Vendor Collaboration in the Apparel & Footwear Industry

Summary
The manufacturing base for apparel & footwear industry is well established in Asia pacific and the prime communication to its clients is done through e-mails, faxes and telephonic discussion. The inability of manufacturers to provide real time information to their clients is raising many questions about the optimization of supply chain. So, Vendor collaboration through vendor Portal system, where both the parties can exchange information easily at various stages of their businesses, can provide some answers. The transparent and effective communication between the branding companies and Vendors can happen across various critical stages of the value chain.

Author: Amit Bhatia
Company: Wipro Technologies
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Author Bio
Amit Bhatia is a Domain Consultant with Apparel & Footwear Practice as a part of Retail, CPG and Distribution vertical of Wipro Technologies. He has several years of experience across the value chain from Apparel & textile industry. His strength lies in deep understanding of the complete value chain starting from conceptualization of the product till involvement of end customer. He holds dual post graduation in Business Administration and Garment Manufacturing & Technology.
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Introduction

Collaboration in the Consumer Product Goods Industry (CPG):

Electronic cooperation (collaboration) in the consumer product goods (CPG) and retail industry is not new. First initiatives such as category management or efficient consumer response (ECR) have already been established in the 1980s in order to establish coordinated processes and communications between a retailer and his/her preferred suppliers. Some of the enabling technologies are barcodes, scanners, and computer-aided ordering or electronic data interchange (EDI). Besides these supply chain initiatives, online groceries started to appear within the 1980s.

Many activities from large CPG companies (e.g. Nestlé, Kraft, Unilever, and Procter & Gamble) have also launched solutions to improve their interaction with retailers (e.g. replenishment, category management, procurement consolidation). For example, Sainsbury established its SID (Sainsbury Information Direct) portal in 1998 for it’s over 4,000 suppliers to exchange data about promotion planning, goods receipt, or goods availability.

Interestingly though, amongst the most ignored but equally critical links in the complete value chain of the CPG companies remain small and medium vendors, who are primarily based in Asia –Pacific (Specifically in Apparel & Footwear Industry). Due to tremendous pressure from the customer, being the main catalyst in shortening product life cycles in the CPG industry, this link has also come into focus recently. The level of dependencies of CPG companies on Asia -pacific based vendors have been continuously increasing for the last 10 years. The all time high level of US apparel imports (above 90%, China contributing nearly 25%) and US footwear imports (nearly 98%, China contributing more than 82%) is self explanatory phenomenon of this trend [Source: American Apparel & Footwear Association, AAFA, Report]. It has been estimated that in India, more than 30,000 readymade garment manufacturing units are established but if we look at the average size of these players, we see an infrastructure of 50 to 60 machines per vendor [Source: Indian Apparel Industry – An Overview, Apparel indiamart]. Hence use of technology such as portal to get an efficient business process across these business partners is one of prime need of the hour.
Vendor Collaboration in Apparel & Footwear Industry

Today most of the manufacturing base for apparel and footwear industry is in Asia Pacific and prime communication to their clients is done via e-mails, faxes and over the phone. Manufacturing in Asia Pacific is highly fragmented, organized in silos. The use of technology is very limited which in turn also affects the overall prosperity of these players in terms of quality, quantity, flexibility, lead time and other associated factors. There is direct link between use of technology and productivity on the sewing floor. As per one industry study, average worker in India produces 7 to 8 shirts per day, compared with 16 to 17 shirts to its Chinese counterpart [Source: India’s Textile and Apparel Industry: Growth Potential and Trade and Investment Opportunities, research study by office of Industries U.S. International Trade Commission].

Looking at the complexities and scalabilities of various communications between the business partners, there is huge gap of technology in terms of process tracking, communication and optimizing day-to-day operations.

So, here, we are exploring the area of **Vendor collaboration** through a **Vendor-driven Portal system**, where both the parties of any major branding Company in either Northern America or Europe (with their respective vendors) can exchange information and optimize different processes easily at various stages of their businesses and increase the margins.

Below mentioned diagram talks about the various standard business process in the apparel manufacturing space. The various stages of the activities and their nature can vary from company to company. The communication between AFS Company and vendor is shown by dotted arrows and these are the potentials business activities, which can be done through vendor portal system. These activities start from sharing “Technical Pack”, (A Detailed Product Description Document) with the vendor to product development and continue till shipment of final goods. Since we are exploring the back end supply chain of a apparel business, so across these business activities, three partners have been recognized, AFS Company (Who Places the order), Vendor (Who does bulk manufacturing) and Supplier (who supplier components such as fabric, trims, accessories etc.).
Modules in Vendor Portal

Currently we have identified five prime areas in this portal system. The list of these areas is not the exhaustive list but a suggestive list. The five areas are:

1. Collaborative Planning

Collaborative planning is a module where US based or European based Apparel Company can publish a supply plan on the portal. This supply plan primarily talks about the merchandise plan for the upcoming
season, the styles description along with detailed sketches, quantities and target costing (Optional) against each style. Once this plan is published on the portal, the vendor (Apparel or footwear vendor) gets intimation by e-mail. The vendor logs on to the portal and can access the supply plan, posted by Apparel Company. The vendor will post his responses against each style based on various parameters such as capacity analysis, Skill capability chart, Infrastructure related information etc. Once the company publishes this plan the Suppliers can accept the plan, or propose changes which are finalized after mutual discussion between the business partners. The updated plan is propagated to the Apparel Company’s planning system.

2. WIP Inventory Tracking

The main purpose of this module is to track the order completion rate. The Apparel Company can define mandates related to Inventory sharing timelines and structure of the information to be displayed on the portal. The structure of the information can be defined by using the standard templates developed by the apparel company with or without conjunction with the vendor. The supplier can update work orders, inventory details and complete shipment analysis across various product categories on the portal, record status against predefined milestones. The information from the Portal can also be good input for the ERP system to track the manufacturing details.

3. Quality-Net

Quality is one of critical and self assumed activity in the entire sourcing and procurement space, which means when an apparel company is sourcing the goods; it is assumed that quality parameters are strictly followed through out the bulk production barring few exceptional cases. The Apparel Company can define the quality templates for each critical stage of the manufacturing such as fabric inspection, cut parts inspection, stitching inspection, washing inspection and overall shipment inspection etc. The vendor can update the consolidated report of group of styles for each critical activity, on the portal. The Apparel Company will get an overall picture about the vendor capability landscape after couple of seasons. Below mentioned pictorial representation is self explanatory for all the inspection stages and their respective purposes.
4. Sample Management

In today’s scenario, where collaboration is one of the focus areas between various business partners, partnering with vendor starting from product conceptualization is another upcoming trend. The category manager or merchandiser from the apparel company can publish the Supply Plan, where pictorial representation of all styles, product specifications and sketches is displayed. The vendor can develop those samples and put up the status of those samples on the portal. The status of these samples can be summarized across product categories and the status can be in the form of proto sample (first stage of product development), size set sample (intermediate stage) and pre-production sample (last stage).

5. Product Development Collaboration

This module can be very much beneficial for the manufacturing company point of view by sharing their design capabilities. The vendors can develop design portfolio by tracking the latest trends in the market where customer is situated. By sharing its design capabilities with the apparel company, vendor can enhance the revenue generation opportunities. This way apparel company can select, reject or modify few of the designs and outsource to the manufacturing company. Apparel Company and suppliers can share the details of product specifications in a native format. It will be possible to match and compare closest fits between proposed designs and commercially available products/raw materials.
Challenges in Vendor Portal Solution

Every technology or concept brings different kinds of challenges along with it and same is true for vendor portal. Below mentioned are few challenges, we have anticipated:

1. **Interfacing with multiple customers:** Assuming most of the apparel & footwear companies implement vendor portal solution, which is customize to their unique business processes, Vendor has to log into multiple portals to upload and download the information. The entire exercise may pose few challenges in terms of collating the information.

   **Proposed Solution:** One of the possible solutions is that most of the vendors structure their hierarchy based on clients. So an individual Client manager (Also known as Account manager or Merchandiser) can log on to the system and track all the updates for their respective client.

2. **Integration Challenges:** The use of vendor portal can be maximized when we are integrating this system with company’s internal ERP system, planning system or other business specific solutions. There can be some Integration challenges on the technological front.

   **Proposed Solution:** The trend in the technological upgradtion ensures that an application can be developed, where this vendor portal can be technologically competent so that this solution can seamlessly talk to SAP AFS, CRM and similar other internal standard systems.

3. **Effort Requirements:** The apparel company and vendor has to put up their acts together to make this happen because at the initial stage, there will be tremendous efforts required to develop the customized templates for planning, WIP (Work in Progress), Quality-Net and other modules. Another potential challenge could be in terms of sharing the specific information with different vendors.

   **Proposed Solution:** The possible solutions for this challenge is that the resources and efforts sharing can be looked at between apparel company and their esteemed vendors, with whom they are working since long time or substantial amount of business is allocated to those vendors. The appropriate kind of trust between these business partners can also be another criterion to go for this joint exercise.

Conclusion

The horizon of apparel & footwear industry’s value chain can be broaden through collaboration among Vendor, Branding Company and Retailer. The use of technology can be best bet to make this happen, where a definite step would be taken towards optimizing the supply chain.

Vendor collaboration through portal promises to offer a cost effective means to communicate remote and technologically less sophisticated vendors.

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Wipro in Apparel and Footwear Domain

Wipro Technologies combines years of technical experience and domain knowledge in providing solutions to apparel and footwear companies across the globe. Wipro provides end-to-end business process consulting, e-business, data warehousing and business intelligence, CRM, SCM and technology infrastructure solutions and helps retailers improve service, convenience and personalization. Collaborative commerce, point of sales solutions, category management and warehouse management systems are some of the key solutions
offered by Wipro. Well established Centers of Excellence (CoEs) in the areas of supply chain planning and execution, merchandizing and pricing, RFID, pharmacy in retail, Business Analytics, TPM, In Store, Manufacturing solutions and multi-channel retailing help Wipro provide best-in-class solutions to the retail, consumer packaged goods and distribution industry.

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