



Manual Planning Processes Are So Last Season

In a stable economy, manufacturers in the apparel industry must manage the delicate balance between inventory and out-of-stocks while factoring in size, fit and color variations, lead times and sourcing pressures. During a recession, forecast management and inventory planning is infinitely more complex. One of the many companies dealing with the added pressures of the economic downturn is Rafaella Apparel Group, Inc., a designer, sourcer and marketer of women's clothing since 1982. Along with the usual challenges, the company must also account for record declines in consumer spending and the threat of its suppliers and retail customers going out of business.

Known for providing functional and fashionable clothing for women's work and life wardrobes, Rafaella Apparel Group was fortunate to have a supply chain management system in place when the economy began to deteriorate. The company implemented Demand Solutions supply chain management software three years ago, empowering it to eliminate USD \$14 million in excess inventory — the result of its previous, manual inventory planning process.

Its old planning process that had led to a more than 40-week supply involved one planner, 20 hours per week, a calculator and endless stacks of paper. Without any manage-by-exception capabilities, the previous planner spent several hours each week reviewing the forecast line by line for each item. So when that planner left the company and all of the knowledge about Rafaella Apparel Group's inventory planning went with him, the company hired a dedicated planning professional and began evaluating automated supply chain management systems that would propel its profits.

Sean Carolan, director of retail planning and replenishment, joined Rafaella Apparel Group in 2006 to lead its forecast management and inventory planning. Carolan along with Rafaella Apparel Group's CFO compared several software programs and chose Demand Solutions because of the simplicity it offered to the complex business.

the rafaella group

“We especially liked that Demand Solutions had all the functionality we needed without the bloated price tag common for most supply chain management software,” says Carolan. “Other systems we evaluated offered functionality that we didn’t need with a higher total cost of ownership and longer implementation times.” The company implemented Demand Solutions Forecast Management and Requirements Planning in two weeks to manage the demand forecasting and inventory replenishment of its bottoms business (pants, skirts and shorts).

Excess Inventory is oh-so Unflattering

Rafaella Apparel Group quickly transitioned from a manual process to a systematic one. The new forecasting and inventory management systems provided visibility into the entire supply chain, resulting in demand forecasting accuracy, optimized inventory planning and a new sense of accountability for employees. Better yet, the \$14 million in excess inventory, or enough inventory to sustain an entire year of customer orders, rapidly melted from the company’s bottom line and it reached a return on investment within months.

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Carolan. “Though the reality was difficult to digest, Demand Solutions kept our inventory problem from spiraling out of control and helped us take deliberate action in advance of the recession.”

Layers of Complexity

Since mid-2008, the economic downturn has added a layer of complexity to the company’s well-heeled inventory planning process. Specifically, the threat of vendors and retailers going out of business has made Carolan’s job more like a financial reporter’s.

“The recession is forcing us to focus on every account because we run the risk of retail customers and suppliers going out of business at a moment’s notice,” says Carolan. “We actually have placed orders with companies and they’ve filed for bankruptcy days later. You never know, so you have to be attuned to their businesses as much as you are your own.”

To do this, Carolan keeps an eye on the news and an ear to the phone to make sure he doesn’t miss a stitch of information that could add to the company’s supply chain management process. The key is having as much information as possible, says Carolan, who previously discussed order amounts and product lead times with customers and suppliers, not the financial security of their businesses.


Forecast management has been another main struggle for Carolan during

the recession because last year’s sales will surely not repeat themselves. Previously, Carolan used historical sales data in Demand Solutions Forecast Management to develop a system forecast and then he incorporated in the sales representatives’ forecasts. Before the recession, the demand forecasting process was mostly automated.

“Inventory planning in a recession is like working in fast forward,” says Carolan. “By the time the system or anyone can detect a demand trend, it changes. Because Demand Solutions planning methods are not solely based on statistical equations, we can incorporate our own intelligence — which has proven to be critical in recent months.”

Fashionably Functional Inventory Planning

Although the recession has impacted Rafaella Apparel Group’s sales figures, the company is in a good position to ride out the tough times ahead. It has a solid planning process in place with Demand Solutions and its Rafaella brand is positioned as the entry-level price point, priced approximately 20 percent below competition, in sportswear departments of department stores.

“Our brands are fairly resilient,” says Carolan. “Rafaella clothing is designed to fit into women’s multifaceted lives. I’m not a fashion guy but recession or not, women will always need that perfect pair of black pants.” 

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