KZN CTC BULLETIN MAY 2016

Welcome to the first bulletin of the KZN CTC for 2016. Click on any link below to be redirected to the full online version of the bulletin.

Please forward this email onto interested parties or signup if you do not receive the newsletter already.

Articles in the bulletin are

RECENT EVENTS:

BOOST CMT DEVELOPMENT PROGRAMME

The KZN CTC took members on a tour of the most improved CMT firms from the 2015 Boost Programme. These were Aspire Fashions, Windor Trade, and Verulam CMT. All three firms had received an introduction to the eight wastes as well as instruction on continuous improvement, 5S and the application of TAKT thinking to line layout.

Other recent events organised by the KZN CTC are as follows:

Date	Event
	Executive
17 Feb 2016	Exco Meeting
30 Mar 2016	AGM & Exco Meeting
	World Class Manufacturing
17 Feb 2016	Export Study Presentation (Justin Barnes)
22 Feb 2016	Practical QR (Arzu Ensari) Zara Findings Presentations (Justin Barnes)
	Skills Development Programme
01 Feb 2016	Commencement of Ladysmith TRACE with Durban Overall, Excel Clothing, Zorbatex and AJ Charnauds - 20 participants

QUICK RESPONSE INSIGHTS FROM A TURKISH EXPERT:

the role of retailers, design houses, mills & cmt firms

During February 2016, the KZN CTC hosted Arzu Ensari, former Head of Sourcing for George in Turkey. Arzu presented a series of workshops on the responsibilities of different value chain actors in implementing QR including: retailers, design houses, textile mills and CMTs.

Arzu commenced by identifying two types of QR. The first type, used by Zara, entails the selection of products presented by suppliers. The second, utilised by H&M, Zara and George, focuses on reducing standard lead times by setting up unique ways of working and forming strong partnerships between retailers and suppliers. The second approach, promoted by the KZN CTC, allows for flexible response to in-season fashion and demand trends – alongside consistent replenishment of basic long-lead time products.

The Roles of Retailers, Design Houses, Mills and CMTs

Arzu emphasised that the inherent flexibility of the QR process is underpinned by precise and rigorous planning, as well as consistent follow-through from all the actors in the value chain.

In order for QR to be implemented successfully, retailers need to have a clear QR strategy which outlines QR product type and performance requirements, quality standards and production lead times from purchase order within a defined calendar. The system will only work if the retailer

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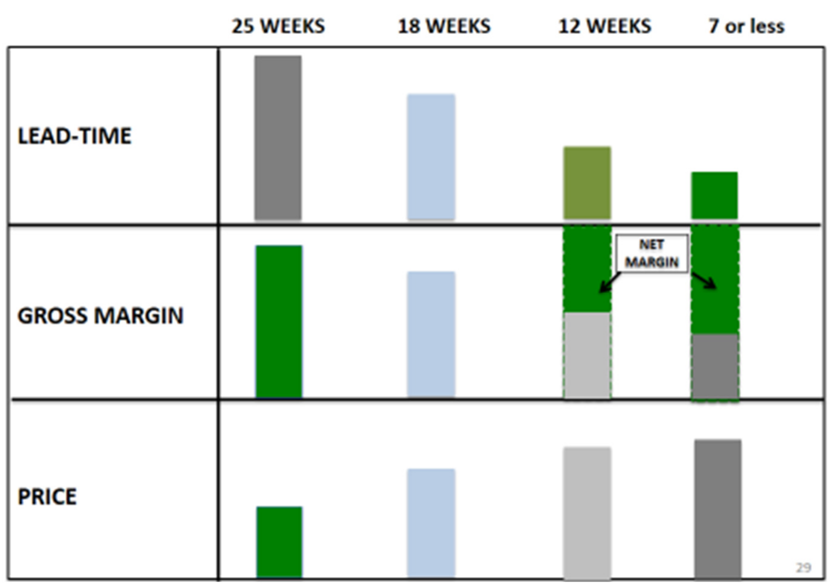
exercises discipline in decision making and promotes communication and information sharing with strategic suppliers.

For their part, the design house needs to align themselves with the strategy and processes of retail customers. Design houses bridge the gap between the QR expectations of the retailer (including brand authenticity, design flexibility, lead times and quality) and the capabilities and capacities of textile mills, manufacturers and internal design teams.

Textile mills and manufacturers are principally responsible for planning according to the pre-defined capacity requirements of design houses. These manufacturers must also continuously find ways to reduce production waste and cost whilst also reducing lead times and improving quality. This becomes easier when design houses commit to long term relationships and clear communication of expectations.

Tools for QR Strategic Planning

From a retailer perspective, Arzu presented some useful tools to assist with the strategic planning for quick response. As has been highlighted in previous KZN CTC training, lead times, input margin and pricing targets will be quick different for QR as opposed to traditional, long lead time products – as outlined in the graphic below. Whilst input margin per unit might be lower for a QR product, ultimate net margin will be the same because of the retailer's ability to trade into demand and out of poor sellers.



In the lead-up to the season, the following activities are required:

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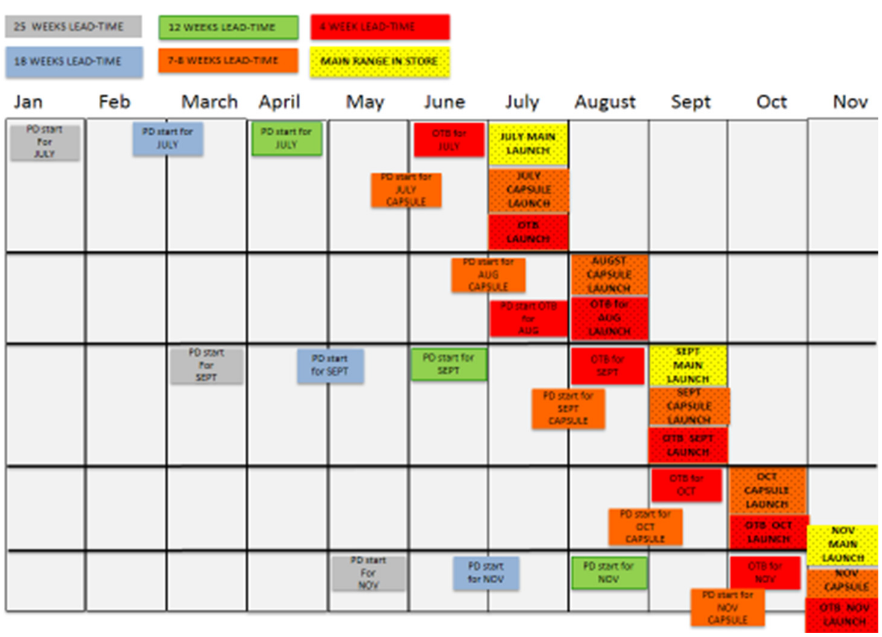
Strategy	Design	Base Plan
3-4 Months prior to first purchase decision:	**2 Months prior to first purchase decision:**	**1 Month prior to first purchase decision :**
Alignment with the company vision: • Autopsy of last season, • Product, fabric, sourcing strategy built • QR vs traditional budgets agreed.	• Colour forecast, • Fabric-print direction, • Key trends, • Define key volumes.	• Option plan, • historical data analysis, • current events, • stock holding percentage, • pricing, • sourcing and supplier strategy, • space allocation, • ranges vs blocks, • financial decisions regarding margin, selling price, markdown etc.

Setting the calendar

Ultimately, achieving QR lead times within season requires value chain co-ordination, best achieved through the development and adherance to a trading calendar. In the example below, Arzu illustrated how the planning for monthly launch of different lead time products need to be staggered. In George, five different lead times are defined starting at 25 weeks for traditional products, 7-8 weeks for quick response and 4 weeks for fast fashion.



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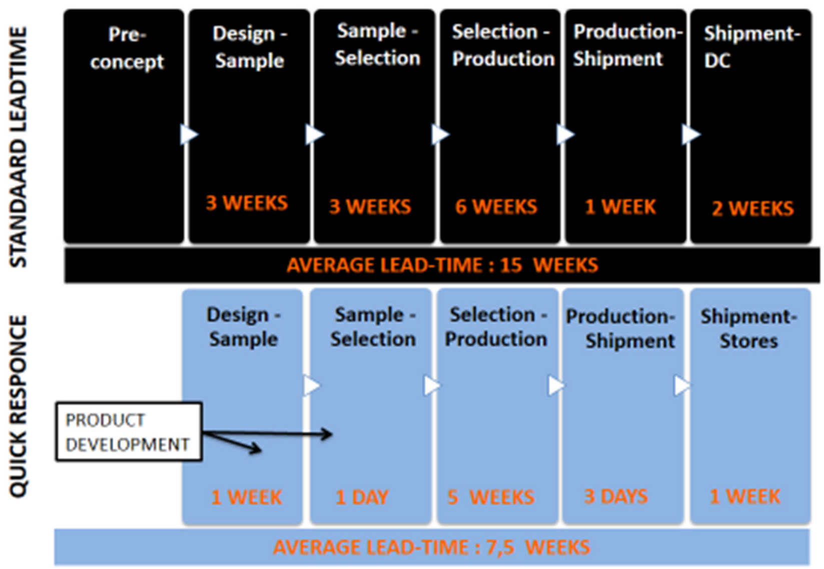
Lead Time Comparison

For many South African retailers, the major challenge in achieving QR lies in reducing lead times. From 5-6 months to 7-8 weeks (including design). In the diagram below, Arzu compares European lead times for both standard and QR production.



In order to move from a standard to QR lead times, every step of the production process requires optimisation:

Design to Sample: For QR, this process needs to be reduced from 3 weeks to 1 week. This is achieved through the face to face agreement on a design wish list (between the design house and the buyer) and an upfront agreement on design developments.

Sample to Selection: In QR, sample selection is done in person and can occur in a single day because the retailer has a dedicated team with decision making power. It is possible to comfortably approve design in one day because the fabrics, prints and pricing is defined ahead of the season. On this day prices are agreed, orders are raised and production can commence.

Selection to Production: In an ideal environment fabric is converted in the two weeks prior to production. In the South African environment, final fabric decisions might need approval before sample selection.

Production to Shipment: Accelerated shipment methods need to be utilised - including dedicated networks for the transportation of QR merchandise.

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Challenges of Managing QR Programs

In achieving QR, a QR budget needs to be allocated ahead of time and rigor applied to constantly managing this budget. it is important that retailer employees tasked with managing QR have decision making power, and are tasked with different KPIs to merchants managing the traditional pipeline. To achieve QR lead times, strict discipline is required throughout the value chain and all the key players need to be aware of and adhere to the buying calendar.

Industry News

"CTRL click" the headline to view the full story on line.

INDUSTRY NEWS

An industry dressed for success

By: Amy Musgrave, 31 March 2016

In the current socio-economic and political climate, we are all desperate for a bit of good news. South Africa's clothing and textile industry gives us just that.

Swaziland textile companies get a lifeline

09 April 2016

Textile companies of Swaziland which were hard hit by the loss of the lucrative duty free market under African Growth and Opportunity Act (AGOA) of the US Government, have found another preferential market that is ready for textile products. The market was opened on April 1, 2016 when the Preferential Trade Agreement between MERCOSUR and the Southern African Customs Union (SACU) entered into force.

RETAILER NEWS

Foschini buys UK retailer

By: Loni Prinsloo, 24 March 2016

The Foschini Group agreed to buy UK clothing chain Whistles for an undisclosed sum, accelerating the South African retailer's international expansion.

Truworths pulls out of Nigeria

By: Janice Kew, 22 February 2016

Truworths International closed its two remaining Nigerian stores last month as stringent regulation of stock imports, foreign exchange controls and rising costs made it too difficult for the South African retailer to operate in Africa's biggest economy.

Edgars turns to private label products

By: Zeenat Moorad, 29 February 2016

As part of its broader plan to tackle declining sales and profit, Edcon's core Edgars chain is undergoing changes to try to claw back market share.

UPCOMING EVENTS (APRIL – JUNE 2016)

Date	Event
	Executive
26 – 27 May	6th Retailer, Clothing and Textiles Imbizo
	World Class Manufacturing
19 April	Innovation Session: Continuous Improvement – implementing a company-wide performance management control system (Dyefin Textiles)
13 June	Innovation Session: Optimising Line Layout using TAKT Time (Excel Clothing)
	Small and Medium Enterprises
Apr	SME Firms Priority Setting and Direct Intervention
	Skills Development Programme
June	Pietermaritzburg TRACE
July	Textile Preproduction Module

YOUR IDEAS

If you have any ideas for improvement or would just like to get in touch, please contact Sasha Moodley:

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