

Michelle Watkins: Sony EU

Part One - Read to the bottom of this page then stop.

Michelle Watkins was having trouble with the calendar. Fixing the problem shouldn't be too difficult, she thought, but it would require a lot of work.

Michelle Watkins was an export clerk for the Sony Corporation's European Union (EU) division. In her nine years on the job, she had learned all about what was needed to export goods made in one country to another. She understood how to prepare export invoices for Sony customers; how to document shipments for Customs; how to prepare all the paperwork needed to transfer goods between EU countries or across the ocean; and she had become expert at making all of this easy for Sony's customers in the European Union and around the world.

The Sony Corporation began in Japan after World War II, with a group of young telecommunications engineers. They had gotten their start repairing radios that had been damaged during the war, and had quickly moved on to create and manufacture other communications devices, including tape recorders and televisions.

Fifty years later, Sony was a worldwide corporation, with offices and customers in every part of the world. Sony still specialized in communications devices, but the products it manufactured – from VCRs and DVDs, computers and monitors to cell phones and digital recording sticks – had become far more sophisticated than its early radios.

Sony's European Union division, where Michelle worked, manufactured most of its products for the European market. As a result, she spent much of her time working on the paperwork needed to move goods between European countries. On occasion, though, her division manufactured products, such as professional video monitors, for a worldwide market. In those cases, she needed to know export and import rules for countries all over the world.

Michelle loved her job and the challenges she often had to solve. Today's challenge had to do with the calendar. Shipments that left her plant late each month often caused invoicing problems. Why? And what could she do?

STOP

Part Two - *Read to the bottom of this page then stop.*

Michelle decided she first needed to learn more about what the problem was. Was it a computer bug that was making mistakes as each month changed? Or a problem with the paperwork? She knew she couldn't solve the problem until she understood exactly what was happening.

Michelle talked with her colleagues and learned that the problem had to do with the way Sony invoiced its customers. When Sony shipped a container load of a product – say, computer monitors – to a customer, Sony would send that customer an invoice, or bill. The customer would then pay for the load of computer monitors, completing the transaction.

However, to invoice its customers, Sony needed the “bill of lading” that proved the container load of computer monitors was safely on board the ship that would carry them to the customer. Getting the bill of lading was usually a simple process. Once the ship was loaded and set sail, Michelle would get copies of all Sony's bills of ladings from the shipping company. She would then use these bills of lading to prepare her customers' invoices.

But, when Sony shipped products late in the month, things weren't so easy. If Sony shipped a load of computer monitors to the port on May 26th, for instance, but the ship wasn't due to sail until a few days later, on June 1st, the ship's bills of lading wouldn't be available until then. And that would cause a problem for Michelle in getting her invoices to Sony's customers. Most of Sony's customers (like most businesses everywhere) only paid their bills once a month – usually at the end of the month. So, having an invoice delayed past the first of the next month, even if that delay was only a few days, could result in a full month delay in getting payment, and a full month during which the customer's records and Sony's would be different.

This was a fairly simple problem, Michelle knew. But what could she do about it?

STOP

Part Three - *Read to the bottom of this page and then stop.*

Michelle thought about the problem. She was sure there was an easy solution, but any solution would have to meet the needs of everyone involved in the shipping process. So, she thought, what did each of the organizations involved in this process need?

SONY needed to know that its customers would promptly acknowledge and pay for its goods. Sony didn't want to go to the expense of manufacturing and shipping its products and then not get paid. So Sony wanted a way to have customers acknowledge and pay for a May shipment in May and a June shipment in June.

Sony **CUSTOMERS** wanted proof that the products they had ordered were on the way. Customers were always willing to pay, but wouldn't want to pay in advance before there was some proof of when they would receive the products they had ordered.

And the **SHIPPING COMPANIES** wanted proof as well. They wanted to know that Sony did actually have a load of computer monitors or other product to ship and that there was a customer who would pick them up at the end of the journey. Shipping companies, therefore, wouldn't be willing to become involved in the invoicing process until they actually had Sony products to ship.

As Michelle listed the needs of each of the three organizations, she thought of a possible solution. What if the shipping company would accept the presence of a container load of Sony products at the port as proof that Sony actually had products to ship?

If the shipping company – knowing the container was sitting at the quay waiting to be loaded onto the ship – would produce a bill of lading or seaway bill a little early when it was the end of the month and the next ship wouldn't sail till the beginning of the next month, Michelle could get her invoices done on time. The customer would have the certainty of the bill of lading to prove that Sony products were on the way. The shipping company would have the full container at its docks to prove Sony actually was going to ship the product. And Sony would have clear records and prompt payment.