

Supply Chain Strategy At Leading Apparel Designer/Manufacturer: Turning Domestic Operations Into A Competitive Advantage

The Challenge: StyleCo is a leading designer and manufacturer of men's and women's apparel. It produces over 400 different products a year at its wholly owned and operated manufacturing facilities. The operations include 3 cut & sew facilities, 2 finishing facilities, and 2 distribution centers. StyleCo has over 1,200 employees and sells over 10MM units each year, with total annual sales in excess of \$250MM.

StyleCo was losing market share to competitors and imitators. Recognizing the need to improve profitability and regain/grow market share, the company set aggressive business goals to increase sales by 40% and reduce time-to-market by 50% while decreasing inventory and production costs. In addition, StyleCo was looking to leverage its domestic manufacturing operations' proximity to market in order to meet its business objectives, rather than turn to offshore production.

We were brought in to develop a supply chain strategy to enable StyleCo to meet its business goals and turn its domestic operations into a competitive advantage.

The Partnership:

Analysis: From our diagnostic of StyleCo's existing supply chain, we discovered that:

- StyleCo had a monolithic supply chain for producing 2 distinctively different types of products—Basic, characterized by long life cycles and predictable demand, and Fashion, with shorter lifecycles and unpredictable demand—the supply chain was not meeting the needs of either product type
- Product development was an excessively long, linear, sequential process with a delivery cycle time of 9 to 11 months that precluded StyleCo from quickly responding to market trends and often resulted in markdowns or stockouts from inaccurate forecasts
- StyleCo treated the supply chain as a discrete collection of processes, achieving local, rather than system-wide optimization, resulting in excess inventory and long lead times

Strategy: Working with a cross-functional team of StyleCo senior managers, we created a new strategy that positioned StyleCo's domestic operations as an integral part of efficiently meeting customer demand and quickly responding to market trends. The recommended path forward included:

- A dual supply chain strategy to accommodate the needs of both Basic and Fashion lines:
 - Basic products require a *market replenishment* supply chain that is both efficient and responsive
 - Fashion products require a *market responsive* supply chain that focuses on responsiveness
- Implementation of a design for manufacturing (DFM) product development process that involves Operations early in the process to improve speed to market and reduce manufacturing costs
- Flexible capacity allocation at the cut & sew facilities to enable quick response to changes in the market
- Scheduling rules to optimize design flow through the entire production supply chain

The Results: Execution of this strategy proved very beneficial to StyleCo: a 67% reduction in concept-to-market time; a 50% reduction in inventory levels; and a 25% increase in profitability. In addition, StyleCo's production facilities became a significant competitive weapon for StyleCo, providing it with a substantial competitive advantage in the domestic market.

