

The future supply chain: Prime Source Forum

By Lorna Hall, WGSN, 15 May 2013

Industry executives talk about future-proofing the supply chain through increasing efficiency, building margin advantages and implementing new production strategies.



Peter Kaminsky, MD, Carter's Global Sourcing

* WGSN ANALYSIS

- The supply chain will become more active rather than passive, with key stakeholders and decision makers creating more autonomy at source. Some brands are already looking to shift process by bringing together key stakeholders into the supply region on a regular basis to make just-in-time decisions
- Retailers and brands looking to create a future-proof supply chain should be building one that can react and adapt with speed. Retailers need to shift the focus away from FOB pricing and towards efficiency of product development and production processes, which would enable closer-to-season ordering and a corresponding reduction in markdowns
- Mass customisation and personalisation are likely to bring big changes to the garment industry, with most apparel supply chains currently unable to react to these needs. WGSN recommends that large supply businesses experiment on a small scale in this field via collaboration with specialist businesses, in order to gain the experience and understanding that could help carve out a future market advantage

Closer decision-making

Apparel supply chains can be made more productive by relocating certain job roles closer to the production base, with faster product development, quicker decision-making and closer working relationships between teams all potential benefits.

Peter Shay, founder and MD of investment business Third Generation Capital, said: "Global apparel businesses need to move more of their corporate brains to the east. This would create a more pro-active autonomous supply chain here."

David Birnbaum, managing director of apparel sourcing consultancy, Third Horizon, agreed and said he was now seeing US brands consider moving more product development decision makers to Asia.

"The reason you have markdowns is a matter of not having your speed to market right." Adding: "The closer you can order to the season the better informed the decisions you make are."

Hong Kong-based casualwear retailer Giordano is one of a few businesses already applying this process. Dr Peter Lau, its chairman and CEO, said it is a matter of triangulating all the information in his business to the supply base at the right time. Giordano recently built a design centre in one of its key supply regions in China for this purpose.

"We co-locate every player together in that location for a week for each of our 16 programmes.

"What we realised was how long the supplier had been waiting for information from head office and how much of the former lead time was taken up by this. Now the design technician, the sample master, the fabric people and the trims people meet our suppliers in that week and give them all the information they need to enable production decisions right there and then."

Lau said the process fosters interdependence and the contact had started to create a lot of other time and money-saving efficiencies.

Building margin advantages



Peter Shay, founder and MD, Third Generation Capital



Peter Lau, chairman and CEO, Giordano International

With costs escalating in all supply markets and sales volumes for many of the world's largest retailers under pressure, the margin gains of the past that were gained via cheaper supply locations, larger volume orders and a consolidated supply base are unsustainable.

Mark Green, executive vice-president at PVH, put it as "the next China is not a where, but a how".

"At PVH we are not talking about initial margin anymore, it's the whole value chain that is likely to be more rewarding for us," he said. "That is about speed to market, markdown reduction, maximising topline sales and for us to be facilitating speed models for our suppliers."

Peter Liddell, partner at KPMG, said: "Creating the supply chain of the future is all about service excellence with the retailer and supplier having integrated interdependent processes. Chasing around to save 10 cents on FOB is a total waste of time."

Green added that having leadership with the vision to understand this will be what puts one brand ahead of another in the future.

Colin Browne, VP of footwear sourcing at VF Asia, said that he was working to eliminate cost of labour out of his sourcing decisions.

"My job is all about driving performance both ways – within our business and the supply chain," he said. "I am trying to make sure that I can make product wherever I want at the lowest possible cost and get the labour part of that value equation down to its smallest proportion. I'm doing this by exploiting opportunities to do with duties and by exploiting the advantages of supplying a local market locally."

Mass customisation – does your supply chain fit?



Mark Greene, executive VP, PVH Far East



Colin Browne, VP footwear sourcing, VF Asia

Mass customisation and personalised products are expected to be an important part of the apparel landscape in the future, but such developments will create the need for different kinds of supply chain that have the capacity to handle unique orders.

Birnbaum said that brands and retailers that assume that universal design and standard sizing will be acceptable to the consumer in the next decade are likely to be mistaken, and that the apparel supply chain needs to start experimenting now with ways to enable mass customisation.

"Our generation has used the internet like a catalogue to consume," he said. "But today there are a whole bunch of technologies out there that enable much more customised consumption. It's a whole world of technology that we ignore at our peril.

"The supply chain is an old-guy industry. The good news is that eventually we are will start to see younger people come in that will react to consumer demand and adopt some of this stuff."