

Introduction



The Burton Group is one of the largest fashion retailers in the UK, operating nearly 1,500 outlets and 92 department stores in high streets and shopping centres throughout the country. The Group reaches its customers through six main high street brands: Debenhams, the UK's leading chain of family department stores and the fashion 'Multiples' store chains: Dorothy Perkins, Burton Menswear, Top Shop/Top Man, Evans and Principles. The Group also owns the Home Shopping brands Racing Green, Hawkshead, Innovations and McCord.

The Group was founded in 1900 by Montague Burton, a Lithuanian immigrant, who established the original 'Burton' shop in Chesterfield. From his initial investment of £100 and a handful of staff, the business has developed significantly - employing over 43,000 people and generating annual sales of over £2 billion.

This case study focuses on the Burton Group's strategic project to reconfigure its supply chain. The initiative was launched in 1994 and is called Fastflow. The aim of Fastflow is:

"To maximise sales by making sure that the right products are available to the customers at the time they want to buy them."

A 'Fastflow' solution

One of the most crucial areas that fashion retailers must get right is the movement of product through the supply chain from source to shop floor. Large amounts of capital are tied up in stock and the longer it remains in the supply chain, the less efficient the retailer becomes. The essence of Fastflow is the creation of a more efficient supply chain to improve the flow of goods and enable the Group to become more responsive. It represents a significant change from the days when clothing retailers bought in large stocks of items at the start of a fashion season, hoping that

all the stock would be sold during that period, with the surplus for the end of season sales. Fastflow involves having the right items ready for consumers and the flexibility to respond quickly to changes in consumer preferences. Ultimately, it is all about the supply chain being market led rather than production led. One of the greatest risks to retailers is stock which fails to sell at full price - being able to react more quickly to market demand removes a significant amount of that risk.

The supply chain strategy

The supply chain comprises the links involved in bringing a finished item to the end consumer and the methods of ensuring that each store has sufficient stock to offer items in every size and colour. Gaps in stock availability lead to lost sales. As a retailer, the Burton Group is not responsible for manufacturing clothing. Instead, it 'sources' them from outside suppliers who may have the garments made up in the UK or overseas, according to the needs of the supply chain. However, it is essential that the Group works very closely with its suppliers – from choosing the material for the garments, to when they are delivered. The Group's success relies on its suppliers meeting very high quality standards. A great deal of work has been carried



out recently, setting guidelines for suppliers and any that fail to achieve this close working relationship cease to receive orders from the Group. The Group ensures that each of the activities involved in bringing goods to consumers adds as much value to the goods as possible.

Fastflow was set up to improve supply chain performance by :

- reducing lead times (i.e. the time between the placing of an order and the delivery of the goods)
- increasing the availability of goods
- improving the accuracy of the goods delivered to orders placed.

In order to achieve these goals, it was decided that the Group needed to:

- direct its purchasing towards suppliers who could respond quickly and effectively
- move from a 'warehouse' concept to one of 'distribution centres'.

Distribution centres, whose objective is to move wanted garments and other goods to the retail outlets, would replace warehouses where goods were stored until they were needed in shops. The emphasis therefore was on creating a smooth flowing supply chain instead of one based around a number of storage points. Retailers, like the Burton Group, are exposed to some considerable risk when dealing with fashion because fashion trends change frequently. In order to reduce this risk, the Burton Group built a new set of relationships with suppliers, based on the Fastflow approach.

Although the Burton Group did not actively set out to reduce the number of suppliers, the emphasis placed on suppliers' flexibility and responsiveness has led to a substantial rationalisation of the supply base so that those who are most responsive win the majority of the business. An important aspect of the new Fastflow process has been the upgrading of information and communication systems as well as the overhaul of distribution/handling systems. Faster product flow has reduced the need for warehouse space. At the same time, improvement of the information flow has meant that the Group has a far more accurate picture of what is selling well.

New stock of popular items can, therefore, be re-ordered quickly and stocks of less popular items can be run down. By knowing exactly what stock has been sold and therefore what needs to be replaced, it has been possible to satisfy customer demand more often. The net result is the stores have been able to sell far more goods thus increasing the turnover and profitability of the retailing operation.

Suppliers

Between 1992 and 1996, the number of suppliers for Multiples was reduced by half to just under 700. At Debenhams there was a reduction of 20%. In the Multiples, the top 20 suppliers handle 75% of the goods and in Debenhams the top 20 have 64%. The aim has been to develop stronger relationships with quality suppliers.



A standard Group Supplier Handbook, in both print and CD-ROM format, replaced around 15 former handbooks and listed best practices in order to ensure the highest quality standards. The suppliers agreed to be bound by the Group's Supplier Handbook which sets out the working conditions, practices and standards which suppliers must follow if they wish to supply goods to the Burton Group. Members of the Group's buying teams and senior managers make hundreds of supplier visits each year. The partnership between the Burton Group and its suppliers is a mutually beneficial process. The Group benefits from:

- faster response times
- greater reliability
- more flexibility
- higher quality assurance
- improved profitability.

These benefits lead to higher sales and lower mark-downs on goods that fail to sell at the original selling price. Suppliers benefit from an improved information flow coupled with more senior management attention from the Group. Successful suppliers get a long term commitment from the Burton Group and a higher stock-turn - i.e. more of the Group's business. Suppliers also benefit from faster payment of their invoices.

Right place right time

The new distribution centres enable the fast flow of goods between the factories and the stores. Development of the Distribution Centres (DCs) has been carried out to improve flow of stock, accuracy and service levels. The Group's 'put to light system' has significantly improved accuracy. This system indicates to packers the exact number of items which should be placed in each crate to replenish stock levels in each store. For example, eight red lights over a crate with a certain product code for the Norwich branch of Debenhams, means eight of that product should be placed into the crate destined for that store.

Meanwhile, the Ipswich crate next to it may only need three of the same item so there will be three lights on. The packers place the correct number of items into the crates, switch off the lights and move on to the next product code. The process is simple and accurate. Delivering stock in-store that is 'shop ready' is also a feature of the new approach. Garments are now delivered into store in specially-designed plastic crates or 'totes' and metal cages on wheels. The cages and totes protect the product, rendering the old system of wrapping it in cardboard unnecessary. It means retail staff spend less time moving stock onto the shop floor and it brings environmental benefits by eliminating packaging waste.

To sum up, the benefits include:

- elimination of delays getting stock to the sales floor
- reduction in delivery processing time
- standardisation of the pre-retailing specifications (via a presentation handbook). This part of the process also has an environmental benefit. The more packaging that can be removed and recycled, the better. European Union directives have set targets for 40% of packaging waste to be sent for recycling by 1998 and 50% by 2001.

Logistics

Logistics refers to managing the movement of goods within and between organisations. A key element of the Group's success is the emphasis on logistics. The Group wanted to ensure a 'seamless supply chain' through the

delivery process, using suppliers who were flexible, proactive and innovative, provided value added services, worked to world class standards and exceeded expectations. The recent emphasis on logistics and Fastflow has involved new initiatives all the way along the supply chain, as shown below:

Supplier

- sets standards for quality, presentation, delivery and punctuality
- provides a framework to develop closer, more productive relationships with quality assured, flexible suppliers.
- in-bound Transport (Goods in)
- improves the delivery methods, frequency of delivery, accuracy, quality of input checking.

Distribution Centres

- introduces technology and new processes allowing less stockholding (e.g. 'put to light' systems), quicker throughput and the best possible customer service
- the use of recycling.

Delivery Systems (Goods out)

- implements new allocation methods to reduce stock holdings and maximise availability
- implements the right frequencies for each store
- installation of a tracking system using radio frequencies to monitor the product.

Stores

- improves the product flow
- removes manual handling effort by use of crates to shift stock
- provides stores with pre-delivery advice
- improves accuracy
- increases emphasis on recycling.

TOPMAN

Driving change through information technology

One of the key 'drivers' for change was the development of the Group's Integrated Supply Chain Management (ISCM) system. ISCM is the back-of-house supply chain IT system used by the Burton Group. Introducing the system involved the largest staff training programme ever undertaken by the Burton Group and this has had a major impact on all job roles within the organisation.

The main benefit of the new system is 'on line' stock visibility through all stages of the supply chain bringing greater supply chain control. ISCM has provided a common system with standardised operating procedures across all retail brands. ISCM provides common communication to all Multiples external contacts (such as suppliers and carriers). The benefits of the IT development programme continue to feed their way across the organisation - benefits will increase over a number of years thus enhancing the process of Fastflow.

Getting it right - Hipsters

The benefits of Fastflow were crystallised in the autumn of 1995 when Top Shop first picked up on the trend for Hipster Pants. At this point, the buying teams were still unsure whether they would be a fashion 'hit' or 'miss.' However, because the Group has built up an excellent relationship with five suppliers of Hipsters, based on the new Fastflow approach, it meant that the suppliers could respond quickly when the new style finally took off.

The Group first tested Hipster Pants at Top Shop in October 1995. Initially just 200 pairs a month were sold, but by February 1996, demand had soared to 30,000 pairs per month! The chain coped with this sharp increase in sales as suppliers quickly increased their volumes in order to respond to the challenge. Their quick response was due to the efficiency of Fastflow.

Fastflow's success is also well illustrated by a recent innovation involving Evans stores which now means they can react to colour trends during the season. The chain has cut the number of T-shirt sources of supply from four to one. The remaining supplier balances product finishing between the Far East and the UK to gain the maximum flexibility. Products from the Far East will be cheaper, mainly because of lower labour costs, but will take longer to transport to the UK. Locally-sourced products will be available sooner, allowing the retailer to react to fashion trends at a later stage in the selling season, but will be more expensive.

Evans found a combination of the two sources provided the optimum supply. Product for early in the season was dyed at source and then sent to the UK. Later on, T-shirts were brought into the UK by the supplier in their greige, or un-dyed form, then dyed and delivered to stores in gradually decreasing lead times to react to colour trends. The project married the benefits of lower-cost production on lower-risk classic colours on long lead times from the Far East with improved sales later in the season from fast turnaround fashion colours sourced in the UK.

Fastflow enabled the store chain to react to consumer demand particularly in high season. T-shirts sourced for the beginning of the summer season, for sale in March, had 15 week lead times from the long-haul source and came in basic colours. Eleven-week stock was introduced in April and then midseason, in May, the chain started to source over six weeks and two weeks. By the end of the season, in July, 40% of the T-shirt offer was turned round in two weeks, another 40% in six weeks and the remaining 20% was 11 week stock. This example highlights the key aspects of the Burton Group's Fastflow process and philosophy.

Conclusion

The Fastflow case study provides a fascinating example of how an organisation can enhance its performance through improving its supply chain. The Burton Group focused on creating quality links with those suppliers who were best able to meet the requirements of a modern logistics system based on flexibility and responsiveness to consumer requirements.