Hope is Not a Strategy

Let it lead you to initiate a plan, define goals and roadmap for PLM.

Many footwear company executives look at their current design and product development operations and conclude things are just fine the way they are. The myriad of desktop applications, emails and files on separate and geographically dispersed hard drives and possibly, FTP uploads to collaborate with overseas offices and agents' works just fine, thank you.

While new, less complex and affordable PLM tools exist today, a fundamental understanding of PLM internally and at the executive level may not. Many do not see PLM as a business strategy and prefer theirs – a strategy of hope.

This white paper explains why PLM must be a corporate strategy and priority if operational efficiency is the goal at your business.

Challenges in the Footwear Industry

The footwear industry continues to face challenges; many of which are directly related to quickening pace and scope of international commerce.

- Globalization of product sales in emerging markets.

- Emergence of new sales channels.

- Shorter fashion trend cycles

- Increasingly complex sourcing strategies as production in China becomes more expensive.

- Retailers stretching the selling season, particularly the big seasons, have become standard practice. In some cases, seasons are overlapping.

- Environmental pressures to eliminate hazardous materials from product continue.

- And the continual rise in demand for innovative designs.

As footwear companies continue to expand globally, managing these challenges and the resulting complexity shapes the success of your current and future global operations. Unfortunately, if collaborative solutions such as PLM are not implemented, a lack of data correlates directly to an increase in risk.

About the author

Janet Amico has been a PLM Evangelist and President of Global Trading Systems (GTS) since 1996. GTS has always advocated PLM applications and the one size fits all strategy does not work. Vertical, and in some cases, product specific functionality is needed.

The Hope Strategy

Against this backdrop of ever increasing complexity, particularly when the demand for new designs on a global scale is overarching all challenges, the Hope Strategy is bound to fail. Executives can no longer hope:

- their designers can keep their Excel specs and revisions in order.

- the factory's sample room received the latest footwear specification, so your samples are correct.

- staff in China keep working late into the night to pull together the status reports we need compiled from all the spreadsheets, emails and other data sources floating around.

- your company can keep those margins up.

Oxford Dictionary [1] defines hope a feeling of expectation and desire for a certain thing to happen. Hope is a good thing that should mentally lead us to make a plan, define goals and roadmaps. Unless of course the situation is dire and there can't be a plan. Charles Snyder, Ph.D., [2] one of the first developers of positive psychology, defines hope as the sum of the mental willpower and waypower that you have for your goals. Dr. Barbara L. Fredrickson, Principal Investigator of the Positive Emotions and Psychophysiology Lab and Professor at the University of Carolina states that "hope literally opens us up...[and] removes the blinders of fear and despair and allows us to see the big picture [, thus allowing us to] become creative" and have "belief in [a] better future". [3]

Clearly, footwear executives need hope in order to define a real strategy with goals for managing new product development. That begins by understanding the fundamentals of Product Lifecycle Management and its importance not just downstream, but upstream. Conventional methods of operating product development operations are not up for the challenges facing the industry.

(Online Sources include : [1] Oxford dictionary: http://www.oxforddictionaries.com/us/definition/american_english/hope; [2] Psychology Today: http://www.psychologytoday.com/blog/beautiful-minds/201112/the-will-and-ways-hope; [3] University of North Carolina: http://www.unc.edu/peplab/barb_fredrickson_page.html

The Old Way of Working

- Multiple desktop tools being used
- Data everywhere
- Wasted time looking for critical data.
- Daily/monthly/season al data consolidated manually and reported in Excel
- No online data sharing/updating.

How PLM Strategy Can Help Your Company

Product Lifecycle Management (PLM) is a strategic management approach for running your business; it is not just a product development tool. The best benefits come from thinking of PLM in terms of a comprehensive, strategic change process management strategy. PLM as a management strategy needs to be at the core of how your business fundamentally operates. Three fundamental ways it can is by controlling data, controlling process and enable data sharing. Based on our experience with working with a host of footwear companies, here are some suggested steps for success.

1. Find Your Executive Evangelist

Remember, a successful PLM strategy needs top management support as well as a focus on process and business versus IT. In a study conducted by IBM this year on the automotive industry, this top management commitment ranks as the # 1 priority to the success of a PLM initiative. So, find your Executive Evangelist who is persuasive and can fully answer to the oft repeated remark from senior executives, "Why do you need PLM when we have ERP!" An executive champion who sells and educates the entire organization on the fundamentals of PLM, what goals need to be met and what will be required of departments and staff. Someone who can explain how non-value added activities can be eliminated and processes can be made more efficient, giving designers more time to do what they do best – creative design. It also needs to be an executive that listens to the users but at the end of the day may have to say to certain staff, "We are making this change".

1. Find Your Executive Evangelist

2. Look for Your Pain Points in Development

Footwear companies have many under-performing development processes and legacy systems which require improvement or replacement to maintain competitive advantage, regulatory compliance or to keep technology up to date. These processes and systems need to be properly understood to ensure requirements reflect the actual needs, but this step is often missed or given only cursory inspection.

So, good requirements have to be defined in a clearly understood context, but how can this context be determined? Analyzing pain points in the product development processes is critical. While these vary company to company, here are some consistent problems we have seen in client operations.

PRODUCT DEVELOPMENT

- Inconsistent processes and ill-defined workflows
- Difficulty in tracking current spec revisions
- Spec sheets "disappear" from hard drives causing delays
- 30% of staff time is spent looking for spreadsheets and emails
- Difficulty in quickly responding to customers frequent changes
- Cannot track why a spec changed (and by whom), why there are so many sample reworks, why we chose a manufacturer whose cost is higher than others and numerous other unanswered questions.
- Mind numbing status update meetings
- Difficulty communicating with overseas offices, agents and manufacturers. No collaborative sharing tool.
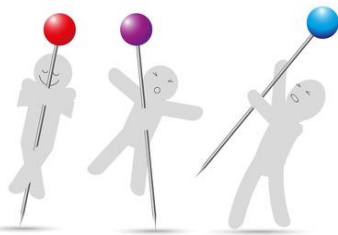
SOURCING

- Possible incorrect order details
- Inability to provide input during the design process
- Difficulty coordinating and communicating spec changes during manufacturing
- Quality department working off old specs

Management

- Difficulty tracking current customer and line status
- Endless status update meetings
- Bottom Line Impact due to:
         Inability to innovate productively
         Overall cost of development is too high

2. Look for your pain
     points in development

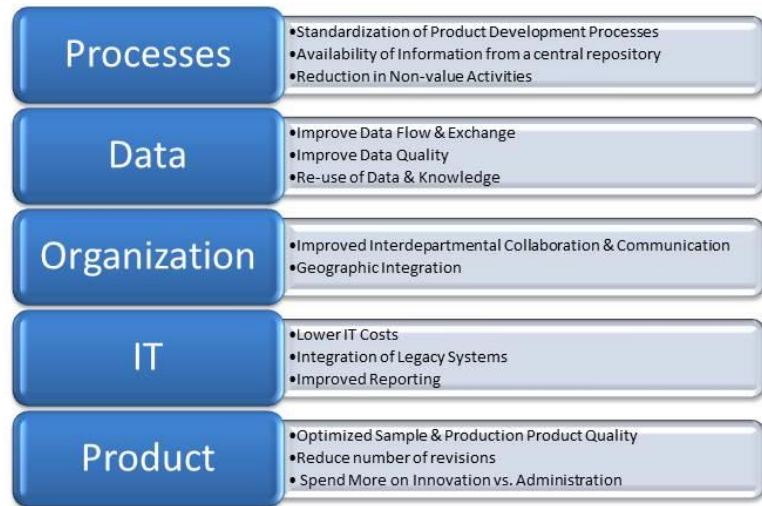### 3. Set Goals for Your PLM Strategy

After identifying your organizations' pain points in need of correction, set goals and priorities. Break them down by improvements you'd like to see in Processes, Data, Organization, IT and Product. See an example on the next page.

Corporate Goals for PLM

Processes
- Standardization of Product Development Processes
- Availability of Information from a central repository
- Reduction in Non-value Activities

Data
- Improve Data Flow & Exchange
- Improve Data Quality
- Re-use of Data & Knowledge

Organization
- Improved Interdepartmental Collaboration & Communication
- Geographic Integration

IT
- Lower IT Costs
- Integration of Legacy Systems
- Improved Reporting

Product
- Optimized Sample & Production Product Quality
- Reduce number of revisions
- Spend More on Innovation vs. Administration

3. Set goals for your PLM strategy

4. Establish Metrics

The goal of PLM is to make your employees more productive with the help of best-in-class business processes and technology solutions. Your justification for PLM will require both qualitative and quantitative components to prove your business case.

PLM results in elimination of non-value added tasks, reduced cycle times, and improved overall end-to-end process efficiency. The PLM ROI analysis is a bit different than ERP or other initiatives which are transactional in nature. An effective PLM solution will integrate various functional and cross-functional business teams to gain a variety of intangible and tangible benefits. Besides the hard ROI, many intangible PLM benefits lead to setting up a stable and scalable foundation to your integrated product development processes and systems to support future growth.

Here are some published financial and operational metrics as well as performance ranges and results of PLM systems in the apparel/footwear/retail sector.[4]
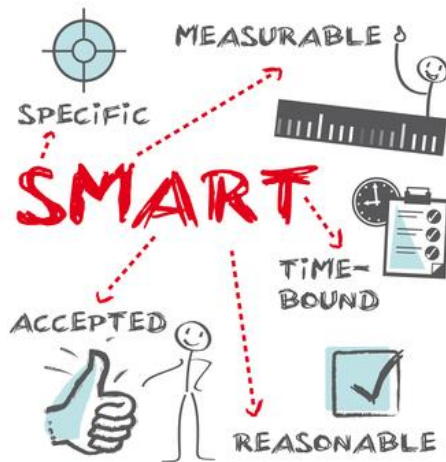
#4. Establish metrics

Cycle Time

- Reduced timeline from 90 weeks to 78 weeks
- 12% reduction of total lead time and EBIT increase by 3.5 percentage points
- Decrease in calendar lead time by 15% in the short term

Sales

- Increase in sales by 2 – 5% through greater customer relevance

Materials

- Saved 1.5 million on leather and $500,000 on boxes through earlier and collaborative involvement with overseas offices and clients
- Reduced prototype iteration rate by 50 – 65% though a collaborative and efficient design, sample and costing process

Samples

- Reduced salesmen sample cost by 40% through earlier and collaborative involvement with overseas offices and clients
- Reduced prototype iteration rate by 50 – 65% though a collaborative and efficient design, sample and costing process

Costs

- Decreased product costs by 2-5 percent
- Reduced airfreight costs by up to 70% via clear roles and defined target delivery dates
- 2 – 3% reduction in product costs

Margins

- Improved margin by 1 – 3% percentage points through better sell-through
- Each week of lead time reduction results in a .025 percentage points increase in maintained margins.

Commercialization/Adoption

- Improved style adoption rate by 25 – 40% through structured market data input
- Improved style hit rate by 15 – 20% through shorter calendar lead times

Testing

- Reduced fit and lab dip iteration rates by 20% through clear communication and enforcement of technical standards

Quality

- By eliminating product defects in the development cycle, product quality was improved by as much as 40 percent.

Human Resources

- Saved product entry teams 40 working days per year

Direct Sourcing

- Shifting to a direct sourcing model relying on PLM leads to savings of over 12%.

(Online Sources include [4] Kurt Salmon; Customer Driven Product Development @ http://www.slideshare.net/KurtSalmon/041-020-ks-white-paper-02-2012-web)

5. Find an IT solution to Support Your PLM Initiative without Overwhelming Your Organization

The classic PLM vendors try to support Footwear with their traditional vanilla systems that can be too complicated or not user-friendly enough. The complexity can come from trying to meet the requirements of various product categories within the same application. At the same time, many niche PLM vendors have more lightweight entry level solutions, simple and easy, sometimes cloud-based.

Again, many of these solutions are not vertically focused or lack an upgrade path to enterprise PLM.

My recommendation is your selection criteria for a PLM solution include:

- Ease of use
- Ability to integrate with other enterprise systems
- A well mapped plan and speed of implementation
- Provides an upgrade path to enterprise PLM
- Tailored to footwear

And it should contain the following capabilities:

- Product Specifications Management
- Sample Management
- Material Management
- Product Cost and Margin Management
- Commercialization/Adoption Management
- Collaborative Tools

Conclusion

Over the past 10 years, there are many reasons for footwear companies have been slow to adopt PLM. Clearly, the economy has played a role. Lack of human resources, the expense and concerns the solutions out there are not tailored to their business top the list. And one of the most challenging obstacles is simply people don't like change.

But with newer, simpler and affordable applications available specifically designed specifically for the industry, you can deploy PLM and realize the financial gains and operational efficiencies needed to improve your performance.

As I stated earlier in this white paper, footwear executives need hope in order to define a real strategy with goals for managing new product development. Here's hoping your company finds an internal champion, defines a strategy for PLM, deploys a solution that does not overwhelm your organization and meets your initial goals and finally, you reap the benefits that can assist you in meeting the challenges of the footwear industry.

5. Find an IT solution to support your PLM initiative without overwhelming your organization