

**Assessment**

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**AITEG**

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Exclusively for OMEGA

Corporate Solutions

Logistics Division

EXCLUSIVELY MADE FOR OMEGA

# Site Assessment Gama, Pardubice

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## Generalities

*Gama is a Czech Owned integrated logistics services provider offering supply chain services for all types of industries, presently focusing in its incursion to printing material.*

**Gama** is well known in the Czech market by its strategic location and just-in-time services offered to clients. It has been awarded best- supply chain management provider of the year 2001 in the Czech Republic and is currently in the process of getting ISO certification. While forming part of the “Association of Logistics providers”, GAMA has participated in several national logistic trade fairs and therefore, positioned within the Czech market as one of the top ten Contracting companies in the Logistics Industry. GAMA, however, still lacks international projection given its conservative expansion policies. Recently it has launched it new business unit to process printing material located strategically in Pardubice, besides its GAMA warehouse premises.

## Historical Background

GAMA first originated in 1990 as a result of the economic and political reform, which took place in the early 90's in Eastern Europe. It emerged as one of the few companies to supply chain services to the increasing logistic market needs. Since then, it has been considered a traditional reliable chain services provider. It went through a drastic change in the middle of 1994, when the new customs law came into force<sup>1</sup>. As a result, a 500.000 CZK penalty was paid to the Czech Government and all internal procedures had to be restructured. In 1995 a second site was acquired, it was initially intended to serve the food sector supply chain, so huge investments to adequate the old installations were made.



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<sup>1</sup> Law 123 of 1994

## Nowadays

GAMA wants to change its almost inexistent presence abroad and is looking into a more international perspective of doing business. Among the first international clients to close deals with GAMA are “XT Computer Company” and “FAST Automobile”.

### **Although primarily serving Czech customers,**

GAMA may seem as a good alternative for Omega, bearing in mind its trajectory in the keyboard printing business

Besides focusing in its new printing paper material services, GAMA is also actively involved in the Food packing and its distribution.

## Location

In the early 90's, GAMA started operating in a small garage in the town of Svitavy. It then developed into a bigger business and started to operate in a 2000M<sup>2</sup> warehouse located right outside the town. At present, GAMA has a total of 25000 m<sup>2</sup> built, useful and owned space located in several sites across the Czech Republic:

- Svitavy: focusing in food packaging and canning.
- **Pardubice**: operating mainly printing halls
- Ostrava: Supply chain management services for almost any kind of manufacturing industries
- Prague: Logistics and warehouse services.



FIGURE 1. Localization of the sites in the Czech Republic

## GAMA Pardubice Branch

**T**his warehouse has 1500mt<sup>2</sup> currently available for production and stock buffer. It was first constructed in 1999 and intended to meet HUB services high demand in this part of the country, however and due to the increasing demand for printing material this first warehouse has been decided to be the focal point of such production. A new warehouse of 4000 mt<sup>2</sup> should be finished by May 2004; it will be located right next to the first storehouse and it will be exclusively to provide HUB services.

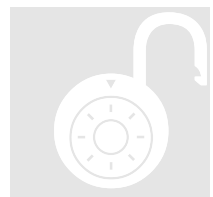
**Pardubice Branch is mainly dedicated to printing materials**

**Its clean environment,** given the fact that they are mainly producing polygraph products (printing manuals, books) foam, and packaging material, is an outstanding feature at first entering the site. It has a generally dirt free environment with low level of dust and a constant moderate temperature.

Presently GAMA is planning to launch a new production line of polystyrene, which will affect the location in terms of space capacity obligating GAMA management to rethink its Pardubice branch distribution. If this new unit business is not taken into account during the next few months, the whole branch operation will be jeopardized. The new production unit highly complies with the printing material halls, especially with the Key Board printing facility.

The approximate density in GAMA Pardubice may be calculated as 70 to 80% according to current production requirements. This fact can be modified if needed however it requires ahead of time planning.

With regards to **security issues** of the premises, up today there is no security agency or internally hired security guards; however, from July 1<sup>st</sup>, 2004 a contract with an outsourced security agency will commence.



### Note

The Czech Republic is rather a safe country in terms of vandalism and violence. However, when choosing a chain services provider, one has to bear in mind that some towns may have a higher index of insecurity than others and outsourcing a security company, at least for during the nighttime, is always advisable. Pardubice is in general a safe city and the location of GAMA sites is not far from the main Police station.

**Technical support:** The branch operates 24/7; every shift has 2 technicians for immediate support in case of electricity power failure, manual damage etc. Experience with printing procedures for paper products is a must-have skill for any technician at GAMA Pardubice.



Every part of the production has two independent check-up procedures: the first one is carried out during production, after a certain number of pieces produced; and lastly, a control on completed products.

**Export/Import system:** Currently, there are no established procedures for importing or exporting materials as they are generally purchased locally. GAMA's customers are local to the region, and, therefore, there is no regular exporting activity. On a related note, there is no Customs Declaration Department, at the moment, and the branch lacks experience with customs clearance procedures for free circulation inward processing and for bonded warehouses. Should we contract with ALFA – Pardubice, they would establish a Customs Declaration Department for our purposes by outsourcing from local providers.

**Reporting system:** They rely on SAP platform for all warehousing evidence and stock in/out movements. Production planning, control and long term planning are prepared through excel files.

## Quotation submitted by GAMA

Printing unit price: €0.54

Transportation unit price

Foxconn: €0.00

FIC: €0.04

Tatung: €0.26

## Disadvantages

- ☞ Currently there is no security service available. Security is necessary to ensure that our Key Board products are protected.
- ☞ The engineering support services offered by GAMA meet the minimum standard requirements. However, the support team does not have extensive experience with Key Board printing. Should technical difficulties arise during the first 6 to 12 months of operation, this may present problems for the staff.
- ☞ ALFA – Pardubice has yet to implement import/export procedures and, for that matter, has no experience in these fields. It is essential that procedures be established as the vast majority of shipments and deliveries will involve intense knowledge of customs clearance procedures. We anticipate that it will take 12-18 months to develop and perfect simplified procedures.
- ☞ The reporting system is not compatible with the KBD control procedures. A system would have to be established. In the first 6-12 months, this may cause problems with inventory management and production performance.
- ☞ During the first year of operation, a substantive drop in transit time is unlikely as there are no simplified procedures in place, and deliveries would likely need to occur during the Customs Office's official working hours (7:00 – 15:00)
- ☞ Prices of GAMA are currently higher than ZETA with regards to FIC and Foxconn.

## Conclusions and Recommendations



- ✓ **Stay in the current location-provider** and focus on the freshly opened facility of 7-days-per-week delivery schedule, established only on 29.5.2003
- ✓ If OMEGA is continuously pushed by HP and Foxconn to move closer to Foxconn's factory, consider to suggest your current provider ZETA, to open a new branch in Pardubice as per its vast Key Board printing knowledge and better prices.
- ✓ **Or try to Negotiate** with GAMA lower prices than the ones submitted for printing.

