable increase in employee wages within the manufacturing plant. Please respond with a valid answer by 5 p.m. Friday. I am headed on vacation with my wife for the weekend, and do not want this issue on my mind. I have reserved the conference room for a 30 minute debrief of the problem, as well as your best possible solution.”

Under the post-it, Mike had placed on Rick’s desk the third and fourth quarter financials. He realized this request did not leave him much time. Immediately, Rick called the head of marketing, Patricia Longstead, and requested her team put an extensive report together on Gaea’s U.S. market demographics, including past, present, and future information. Patricia’s marketing team responded quickly, putting the report together by 3 p.m. When the report landed on Rick’s desk, he leaned back in his chair and began reading, starting with the executive summary.

Summary

Gaea’s New York manufacturing plant currently services the entire U.S. market. When Gaea’s products were first manufactured, Proctor & Johnson chose its east coast plant for production, because it was P&J’s only location that provided enough capacity for a new product line.

Gaea spun-off from Proctor & Johnson at the end of 2008. For the first 5 months of production following the separation, the manufacturing plant was servicing 70% of its shampoo line to customers east of the Mississippi River, while the remaining 30% servicing the customers west of the river.

In March of 2009, Gaea’s sales force signed a contract with Trader Joe’s natural market, headquartered in Monrovia, California. Gaea chose Trader Joe’s because of its abundant amount of locations in the West, in order to increase its visual presence on the west coast. Throughout the rest of the year, sales in the west began to rise, simultaneously shifting the balance of demand from east coast to west coast. By December 2009, the companies overall sales grew by 28%, which pleased the shareholders very much.

Though this new contract with Trader Joe’s was an overall success, the New York manufacturing plant was not prepared for this rapid increase in demand. The increase in production has put extreme constraint on the facility. Furthermore, management has been paying employees’ overtime since October, in order to fulfill the required purchase orders.

Finally, according to a multitude of reports ran in accordance with all-natural personal care products, sales over the next 5 years are projected to grow at a steady rate of 6%.

After reading the final paragraph of the summary, Rick closed the report. He immediately called an emergency meeting for the entire logistics department. Within the meeting, he explained the situation, giving the department 24 hours to come up with a call to action.

Using information from the original case, as well as any other outside information, help Rick figure out a best solution for Gaea and its U.S. manufacturing. Should Gaea convert its DC in San Diego, California to a manufacturing plant? Is there a better solution for servicing the west coast using the facilities already in place? Is there a better location for a new manufacturing plant, other than San Diego? What is the best solution for Gaea, and why?

Note: Part of the purpose of Operation Stimulus is to provide students with an educational experience through the lecture series. If the content of these presentations seems relevant to the twist (and it may not), students might consider it when developing a solution – **as a BONUS**. That being said, judges are looking for well thought out logical solutions so only reference the lecture material as it makes sense.