

The main purpose was to optimize the inventory holding costs and supply chain for Ericsson Supply Site Tallinn (ESST) by improving the current material flow with the Electronic Manufacturing Service (EMS) sites that are used in its diverse and global supply chain. The overall focus was to determine whether the implementation of distribution centers would be beneficial considering the financial aspect and how it would affect the delivery capabilities to the end customer.

Companies often face a problem within their supply chain management where on the one hand they are determined to focus on cost saving and on the other they wish to provide flexibility and delivery precision to their customers. Outsourcing goods and services might enable focusing more on the company's core competencies and save cost but it can also result in some hidden costs that were not considered in the decision making.

As most companies face the question on how to manage the material flow and costs related to supply chain management in the most efficient way, this case study can be generalized to similar situations and applied in other companies. One of the potential ways to improve the supply chain and reduce the tied up capital in ESST would be to establish distribution centers in the EMS sites and send the products out only according to the actual customer orders to different Ericsson Supply Sites. However, this would decrease the flexibility of the production procedures and ability to respond to unforeseen demand increases and customer orders that are below the agreed lead time.

From the available internal data total cost of ownership on analyzed products was calculated in the proposed scenarios. In addition, a comparison of the received orders was made to determine safety stocks that would cover demand increases for orders requested below the agreed lead time.