AFTER PLM:
WHAT COMES NEXT?

Perfecting Supply Chain Execution

For maximum velocity and flexibility in meeting demand, a focus on global sourcing and supply chain management (SCM) is essential.

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Product lifecycle management (PLM) has been in the limelight for quite a while and will continue to be, for good reason. There still is considerable opportunity to improve planning, product development and other PLM processes. Industry analysts and many leading apparel firms point to the importance of strong supply chain execution as being a crucial hand-off from PLM — and one that should not be overlooked from an IT investment perspective, lest your PLM-related gains go down the drain.

Connecting the Points

At times, it can seem there are as many definitions of PLM as there are PLM vendors. The exact parameters of supply chain management (SCM) and global sourcing software can be equally hard to pinpoint. Nonetheless, there is some consensus that neither type of solution "does it all," and thus, it is important to integrate to connect the dots.

Mark Harrop, CEO of the Product Development Partnership (PDP) Group, a U.K.-based consulting firm, said both software vendors and users are considering "e-PLM," or extended PLM, to fully manage their businesses from product concept to disposal.

"We've seen PLM suppliers coming out and saying, 'This is a PLM product, it's all encompassing, from A to Z, it does everything you need.' From my point of view, that's incorrect," Harrop said. "[Their definition] just fits their solution offering, but it doesn't meet the needs of the supply chain correctly in terms of the different technologies, the

duction process. Landau relied on excel, email and manual reports to collaborate with its offshore facilities. With no way to efficiently manage production orders overseas, the company realized it had outgrown its legacy system and began searching for software that could provide clear visibility and accountability. At that time, Landau purchased NGC Software's supply chain solution to maintain greater control of its production.

In May of this year, the company purchased NGC's PLM solution, which it plans to implement by the fourth quarter.

Tim Shelton, vice president of information technology at Landau and an 18-year veteran of the firm, said in addition to eliminating duplication of effort in product development, the company wants to use its integrated PLM/SCM solution to do a better job at costing. "If we can find out what it's going to take to bring something to market much earlier than we're doing now, it will help us do an even better job of hitting price points and margins," he said. "It will be nice to know this information much earlier in the process, rather than wait until we're way on the back end and have already spent a bunch of time and money on it."

Gaining Greater Control

Another benefit of keeping supply chain execution front and center, while focusing on PLM, is improved control in market responsiveness. Leslie Hand, research director for

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different solution suppliers, that are all part of what is this spider's web of point solutions that are critical to the success and efficiency of doing product development in the retail and apparel industry."

Landau Uniforms Inc. has its sights set on improving its costing through tight integration between its global sourcing/SCM solution and newly purchased PLM technology. The 50-year-old healthcare uniform business, which employs 1,200, transitioned from domestic manufacturing to a global sourcing model in the early 2000s.

In addition to longer lead-times and communication challenges, Landau discovered that its transition to global operations caused a significant visibility gap into its pro-

IDC Retail Insights, an advisory services and market research firm, said apparel retailers may meet one of their major objectives in a PLM rollout and neglect to pursue related supply chain technology initiatives that could multiply the rewards.

"Far too often, folks say, 'Oh, I'm done. That's what I wanted and needed to do,' and then they don't consider the value of integrating other pieces or looking at how they can reduce more waste in their processes," Hand said. "Some of that goes all the way back to sourcing. Companies sell similar product lines for different channels and may find additional value in going further back up the supply chain and looking at their sourcing processes. They may find ways to

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"We also keep all of our quality information on [e-SPS]," says **Tom Nelson, Managing Director, VF Asia & VP, Global Product Procurement, VF.**

consolidate and collaborate across channels and streamline processes to squeeze additional value out of the fabrics they're using and other materials they buy."

In particular, Hand points to logistics as an area where there is much opportunity to use SCM technologies in conjunction with PLM to be most competitive. "Logistics chal-

lenges can really get in the way of a successful product launch, and logistics visibility is the least likely to be fully integrated into retail PLM capability but probably the most valuable add-on if you've already gone down that path with PLM," she said.

"There is a lot of value in gaining global visibility to your products en route so that you can ensure that you're not only taking all of the steps you can to expedite their movement, but you've also got all of the right paperwork in order and met all of your regulations for each area you are passing through," she added. "You also can take proactive action if something is going to be late. Perhaps there is another product you need to move out to market to fill that gap. Perhaps you can catch your marketing in time and change a promotional advertisement so that when the cus-

EXECUTIVE INSIGHT:

An Interview with Mark Burstein, President of Sales, Marketing and R&D, NGC Software

Q: How would you best define where PLM tools "leave off" and global sourcing/SCM tools "pick up," and if applicable, where they meet again?

MARK BURSTEIN: PLM is a very important enterprise system, but its main focus is on product line planning and the subsequent development of the line until it is adopted. Global sourcing/SCM tools track and manage the movement of the physical product until it is delivered. SCM begins with distribution of the initial purchase order to the selected vendor, and then continues with tracking materials procurement, production work-in-process, quality audits and shipment logistics until the finished goods are received at the final destination.

Q: How can having a PLM solution but not a global sourcing/SCM solution, and vice versa, limit an apparel company's realization of the full benefits of leveraging technology to improve profits?

BURSTEIN: PLM and SCM are both very important, but SCM starts after PLM is finished. There should be a seamless handoff between the two solutions, which is why NGC has built one of the only integrated PLM/SCM applications on a single platform. PLM profits tend to be "soft," because they are based on efficiency gains and process streamlining. On the other hand, SCM profits are "hard" and measurable. They include reduced markdowns and closeouts, lower unanticipated freight expenses, improved quality and on-time deliveries. The last one leads to more sales, fewer chargebacks and better performance.

Q: Related to the increasing pace and demands of today's retail environment, how many seasons of merchandise are companies producing in today's fashion environment vs. the traditional seasonal cycle of previous years?

BURSTEIN: When I was in the fashion business during the 1990s, there were really only two seasons: spring and fall. There were different deliveries within each season, and of course, a special focus on holiday and resort. Today, it is not uncommon for fashion companies to work on eight distinctly different 'seasons' per year. Channels of distribution, market segments and demographic targets have all multiplied exponentially. No fashion company can stay in business by being "vanilla," so the only way to grow is to expand into new product lines and target new markets. We estimate that the annual number of SKUs offered by successful fashion firms has increased tenfold over the past few years.

Q: How can companies use more accurate and timely supply chain information to increase supply chain flexibility, and what are the advantages?

BURSTEIN: Superior information leads to more accurate forecasts and better decisions, and as a result, many leading-edge brands and retailers are now focusing on a demand-driven supply chain. Every company's goal is to increase the velocity of its most profitable products. With a single mouse click, SCM systems can provide real-time visibility into global work-in-process across the entire vendor base. Using "just-in-time" techniques, supply chain teams are waiting until the

"When we looked to the future, and as we ramped up our sourcing, we knew we were going to go to hundreds of millions and billions of dollars [in sourced manufacturing], and we needed a system of record to help get to that," says Tom Glaser, Vice President, VF Corp. & President, Supply Chain.

tomer arrives in the store, they don't end up being disappointed because the product isn't there because it didn't arrive on time."

Companies with strong SCM also are better positioned to make other production and logistics decisions when things don't go as planned. "If you have visibility to the logistics anywhere along the process, if there is a step in the process that is falling behind, you can quickly assess, 'Can I source from someone else that can go a little faster? Do I expedite the shipment? Do I go another route so that I can get it in on time?'" Hand said. "That relates to the costing pack and requires that you have integration to cost-ing and retail price plans and the assortment plan and that you can make a collaborative decision with merchants."

At Landau, SCM software has enabled the firm to make mid-stream adjustments to its production plans to better service its retail customers, Shelton said. "Right out of the gate, we saw greater visibility. Now we have the ability to act and respond to opportunities more quickly," he said. "We can hold factories accountable to production schedules, prioritize production … and at the same time, it's allowed us to reduce our inventory carrying costs for finished goods and raw materials." ▶

last minute to determine which colors, bodies and sizes should be put into work.

If a product has unexpectedly high demand, the production and logistics teams can use the SCM system to deliver the product to market much earlier than planned. Conversely, it is much better to stop production on poor sellers rather than invest more money, time and effort to produce an instant markdown or closeout. We have seen companies increase profits by 20 percent to 40 percent by using these types of 'postponement' techniques.

Q: To succeed, what are a few of the most innovative strategies and technologies apparel businesses can embrace when it comes to global collaboration, from concept to consumer?
BURSTEIN: PLM handles the process from concept to product adoption, while SCM executes the process from purchase order to delivery. However, many internal departments are involved in both processes, including planning, merchandising, sourcing, production and operations. In addition, remote vendors and factories are involved in costing, sampling, production planning, manufacturing and shipping. With all of these internal business units and external suppliers exchanging information, an integrated PLM and SCM solution provides a single platform for all global collaboration.

Q: Your company's global collaboration dashboard works like a "blog" in some ways. Can you share a little about that and how this method has been received by users?

BURSTEIN: Using e-mail and spreadsheets as the main communication tool is one of the most inefficient processes at many companies. The larger the teams, the more the people who get copied on e-mails. For example, the supply chain vice president at one fashion company received over 400 e-mails a day before adopting our SCM software; now she receives only 50.

Our collaboration tool allows users to communicate within the software (think Facebook's "wall"). All dialogue is posted directly into the software and can be forwarded to e-mail if the user selects to do so. Plus, the entire discussion thread is permanently tied to the style, PO and shipment, so the history can always be recalled at any point in the future. Users love posting questions and responses directly into the software because problems are quickly resolved with input from all concerned parties — not to mention the reduction of e-mails.

Q: Anything else you would like to share?
BURSTEIN: Exception management and calendars are critical to helping companies realize the full benefits of SCM. Users can see the status of milestone dates for selected calendars and make sure that product groups, collections and approvals are all on schedule. Alerts and color-coded dashboards can be customized to show the current status and can even predict if the item will run late because of unexpected delays.

"Logistics challenges can really get in the way of a successful product launch, and logistics visibility is the least likely to be fully integrated into retail PLM capability but probably the most valuable add-on if you've already gone down that path with PLM," says Leslie Hand, Research Director, IDC Retail Insights.

Transforming the Supply Chain at VF

Early in its transformation from a manufacturing company to a global lifestyle brand business, VF Corp. recognized that having a single system of record for global sourcing would be essential. At the beginning of the firm's evolution from manufacturing to sourcing in the early 2000s, the firm was using a homegrown, Lotus Notes-based program to manage outsourced production, which accounted for a tiny percentage of overall manufacturing.

"We needed something much more robust," said Tom Glaser, vice president of VF Corp., and president, supply chain. "When we looked to the future, and as we ramped up our sourcing, we knew we were going to go to hundreds of millions and billions of dollars [in sourced manufacturing], and we needed a system of record to help get to that."

In April 2003, VF selected NGC Software's e-SPS global sourcing solution. The system enabled VF to electronically send POs to suppliers and acknowledge them, to manage shipments and traffic flow, and to mine data for reporting. The software also integrated with VF's logistics systems.

While changing its manufacturing model, VF also was rapidly acquiring lifestyle brands. "One of the things we liked about NGC is that it took feeds from Nautica's system and Vans' system and the systems of other firms we were acquiring and allowed us to have one system for our sourcing operations," Glaser said.

Tom Nelson, managing director for VF Asia and vice president, global product procurement, VF, said, "We also keep all of our quality information on [e-SPS]." By tracking this quality data along with information about on-time deliveries and volume of FOBs, VF develops vendor report cards.

Today, embarking on an upgrade of e-SPS, VF is a $9 billion business with 52,000 global associates, 38 owned factories and 1,500 contract facilities. The company produces more than 500 million items annually. VF Asia manages the development and sourcing of 45 percent. Glaser concluded that VF's sourcing system has enabled it to track production from a legal and statutory perspective but also from a business perspective, so that it can understand the flow of goods, determine if shipments are on-time and measure how much business it is doing by supplier. "The purpose was to get on top of our business," he said. ∎