

CCTC Newsletter: June 2016

Welcome to the CCTC June bulletin edition. Scan the list of contents below for news items of interest and click on the link to be taken to the relevant section. The feature article in this bulletin presents a summary of the Quick Response model as interpreted and applied by Turkish expert Arzu Ensari. Arzu ran an informative workshop for CCTC members earlier in the year, hosted at Prestige Clothing.

Please forward this bulletin on to colleagues who you think would benefit, or subscribe to receive the bulletin on a quarterly basis by emailing cctc@bmanalysts.com with your details.

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National CTFL IMBIZO

The 2016 Imbizo brought together major South African retailers and clothing and textile manufacturers. The primary objective of the two-day event held on the 26th and 27th May was to discuss the state of the value chain, major development opportunities and stakeholder requirements, and roles and responsibilities for achieving those goals. Excellent participation at the event ensured valuable input was received from across the value chain.

Day 1 comprised an update on the state of the industry, followed by a series of panel discussions and breakaway sessions, with participants divided into groups representing the different areas of the value chain. The evening session provided networking opportunities and included a keynote address by the Minister of Economic Development, Ebrahim Patel. The event continued on Day 2 with an update on national government policy by the Chief Director of the CTFL unit at the Department of Trade and Industry, and concluded with a summary of the findings and actions that came out of the panel discussions and breakaway sessions the previous day.

A comprehensive briefing note outlining the proceedings and outcomes of the event was recently distributed to all CCTC members.

Quick Response Insights from a Turkish Expert

During the first quarter of 2016, B&M Analysts hosted the previous Head of Sourcing for UK retail brand George in Turkey, Arzu Ensari. During her stay, Arzu presented at a workshop for CCTC members, focusing on the responsibilities of different value chain actors when implementing QR, including retailers, design houses, textile mills and CMTs.

Arzu's presentation initially focused on the upfront commercial relationship between retail and the design house and associated monthly capsule process, followed by the strategies implemented throughout the supply chain to reduce lead times and improve partnerships in order to meet timelines required for QR trading.

The Roles of Retailers, Design Houses, Mills and CMTs

Throughout the course of the workshop, Arzu emphasised that the flexibility of the QR process is supported by rigorous planning and consistent follow-through from all the actors in the value chain.

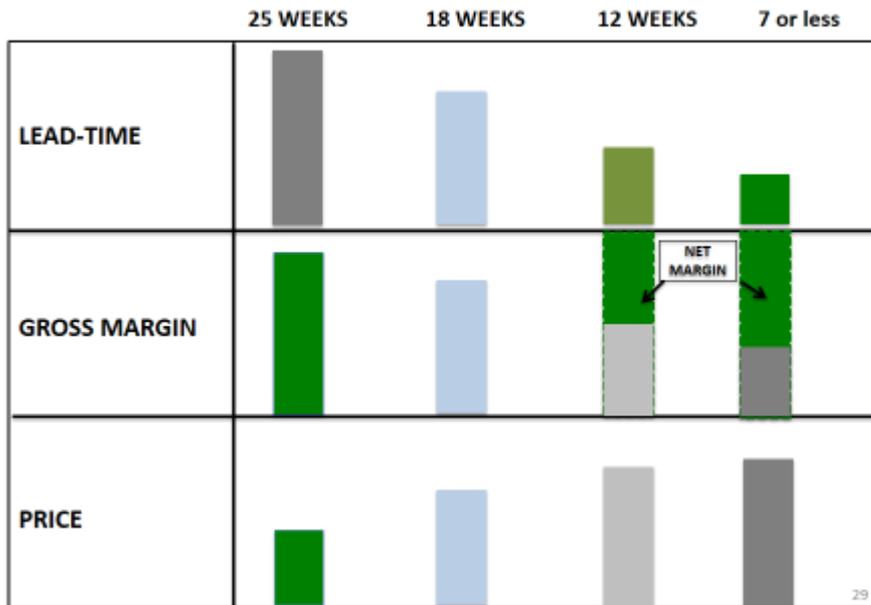
Successful QR implementation requires retailers to have a clear QR strategy outlining QR product type and performance requirements, quality standards and production lead times from purchase order within a defined calendar. The QR process will only be effective if the retailer exercises discipline in decision-making and promotes communication and information sharing with strategic suppliers.

Accordingly, the design house must be aligned with the strategy and processes of retail customers. This stems from design houses bridging the gap between QR expectations of the retailer (i.e. brand authenticity, design flexibility, lead times and quality) and the capabilities and capacities of textile mills, manufacturers and internal design teams.

For this reason, textile mills and manufacturers are mainly responsible for planning according to the pre-defined capacity requirements of design houses. In addition, these manufacturers must constantly find methods to reduce production waste and cost, as well as reducing lead times and improving quality. This process becomes easier when design houses are committed to long term relationships and there is clear communication of expectations.

Tools for QR Strategic Planning

From a retailer perspective, Arzu presented some useful tools to assist with the strategic planning of QR. The graph below indicates the relationship between lead time, input margin and pricing targets. Although input margin per unit may be lower for a QR product, the ultimate net margin will be similar because of the retailer's ability to trade into demand and out of poor sellers.



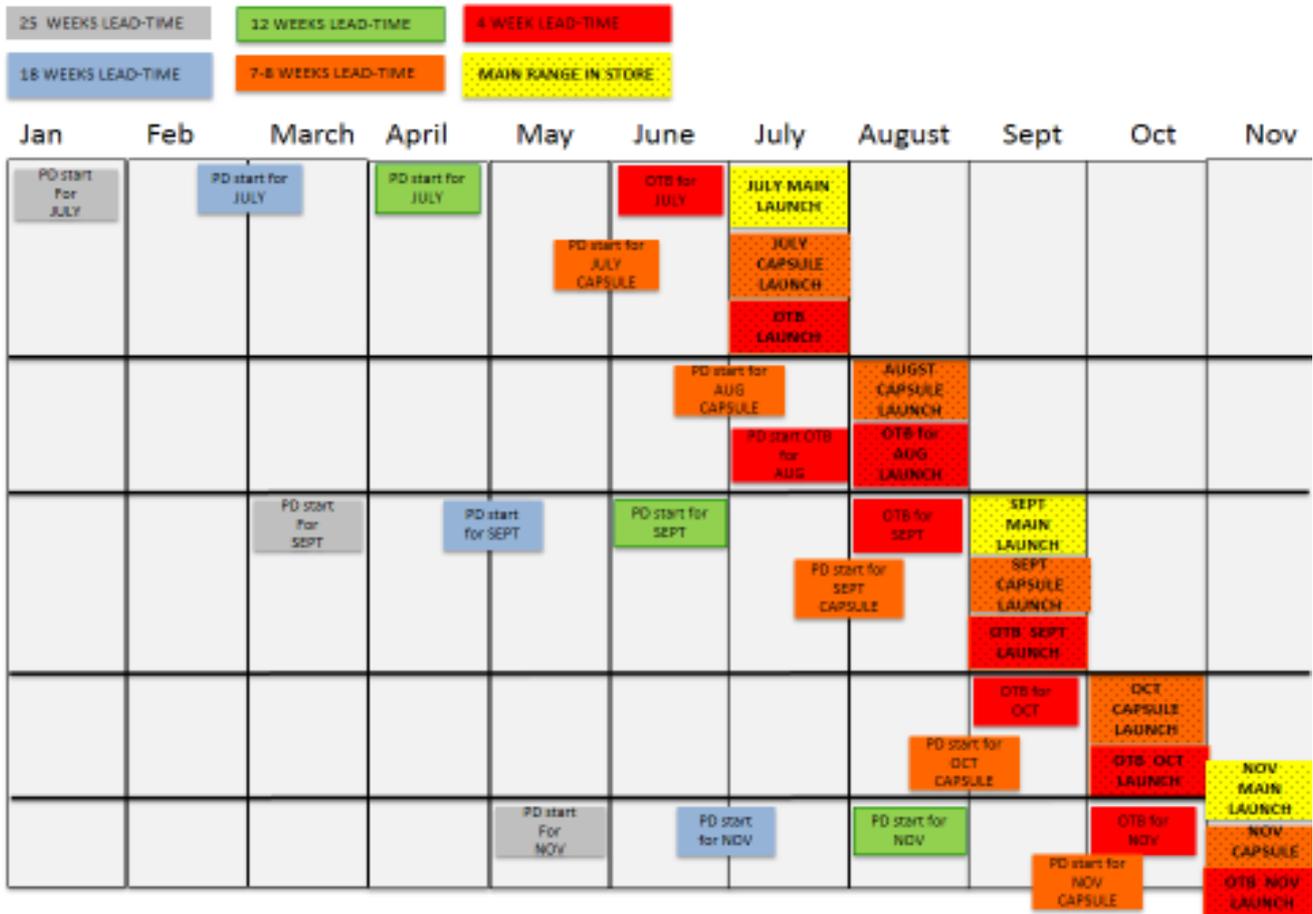
Before the season commences, the following activities are required:

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
<ul style="list-style-type: none"> Review of previous season Product, fabric, sourcing strategy built QR vs traditional budgets agreed upon 	<ul style="list-style-type: none"> Colour forecast Fabric-print direction Key trends Define key volumes 	<ul style="list-style-type: none"> 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

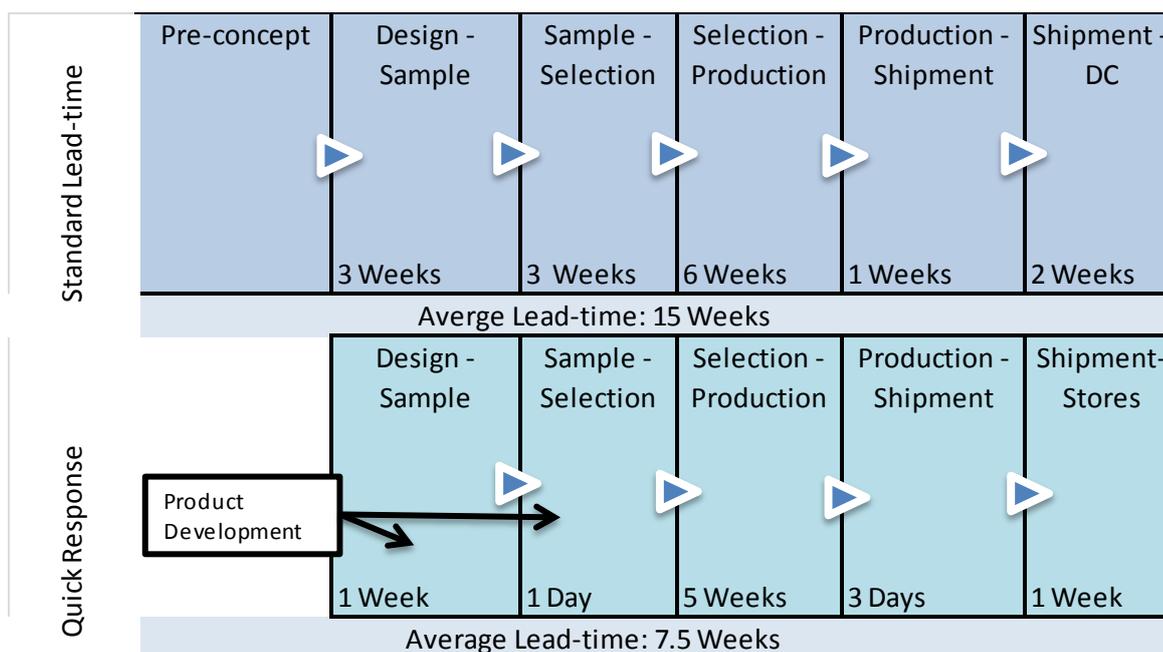
In due course, achieving QR lead times within season requires value chain co-ordination which is best achieved through the development and adherence to a trading calendar. As depicted below, Arzu illustrated how the planning for monthly launch of different lead time products must be organised. In George, 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.



Lead Time Comparison

Many South African retailers find that the difficulty in achieving QR lies in reducing lead times, particularly from 5-6 months to 7-8 weeks (including design). In the diagram below, Arzu has compared European lead times for standard and QR production.



In order to transition from standard to QR lead times, optimisation is required at every step of the production process:

Design to Sample: In the QR process this needs to be reduced from 3 weeks to 1 week. This is achieved by means of face-to-face agreement on a design wish list between the design house and the buyer, as well as an upfront agreement on design developments.

Sample to Selection: Sample selection in the QR process is done in person and can occur in a single day since the retailer has a dedicated team with decision-making discretion.. Importantly, these new samples are based on pre-defined seasonal fabric and trim base and can be produced within the specified timeframes accommodated by the QR model. In the event of sample approval, prices are agreed upon, orders are placed and production can commence.

Selection to Production: Ideally, it would be preferred for fabric to be converted within two weeks prior to production. However, due to fabric conversion constraints in South Africa, final fabric decisions may need to be taken before sample selection.

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

In summary, successful QR implementation requires that the QR budget and calendar be set well ahead of time and strictly adhered to. In addition, it is important that retailer employees responsible for managing QR

have decision-making discretion, and are tasked with different KPIs to merchants managing the traditional pipeline.

Upcoming Events, 2016

Date	Event
	Executive
June	Imbizo Briefing Note Distribution
August	EXCO Meeting
November	EXCO Meeting
	World Class Manufacturing
June	Benchmarks: Waltex, Rotex Fabrics and Keedo WCM Workshop Series: Workshop 1-20 th June (theory and practical at member firm)
July	Benchmarks: Cotton Traders, Hextex and International Trimmings & Labels WCM Workshop Series: Workshops 2 -13 th and 3-28 th July (theory and practical at member firms)
August	Benchmarks: Mizpah, East London Textiles, PepClo and Grants True Leather WCM Workshop Series: Workshop 4-16 th August International Benchmarking: TBC
September	Benchmarks: Mizpah, East London Textiles, PepClo and Grants True Leather Best Practice Study Tour: KZN
	Quick Response
July	QR best practice research (Turkey) and findings
July – October	QR training for Retail (per retailer)

Events to date, 2016

Date	Event	Venue
January	CCTC EXCO and Strategy Session	The Riverclub
February	WCM Introductory Workshop for Supervisors	K-Way

February	QR Expert Workshop – Arzu Ensari (Turkey)	Prestige Clothing
March	4-day Patternmaking and Raw Materials preparation Workshop	CPUT
March	WCM Introductory Workshop for Executives and Management	Freudenberg
April	2-day Quick Response Training for Manufacturers	PepClo
April - May	4-day Understanding Fabrics Workshop by Dave Mason	CPUT
May	CCTC EXCO, AGM & Annual Report	Cape Town Club
May	CTFL National IMBIZO – 26 th and 27 th May	Devonvale Golf & Wine Estate
Feb-June	<i>Benchmarks:</i> Bri-Clo, Beaches, Peter Blonde, Freudenberg, K-Way, Genuine Connection, Radeen, Prestige Clothing, Keedo, Waltex	At firm

Your Ideas

If you have any ideas for improvement or would like to get in touch, please contact us at:

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