EXECUTING ON TIME, ALL THE TIME

APPAREL EXECUTIVE'S GUIDE TO COMPETITIVE ADVANTAGE

columbusconsulting
RETAIL | ECOMMERCE | WHOLESALE

Great apparel brands maintain competitive advantage by consistently executing on time. Executing late, or under constant pressure, is not a mark of creativity. It's just bad management.

Do you have friends who always run late?

It's annoying, right? When they keep you waiting, you're not so eager to see them next time.

So it is with customers. If you don't give them what they want, on their schedule, they find other brands that do.

That's why you turn your company upside-down to deliver what they want, when they want it.

Running late versus being late

But if you often meet your deadlines by the skin of your teeth, it's almost as bad as being late.

You can't expect your people to work under high stress most of the time. They burn out. The best ones quit.

Productivity plunges. Your suppliers grow less accommodating. You pay through the nose to expedite. Costs skyrocket. Profits sink.

No one gets a badge of honor for working under unnecessary pressure. To do so is not creative or artistic. It's just bad leadership and execution.

What great apparel brands do differently

The best-run companies are fast and efficient, but they are not frenzied. They don't have to be.

These top performers have excellent design, execution, growth, and profitability. They've honed their competitive advantage through the consistency of their execution.

Here's how they do it:

- They share a disciplined commitment to achieving the few critical milestones that are essential to meeting company goals.
- They carefully manage their time and tasks between the milestones.
- They hold each other accountable to meet their deadlines. *Everyone*. Even their CEO. *Always.*

These are what I call *calendar-managed enterprises*. The concept is simple, but the discipline is hard.

Why it pays to execute on time, all the time

It's worth the effort. Companies that run this way have *built in* time for creativity.

They accommodate the inevitable surprises. They operate more smoothly, with less stress, less crisis management.

Company morale improves. Costs go down. Customers are satisfied. They keep coming back. Market share increases. Profits increase. Share values rise.

In these pages, you will read about the many less-than-obvious costs of operating at the edge of crisis.

You will see some of the many common symptoms that appear when apparel brands do so.

And you'll see, at a high level, how you can help your company achieve the many competitive advantages of becoming a calendar-managed enterprise.

High cost of the status quo

Even when you miss *only a few internal deadlines*, the consequences cascade throughout your organization.

The decline in performance often happens slowly and insidiously.

You may not notice the effects until they appear on a profit-and-loss statement or a balance sheet. By then, you struggle to identify the causes.

Familiar symptoms, deeper problems

Here are just a few examples of symptoms that suggest a company may have a problem:

- Shipments to retail customers are often late or incomplete.
- The company struggles to be on time because it is often reacting to some crisis.
- New stores and new seasons begin with gaps in assortments.
- Floor sets are often late.

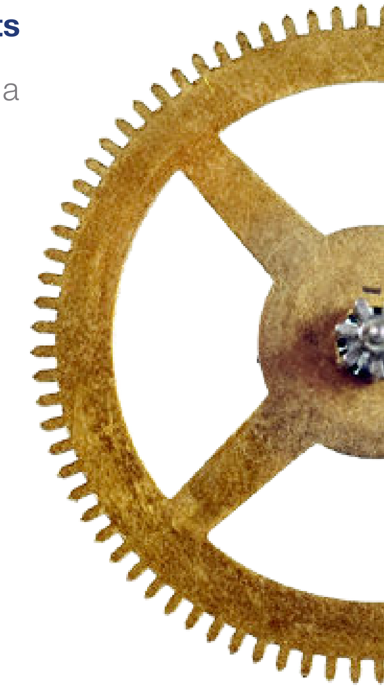
These common symptoms suggest misaligned processes and weak internal discipline:

- Participants in design reviews and line reviews are not well prepared to make key decisions.
- Company executives allow these critical milestones to be rescheduled.
- Poor preparation compromises the quality of key decisions. The product suffers.

Here are some examples of what happens when companies fail to integrate key business processes and decisions:

- Merchandise planning processes are not integrated with the sourcing functions. Inevitably, raw-material forecasts do not align with SKU plans. Brands order too much fabric.
- Brands develop more products than they will ever sell. They accumulate finished goods samples that never make it to production.
- Delays and errors occur repeatedly throughout the product development process. “Time to market” is unnecessarily long.
- The brand’s management calendar and production calendar don’t accommodate last-minute substitutions of fabric, color, and style.

Complex causes and effects



Consider the chain of pain for a multi-channel retailer of men’s apparel. The CEO of this company is under pressure from his board and external stakeholders.

Comparative-store sales and margins are below expectations:

- The brand is losing sales to competitors.
- Store traffic is down.
- Customers aren’t buying.
- Stores have too much of the wrong inventory.
- Markdowns are sky high.

These things are likely happening for these reasons:

- Critical styles didn’t arrive to the warehouse on time.
- The right styles, colors, and sizes are out of stock too soon.
- The wrong styles, colors, and sizes sit on the shelves in abundance.
- Seasonal floor sets are delayed.
- The customer experience is not compelling.

At an even lower level of detail, we uncover these causes:

- Calendar disciplines broke down with delays in design reviews and line reviews.

Missed internal deadlines drain profit from many apparel brands.

- Merchandise Planning didn't align demand forecasts with Sourcing.
- Suppliers did not receive style and color corrections in time.
- Even expedited air shipments arrived late at the warehouse.
- Budget delays occurred because Merchandise Planning and Finance were not aligned.

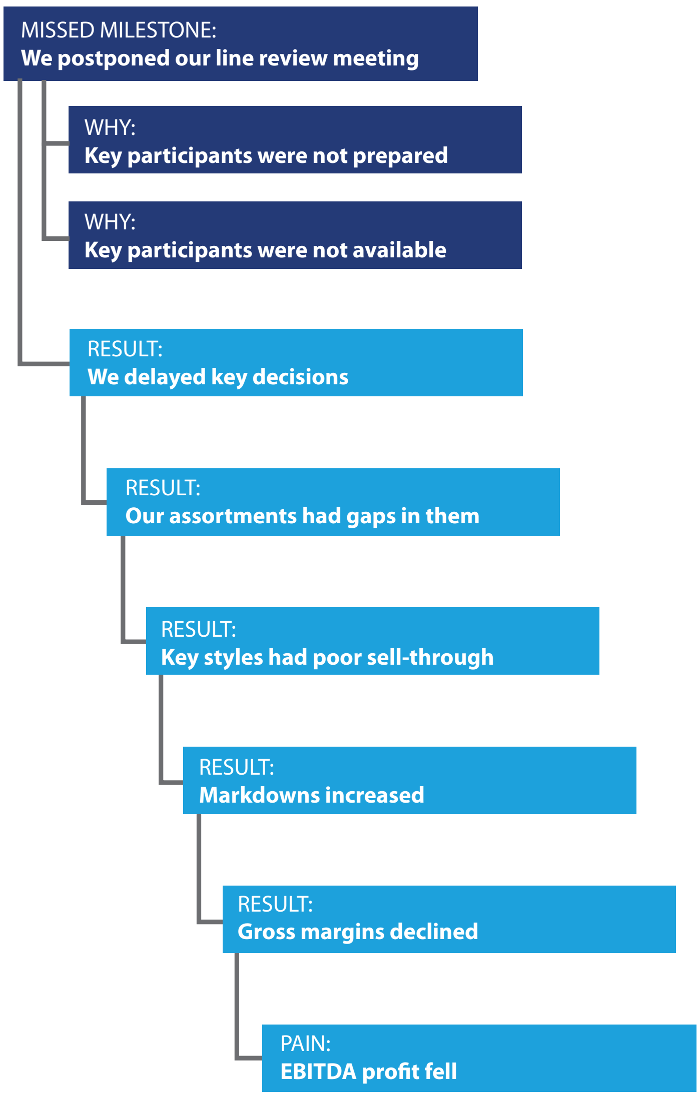


Figure 1.
Companies unknowingly cause financial consequences when they miss internal deadlines.

When companies chronically miss deadlines, senior executives bear most of the responsibility.

Small slippage, big consequences

You can pursue a chain of causes and effects down a hundred parallel paths.

Figure 1 shows another example of how a missed deadline affects a financial statement.

Similar diagrams could connect many other missed internal milestones and costly failures of execution.

In aggregate, missed milestones have big financial consequences.

Why companies don't keep their own deadlines

If apparel brands incur such a high cost for missing their own deadlines, why don't they fix the problem?

Senior executives bear most of the responsibility:

- Many companies use merchandising calendars. But they don't embrace their product lifecycle calendar as the core operating tool for the entire enterprise. Their operating calendars get disengaged from their product lifecycle. This happens even though the product lifecycle is the most important element of their business. (More on this in a moment.)
- Companies don't integrate all of their essential business processes into their main calendar.
- Their executives do not strictly adhere to critical milestones. They enable, tolerate, perpetuate, and sometimes even exacerbate the problem by allowing dates to slip without holding people accountable.
- Executives often try to do too much. They fail to focus first on the processes that are essential to their success.

It is hard to change a company's culture.

Some apparel brands are long on vision and short on execution.

They pride themselves on their creativity and are less careful about executing their strategy.

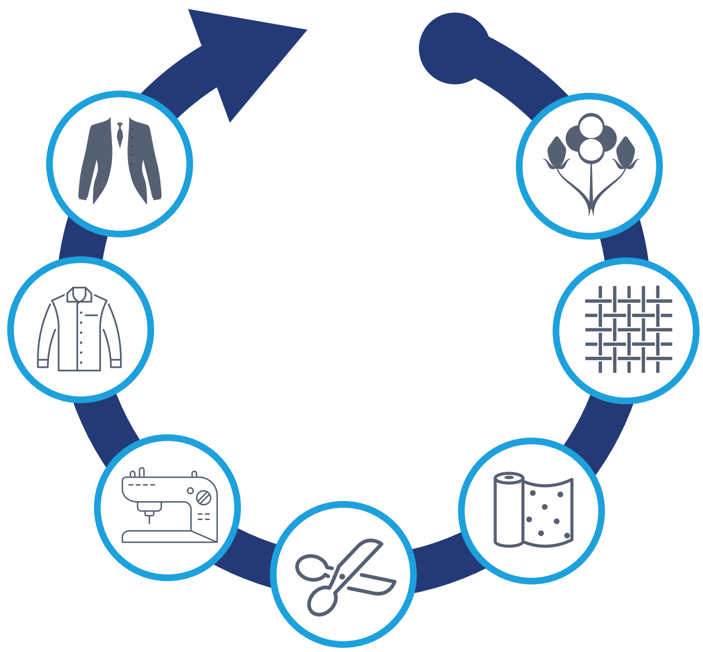


Figure 2.
The product-development cycle, from raw materials to finished goods, is the central focus of effective apparel companies. It sets the pace for all other business activities.

Getting serious about executing on time

Despite the challenges, many companies big and small have begun changing their culture to one that executes on time, all the time.

The first step is to identify the single most important timeline for your company. For most apparel companies, it is the cycle from product to customer.

At Perry Ellis Menswear, we called it the cycle from "dirt to shirt." Beginning with the cotton harvest, it included the weaving, cutting, and sewing of fabric. And it ended with the customer buying the shirt and wearing it (Figure 2).

We rearranged all our operations to optimize this cycle. Our laser focus enabled us to concentrate our limited resources on the elements that contributed most to our success.

Every other activity, process, operation, or business function was of secondary importance.

Your product-development cycle becomes the primary timeline that anchors all other priorities and activities.

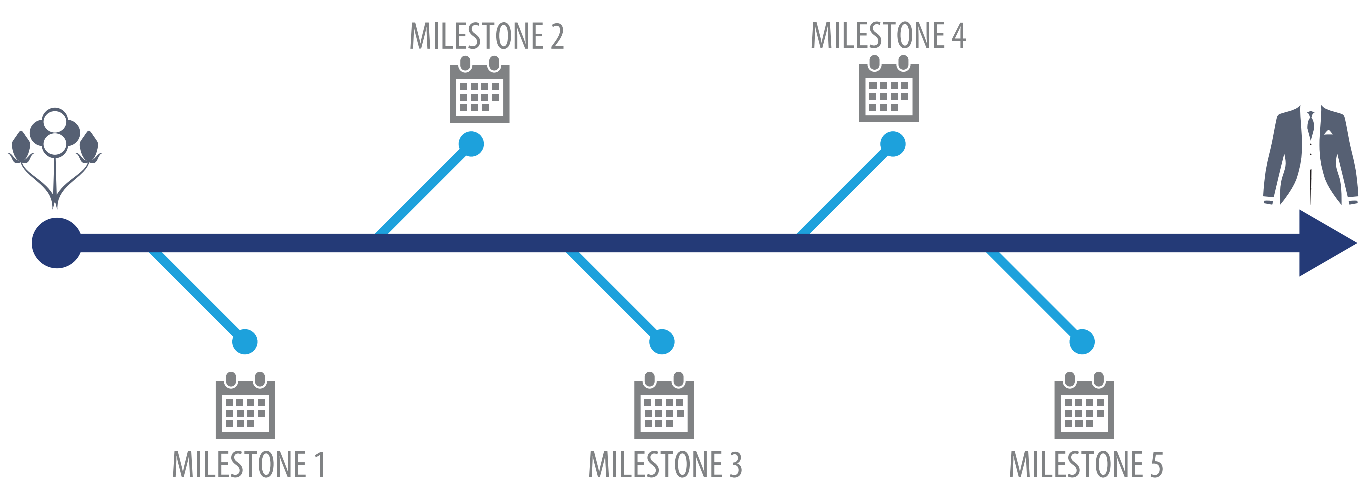


Figure 3.
To establish critical operational milestones, first lay out the elements of your central business cycle on a horizontal timeline. Then fit the milestones between the starting and ending points of your cycle.

With CME, you simply don’t miss deadlines. You always make up for lost time. The more discipline you master, the more flexibility you gain.

To achieve this kind of structure for your operations, “unwrap” or flatten the main elements of your central business cycle. Lay out the sequence of these elements in a horizontal timeline (Figure 3).

Identifying critical milestones

Next, establish a handful of *critical milestones*. These are five or six summits each year at which key members of your executive team commit to make decisions and then move on.

Your company *must achieve* these milestones on time to make each cycle occur on time.

With your critical milestones in place, you then define each of the intermediate steps, deadlines, and business processes that are necessary for your company to meet each milestone.

You define the roles and responsibilities for each of those steps (gates & dates) and deadlines.

Finally, to get this right, you must commit your entire organization to be prepared to make decisions at your critical milestones.

With few exceptions, decisions not made at a critical milestone will put your company at greater risk than making the wrong decisions.

What’s different about CME

On the surface, this may appear to be the same process you use for Gantt charts or calendar-management systems. So how is CME different? With CME, the goal is to make the cycle run efficiently, even flawlessly, time after time, year after year.

To achieve this smooth operation, you must integrate across all critical business functions.

The focus of CME is not on management tools, software, or technology. It’s on management commitment and processes.

It’s a cultural shift. An attitude. An expectation. A discipline.

CME establishes mutual accountability among cross-functional teams.

Missing a deadline is simply not done. It’s embarrassing, even shameful.

If everyone else in a key meeting can be on time, you don’t want to be responsible for the business function that’s late or unprepared.

Immovable deadlines, yet great flexibility

Yes, events are likely to surprise you. Dozens of details conspire to delay or derail your progress. They jeopardize your deadlines.

People must travel. Emergencies arise. Trusted sources let you down.

That's why agility rules. You must build some "wiggle room" into the calendar. You allow time to make up if someone misses.

But you always make up for lost time, without letting key dates slip.

Here is the paradox of CME: The more discipline you master, the more flexibility you enjoy.

Applying CME in your business may seem stern, unpleasant, or even punitive. But the truth is, CME eliminates unnecessary stress.

Simple guiding principles

CME operates by five easy guiding principles:

1. **Senior leadership sponsors the program and endorses it visibly.**
2. **Roles and responsibilities are clearly defined.**
3. **You manage only a handful of critical milestones.** The milestones are non-negotiable dates when teams make key decisions to move forward. All other company activities synchronize and defer to these milestones.
4. **Each critical milestone and its supporting tasks have a single owner and point of contact.**
5. **An administrator manages the process by exception.** Exceptions appear on weekly reports. The administrator manages corrective actions to keep everyone on schedule.

Although the changes can be hard at first, they soon become habit. Full compliance becomes the expectation.

With the new cadence established in a few months, work becomes easier. Performance improves.

Hard and soft benefits

When your company manages by the principles of CME, you develop a virtuous cycle of compounding benefits:

- The design and quality of your products improve.
- Your assortments are consistently well executed. Gaps in your assortment disappear.
- You increase operating efficiency and financial predictability.
- You develop back-end execution capabilities that can satisfy your customers consistently.
- You can develop consistent multi-channel and omni-channel execution.

With more efficient operations and happier customers, the results appear on your financial statements:

- Sales and gross margins improve.
- Operating costs decline.
- Inventory turns improve.
- Free cash flow improves.
- EBITDA margins increase.

A new culture emerges:

- As you generate these positive outcomes, teamwork improves.
- Your teams embrace a new standard of accountability. They learn to execute interdependently rather than separately.

Rather than increasing stress, you eliminate the pressure that comes with running late. You also end the compromises lateness forces on your suppliers and customers.

- Product lifecycle management, merchandise financial planning, and assortment planning become fully integrated.

As you shorten your product development and production cycles, you are better able to provide what your customers want, when they want it.

Summary and conclusion

These pages present an impassioned argument for why apparel brands should make it a priority to execute on time, all the time.

The many benefits of doing so boil down to two words: *competitive advantage*.

Apparel brands that have mastered on-time execution are formidable competitors.

They execute like clockwork, year after year.

Their consistency makes possible many of the competitive advantages they enjoy.

They experience robust growth, even as other apparel brands struggle.

The principles of the Calendar Managed Enterprise, as we have explained them briefly here, provide an effective way for executives to transform their companies into brands that enjoy similar advantages.

The same principles have led to dramatic improvements in the businesses of five major apparel brands where I've helped lead CME deployments.

CME may not be right for all companies. It often requires a big culture change to implement it. Even so, CME has strong appeal. Businesses unknowingly pay a high price for letting their own deadlines slip.

They can slash this cost by committing to execute on time, all the time.

To arrange a diagnostic assessment of on-time execution for your apparel brand, please contact me at wmanzer@columbusconsulting.com.

About the author

Will Manzer has three decades of experience in the apparel industry, on both the wholesale and retail sides of the business. He has been an apparel buyer, divisional merchandise manager, general merchandise manager, vice president of marketing, executive vice president of merchandising and design, president, and CEO.

Manzer has worked for regional and national department store chains and three national apparel brands. He was executive vice president of merchandising and later president of Perry Ellis Menswear Co. from 1996 to 2003. The company was then a division of Salant Corporation.

Before joining Columbus, Manzer was chief executive officer at Eastern Mountain Sports. During his tenure at EMS, he served for more than nine years on the Board of Directors of the Outdoor Industry Association (OIA).

At OIA, Manzer chaired the Strategic Planning and Finance Committee. He also served as vice chair and chairman of OIA's Board of Directors.

“My learning and thinking progressed fastest during my years at Perry Ellis,” Manzer says.

“In sportswear alone, we grew from 50 department-store doors to more than 1,500,” he says. “We did that in just two years, from 1997 through 1999. We grew fast and furiously once we revitalized the brand with a great vision and outstanding product. But our real competitive advantage was that we delivered 97 percent on time, all the time.”

Manzer now consults to companies involved in many facets of retailing.

About Columbus Consulting

Columbus Consulting comprises a team of highly experienced specialists in retail systems and processes.

- We combine pragmatism, innovation, and years of experience to deliver services ranging from strategic insight to tactical project delivery.
- Our experience stems from holding executive responsibility in retail, and from successfully managing some of the most challenging projects in the industry.

While we are adept at virtually all aspects of retail operations, our core strengths lie in the following:

- Planning, assortment planning, allocation, and replenishment
- Data warehousing (business intelligence)
- Product development and sourcing
- IT strategy, PMO, mergers and acquisitions, and interim CIO services and processes.

columbusconsulting

RETAIL | ECOMMERCE | WHOLESALE

www.columbusconsulting.com