



## Rebecca Smith, Amway Transforming Amway's Home Care Manufacturing Network

By Katharina GISHEWSKI, MSIA 2013

Personally, I think the most interesting speech was given by Becky Smith from Amway. She managed to precisely focus on one specific problem, the company's solution to this problem and the final outcomes after the implementation of the proposed solution. Becky was talking about the issue of centralizing the production of their products and the exports of these goods to other countries. Centralizing the production includes some difficulties to consider such as non-value added costs (e.g. tariffs, duties), high costs of inventory in transit, excess and obsolete inventory and the low responsiveness to demand changes due to long lead times. All these issues have been discussed in class. Amway's goal therefore was to move closer to the customers. However, the fascinating part was that they did not decentralize the production for all of their

four product categories (Home Care, Nutrition, Beauty, Durables), but picked consciously to only decentralize the production of Home Care products. For instance, decentralizing the production of the Nutrition sector could cause a lot of troubles with control and safety issues whereas the Home Care products generated 75% of their revenues already outside of the U.S. and they could eliminate the "water over water" transportation. Nonetheless, in order to achieve this goal, they had to find a new manufacturer in Europe which they did with the help of their existing supplier network. As a result they could reduce their inventory by 50%, achieve a service level of at least 98.5%, decrease the costs of duty by 20% and cut down the lead time by 65%. The take-away of this interesting speech for me was that it is always great trying to decrease the cost and lead time while holding constant or increasing the service level by moving closer to the customers. However, one has to do it strategically in order to avoid adverse affects such as damage of the brand.



*"I really enjoyed listening to Becky Smith of Amway because I'm already involved, and very interested in network marketing."*

*Shawn Plepel*

To start, the Amway session impressed me the most because Becky was able to talk about how the company uses supply chain as a strategy. For example, it's very important to maintain and continuously improve the quality of their products since Amway relies on relationships between their company and family and friends to sell the products. Additionally, I thought it was very interesting that different products would be made in different countries such as Nutrilite only being produced in the United States. I thought it was particularly interesting to hear that the reasoning behind that is for control, safety and environment due to the type of product it is. Compared to other products Amway produces, Nutrilite is something that people consume and are more concerned about safety. I also find it amazing that a company can go from business only in the United States to 90% of revenue outside of the US so rapidly the way Amway did.

*Amy Reed, MBA 2014*

