Sports clothing brands have, for many years, sourced components and finished products from the four corners of the world. Twenty-first century technology is making the process of managing a global sourcing operation easier than ever.

Global sourcing and the need for a clear view of the world

The global economy is fluid and, even during a downturn, change can happen quickly. Companies that altered their sourcing set-ups during this decade to take advantage of lower labour costs in Asia may now find themselves contemplating another change.

A few are bringing production back to traditional manufacturing centres in Europe and North America. Others continue to chase the gain of cheaper labour costs, but now want to work with outsource manufacturing partners who have factories on the doorstep of their main retail markets, giving regions such as North Africa, eastern Europe and Central America an important role to play in the sports apparel and footwear sector today. There are also brands that want to keep part of their production in the Far East because they believe they have begun to crack consumer markets there, and there are also examples of brands whose origins are in Asia but who want now to be genuinely global players.

Travel and communications have become easier, faster and more affordable, but, with global sourcing presenting such a variable picture, complexity seems to increase the more contact retailers and sports brands have with raw materials suppliers, production partners and logistics service providers. A clear view of what is going on in your supply chain is now an extremely valuable commodity, which is why, even in this challenging economy, technology providers believe they have a strong case to make for investment in the software applications they have put together to help companies manage global sourcing.

Survival story

Daniel Harari, the chief executive of Lectra, whose fashion product lifecycle management application incorporates strategic sourcing functionality, says companies in the global clothing industry are under pressure just to survive these days. Many of them are trying to reduce their workforces and their manufacturing costs. "People want the freedom to change partners and suppliers quickly," he says. "We have fast fashion, more collections than ever before, new brands to develop, and so on. If you are not doing all of that already, you'll go out of business. That's the environment we're living in. It's arrived in different places at different times, but it's had the same impact everywhere."

He believes that software packages such as the ones his company supplies can make it easier than ever to source finished garments from any market in the world. The Vector cutting system, for example, is one of a growing number of tools that make overseas operations much easier to manage remotely. In this instance, the cutting machine itself (which is equipped with 120 sensors) sends a message to the technical call centre that Mr Harari's company runs at Cestas, near Bordeaux, in France, to warn that an operator has done something wrong and to request help. "The saving this offers on fabric will pay for the machine in one year," he insists. "After that, you make money. Probably something like €250,000 a year."

Bend over backwards. Too many outsourcing manufacturing partners around the globe have got into the habit of saying yes to every customer demand, without investing in the technology that will give them the visibility they need to fulfil orders successfully.

adidas



COPYRIGHT

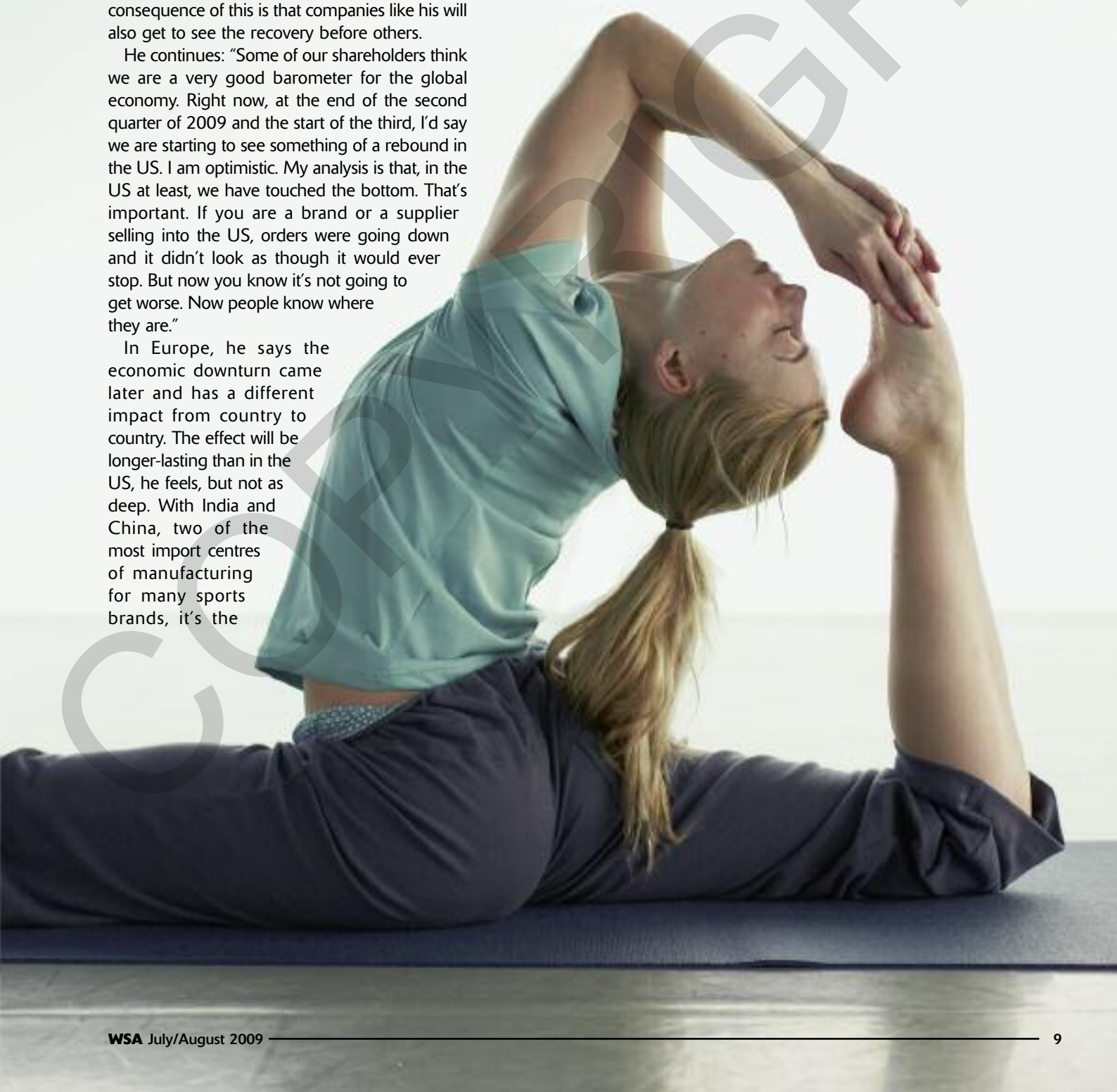
Yes, times are tougher than at any other time this century, but he argues that investment in new technology is more important than ever. The companies that have the courage to invest now will, he says, be giving themselves a good chance to increase their market share when things pick up again.

Signs of recovery

He knows it's not easy for companies to make this kind of decision at a time when people in all parts of the industry are losing their jobs. In fact, he explains that an increasing reluctance in the global textile and apparel business to make investments in new technology gave software providers early warning that trouble was on the way. Looking on the bright side, he says one consequence of this is that companies like his will also get to see the recovery before others.

He continues: "Some of our shareholders think we are a very good barometer for the global economy. Right now, at the end of the second quarter of 2009 and the start of the third, I'd say we are starting to see something of a rebound in the US. I am optimistic. My analysis is that, in the US at least, we have touched the bottom. That's important. If you are a brand or a supplier selling into the US, orders were going down and it didn't look as though it would ever stop. But now you know it's not going to get worse. Now people know where they are."

In Europe, he says the economic downturn came later and has a different impact from country to country. The effect will be longer-lasting than in the US, he feels, but not as deep. With India and China, two of the most import centres of manufacturing for many sports brands, it's the other way round. Like in the US, the downturn will affect those economies deeply, but for a shorter time. A slow-down in the number and size of orders coming into outsource manufacturers from the US and other big markets has already made an impact in the two Asian powerhouses, Mr Harari says, which is why, if he's correct about a rebound in the US, it will be good news for all. Retailers in the world's biggest economy have been afraid, he says. So even if they were selling inventory, they have been holding back on stocking up again. His analysis is that this is a short-term phenomenon and that restocking of inventory will begin to take place again on an important scale soon.



COPYRIGHT

Lectra believes strongly in India in particular. It has opened a subsidiary company there and is investing heavily in people and in building up its own network there to complement what it still does in France. Competitors that moved the production of cutting machines and other textile technology to China instead are facing a rise in costs of between 50% and 60%, he claims, because of the increase in labour costs there and because of changes in the exchange rates. "I was told by management, analysts and shareholders that I was stupid for not moving manufacturing to China," the Lectra chief executive says. "But our manufacturing costs are now about the same as our competitors pay to produce older technology in China. Costs on the coast there are five times higher than in the centre of the country and, in that coastal area, costs are going up by between 10% and 15% every year."

Opposite ends of the market

His analysis applies not just to companies making textile machinery, but those making textiles, footwear and clothing too. The manufacture of low-value product will always go to the lowest-cost centres of production. A glance at eastern Europe now shows that a large chunk of T-shirt production has moved from Romania to Bulgaria.

The opposite end of the market, where the highest-value, most innovative clothes come from, is, according to Mr Harari, still Italy. "Italy is our biggest market," he says, "ahead of Germany and eastern Europe in second place, and China and the US in third. About 20% of our revenue comes from Italy. I've heard people say that the industry in Italy is dead, that there is no design there any more. But I don't believe it, because of the fact that 20% of our revenues still come from there, and we have a 67% market share. In many cases our customers in Italy are family companies; they believe so strongly in the technology that they invest their own money in it."

The world of sport

Specific to the world of sports and activewear, Jérôme Bergeret, director for the consumer goods industry for rival software provider Dassault Systèmes, points to an impressive list of clients in the sports and outdoor sectors who use technology from his company to keep their global sourcing operations in order. The names include Columbia Sportswear, REI, New Balance, adidas, Under Armor and Quiksilver.

"Everyone is adopting the Zara model of fast fashion, with new styles week after week and much quicker replenishment," he says. "So they need good software."

The point about replenishment is an important one. When you sell your products in 200 countries, there's a good chance that different items will top the best-seller list in different places. Communicating to raw materials and finished product suppliers right across the chain what tops or jackets require an extended production run, what the right quantities are and where deliveries need to go to can be the difference between meeting targets or not. There was a time when brands could trust their gut-feeling on this kind of thing, but no longer. It's about sharing accurate information with the right internal and external partners at the right time.



The need to manage a global sourcing network and to have fast replenishment has driven outdoor brands such as Columbia Sportswear to invest in advanced software applications.

Columbia Sportswear

"Companies can have a dashboard, with all the information in front of them," Mr Bergeret continues. "They can take better control of the process. In the past, these companies would spend 20% of their time on creation and 80% on the supply chain, on getting products into stores. Now they can spend 80% of their efforts on their collections and getting them right and just 20% on bringing goods to stores."

Another area in which technology can help is in reducing brands' need to rely too much on one supplier, which has been a particularly acute problem for brands who picked partners they knew little about in, for example, some Asian countries. He agrees that the business model there is changing, and that alternative sourcing destinations are becoming more important in the global picture. In Europe, for example, manufacturing set-ups have moved to a variety of countries around the Mediterranean, including Turkey, Morocco and Egypt, because

COPYRIGHT

they offer a faster time to market. "Diversification is good," says the Dassault director. It's a diverse world, after all.

First time of asking

Fast React is a smaller software provider, based in Derby in the UK, but one that focuses exclusively on the apparel industry. It offers something a little different: planning and sourcing solutions that help brands reduce inventory and help their manufacturing partners around the world get things right first time. Its chief executive, Andrew Brown, says he believes that one of the most important benefits apparel brands can gain from a carefully managed global sourcing strategy today is that it can have a positive impact on a company's bottom line.

He agrees that lead-times are definitely reducing and says the retail environment is becoming much less predictable; speed of response is critical, he says, and you cannot control that speed of response using manual tools. At the same time, in spite of what some big software vendors claim, he insists that the functionality companies require to carry this off is not part of the typical enterprise resource planning (ERP) system.

His company also focuses closely on the supplier side, a policy that came into being because of concerns that too many suppliers would make a commitment to a delivery date "without thinking about what they can really achieve", Mr Brown says. "We work in an environment in which customers are changing their priorities all the time, suddenly saying to their suppliers, 'Don't make that; make this.' They say yes, and then spend their lives firefighting."

But inefficiency costs money, and Fast React has worked out the figures: a 2% gain in efficiency, which it believes its applications can provide, can be worth $100,000 a year to the average company in the apparel sector. "Most achieve more than 2%," he adds, "which means we can get people sewing longer, so they're not sitting idle waiting for material to arrive or for designers to give their approval. When you make sports apparel, there are lots of things going on at the same time, such as heat-sealing, stitching, embroidery or printing, so people can work on something else. But you have to be able to see what is going on."

For years, people have tried to manage this situation using a spreadsheet, acknowledging that this is far from ideal, but good enough to let them get by. According to Mr Brown, companies are now coming to accept that this, getting by, is not sustainable.

Ahead of the game

He feels that some larger companies in the industry have an opportunity in the current climate to "get ahead of the game", if they invest in technology that makes global sourcing an easier game to play successfully. And, as far as Fast React can see, this doesn't necessarily mean they have to spend big on an expensive enterprise application such as one of the more prominent product lifecycle management (PLM) applications. Many businesses are not ready for PLM, he claims.



Nike iD's flagship store in Shanghai. It was Nike's desire to expand to just about every country in the world that brought software provider PTC into the sports market.

Nike

He explains: "It's software that needs a lot of detail. It struggles if you don't have information on the fabric, supplier details and so on. Getting it off the ground is a challenge. What we offer instead is a simpler, lighter version of PLM. We offer help with visibility from the buying office outward, with critical-path measurement. The user sees what the priorities are and just has to double-click to say when a task is complete, so it's really easy to update."

At this technology provider, too, there is certainty that lead times are coming down. The 120-day lead time of the recent past is turning into 90, 60 and even, in some cases, 45 days. As companies the length and breadth of the supply chain look to make these savings on time, Fast React emphasises that anyone who can consistently get things right first time will have a big advantage.

Plans into products

From her point of view on the other side of the Atlantic, PTC's vice-president for product and market strategy, Kathleen Mitford, confirms

COPYRIGHT

many of the messages her rival software providers put across at the moment on the question of global sourcing. Her company has identified what she describes as a list of mega-trends affecting the approach sports brands and manufacturers are taking at the moment to the way they decide on what shoes and clothing they want to bring to market, and then use a global network of partners to turn their plans into products.

She explains: "Some of these are ideas that have been around for a while, but they are definitely part of where we are today. Cycle-times are reducing, and companies are having to optimise their resources for global product development. At the same time, everyone wants to put the technology closer to the supply chain. Fast fashion is another trend that's been around for a while, but a newer one is interpreting the voice of the customer. That can mean the retailer if you're a sports brand, or an internal customer, such as the purchasing or merchandising team if you're the designer, or, of course, the end consumer."

In PTC's case, it had already been a prominent provider of PLM software for 11 years when it moved into the sports apparel market. And it moved for the best reason imaginable, Nike decided it wanted to use the application. That was in 2000 and, since then, a string of the biggest names in the business, including adidas, Reebok and, most recently, Li Ning, have signed up to use its solutions for footwear and apparel.

"We've grown this part of the business, not just by building the technology," Ms Mitford explains, "but by focusing on the customer's business processes, trying to understand what the chief executive thinks about every night. Right now, it's how to survive."

No such thing as a silver bullet

She's not claiming that all a business needs to do to survive is to buy her company's software. No one these days uses the dot-com bubble ploy of presenting software applications as silver bullets, the answer to any and every challenge a business can face. "It's not about software being a silver bullet," says Kathleen Mitford. "Instead, customers develop process improvements and the technology supports those strategic business initiatives. And because of the global nature of the economy, companies are looking to be more strategic with the supply chain, how to bring sourcing visibility into the product very early on, showing, for example, which suppliers performed well in the past, or if any of the suppliers on the list have had product-recall issues every two weeks, or can't prove they're compliant on any of the compliance issues. Proving you're compliant is a very big issue right now; you need to know what substances are in the product. Our technology can help."



Former Olympic athlete Li Ning at the opening ceremony for Beijing 2008. He now wants to use technology to help him turn the sportswear company he has founded into a genuinely global brand.

Tim Hipps/Wikipedia

If some firms are just starting to think about some of these questions, she says there are also examples of companies, including sports brands, that have already embraced the challenges of the global supply chain of the twenty-first century. Reebok is one of these examples. The goal, as Ms Mitford defines it, is to have deep collaboration all the way through sourcing, design, merchandising and product development. "It's not linear now," she says. "Things are not in silos; they're concurrent. The customers we have in the sports business are very tough and they have tough requirements, but they know where they are today, they know where they are going, and they know how their business is changing."

She says customers such as adidas want to use their ability to manage global sourcing to make better products, whereas Li Ning, little known outside China until its eponymous founder wowed the world at the opening ceremony for the Summer Olympics in Beijing last year by appearing to fly through the air with the Olympic torch in one hand, has set itself the goal of becoming a genuinely successful company globally now. It will use software to help it manage that expansion.

This is what is at stake these days when we talk about global sourcing. The world is becoming smaller, as travel and communication grow cheaper and easier, but it is still a complicated and confusing place.

COPYRIGHT