VF Corporation transforms its supply chain

Thanks to brands such as Timberland, Wrangler, Kipling and Eastpak, VF Corporation has seen its turnover almost double in five years, which includes the contribution from the takeovers that have been made. An ever-growing share of this turnover comes from its own stores and internet, with this figure due to rise further in the coming years. This can only be achieved by carrying out a radical transformation of the supply chain. As Marty Thomas, vice-president distribution and logistics explains: "In 2017 we want to be able to deliver every brand from every DC via every channel to every destination."

"We can deliver efficiently, quickly or low cost, but our customers can choose no more than two of these three options. If we make a quick, efficient delivery, it will not be cheap. And if we make a quick, cheap delivery, it will not be efficient." Marty Thomas is describing current practice in terms of VF Corporation's European distribution operations, which is, in his view, no longer sustainable. "In the future, meeting two of the three options will no longer be enough. We will have to make deliveries that are efficient, quick and cheap," says Thomas, vice-president distribution and logistics at VF in Europe.

VF is the company behind brands such as Timberland, Wrangler, Lee, Kipling, Eastpak and The North Face. Its growth strategy is an example of the trend towards verticalisation, which is currently predominant in the retail sector. The company has more than 300 of its own stores in Europe, with that figure due to double to 600 in the coming years. The turnover from its own online stores is even due to increase threefold. In 2010 VF's direct sales channels still only accounted for 7% of its turnover in Europe; in 2017 the figure is already expected to be 18%.

VF is investing in the development of omni-channel concepts to boost growth from direct sales channels. Whether it involves buying products in the store followed by home delivery or buying or reserving online and picking the items up from the store, the supply chain will have to facilitate all the options and increase the capacity for delivering customer orders.

Drop shipping

In addition, indirect sales channels are starting to wonder about delivering directly to customers, which is known as "drop shipping". An increasing number of retailers are considering the possibility of leaving part of their long tail at their suppliers and of passing on any order for these articles directly to them. "We have now received enquiries about this from some major customers.

Basically, we need to be able to provide this service. It means that we need to be able to collate and send orders. One complex aspect of this operation is that we need to make agreements on prices, margins and shipping costs," remarks Thomas.

Current trends require VF to arrange the supply chain in a radically different way. At present, the company has seven distribution centres in Europe: three in the Czech Republic, two in Belgium and one each in the UK and the Netherlands. Each brand that VF imports into Europe is currently being stored at one premises, but this set-up needs to change. "In 2017 we want to be able to deliver every brand from every DC via every channel to every destination. This means that the DCs, which operate independently for the most part, need to merge to form a well-oiled distribution machine."

Harmonising processes

The VF management team have set out some important basic conditions for transforming the supply chain: there must be no rise in stock levels and logistical costs. This means making choices. Thomas agrees with this: "We are never literally able to keep every article in stock in every DC for every channel, but we don't need to do this either. Timberland does really well in Italy. So, it's about this brand being available in stock as close as possible to this market. This is not the case for other brands which are hardly sold, if at all, in Italy."

Two factors are essential in being able to make the right choices in terms of allocating stock: a real-time overview of stock levels and a good forecast. "We begin on a small scale to learn to understand what is going on, for instance, by placing some of the range for one brand in two distribution centres. If something is not in stock in one DC, we can always supply it from the other."

This transformation is divided into two parts. The first part involves harmonising processes, structures, performance indicators and information flows. "We can't do this without having a robust Warehouse Management System (WMS)", says Thomas, who wants, in the next two years, to switch all the distribution centres to using WMS from Manhattan Associates. This system has already been running for a while in Almelo, the Netherlands, and also recently in the new distribution centre in Sint-Niklaas, Belgium. "This WMS provides us with a very good overview of our flows, enabling us to make better decisions, for instance, in the area of staffing, and provide better information to our supply chain partners."

Mini distribution centres

The second part of the transformation involves using the 600 stores to expand the supply chain, thereby enabling them to operate as mini distribution centres for delivering online orders. "At the moment, we do have an overview of the stocks available in our distribution centres and stores, but just not on one system. To enable us to make the right decisions, stock information needs to be consolidated in a single system. However, to be able to use all these stores as mini distribution centres, the main priority will have to be to increase stock reliability. This is currently not good enough," remarks Thomas, who is also thinking of implementing a Distributed Order Management system like the one Manhattan Associates supplies. This not yet on the agenda at the moment. "We realise that we are still at the start of a long road. However, the foundations have been laid and we are confident that the software will provide us with the transparency we need at the time when we need even more stock."

INNOVATIVE TECHNOLOGIES

VF Corporation has seven warehouses, some of which are equipped with innovative technologies. One example is the warehouse in Almelo, which has small robots that deliver shelves with stock on them to order pickers, saving them the task of having to go and look for articles themselves. The robots are supplied by Kiva, the company that has subsequently been bought by Amazon. VF built a new distribution centre in Sint-Niklaas two years ago, operating with an even higher level of automation. Goods are stored completely automatically using 24 cranes, while the order pickers are controlled using voice recognition. After order picking, the consignment boxes are stored again in the automatic system until the truck has arrived. Both distribution centres are controlled using the Warehouse Management System from Manhattan Associates.