Kurt Salmon

Developing Leaner Product Development and Sourcing Operations

In today's hyper-competitive retail landscape, retailers are increasingly pressed to quickly deliver new and innovative products while cutting costs.

That's where Lean comes in. The Lean philosophy strives to maximize value for customers while minimizing waste. Applying classic Lean methodologies to the product development operation will help identify and reduce existing areas of waste, while ensuring more efficient processes that keep costs down.

Correcting these six common Lean sins will help cut through the noise of the product development process, allowing retailers to focus on creating exceptional products while saving time and cutting costs.
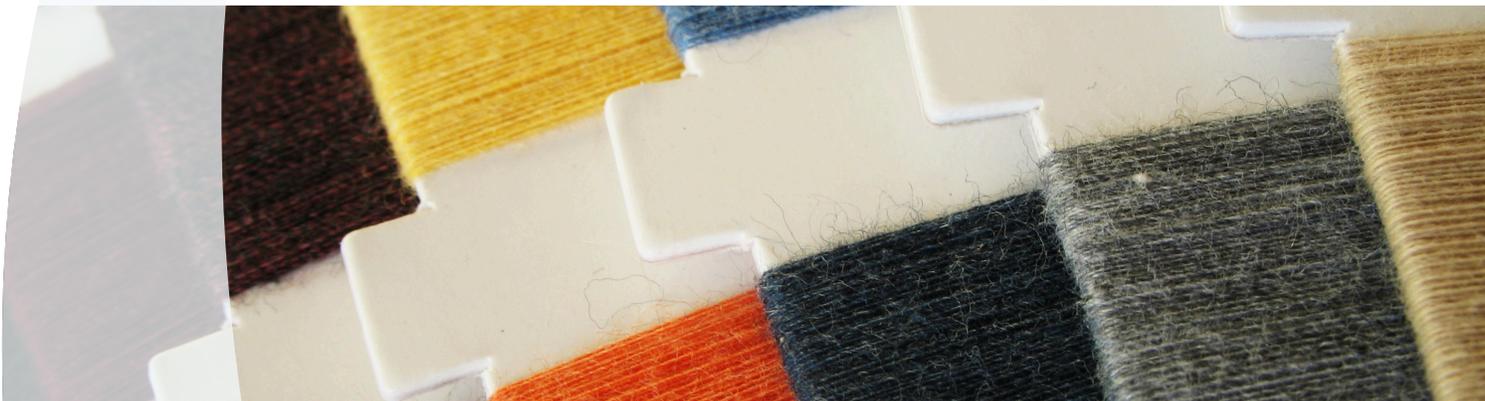
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1. Wasted time

Many retailers lose time either creating information too early or waiting for information that's created too late or is unavailable. Big culprits here include leaving too much time between when a style is developed and when it's launched, as well as waiting on materials.

The easiest way to cut out wasted time is to design the decision process with an eye toward reining in the longest elements of a cycle. For example, some retailers design and develop a product line starting with silhouettes and colors and eventually decide upon materials late in the process. But because waiting for materials to arrive is the longest part of the cycle, converting to a materials-first methodology, in which core fabrics are identified and adopted first, can save considerable time. Silhouette decisions can then be made closer to in-store and be more on-fashion.

Many retailers also waste considerable time between when a style is adopted and when the PO is placed—they're often making the decision earlier than necessary and then are tempted to go back and continually tweak it. Instead, take a page from a leading mass retailer who implemented a process in which the vendor is notified immediately after a style is adopted. The vendor is given an overall quantity number, giving them the confidence to buy materials and start production, and the retailer sends the PO with the specific quantity by size information in three weeks.

2. Wasted motion

Wasted motion is defined as any process that causes unnecessary movement of people. Common examples in the product development process include unnecessary milestone meetings, lack of communication between departments that leads to a re-creation of plans, developing too many designs that do not get adopted and creating unneeded samples.

For example, considerable time is often wasted in unnecessary meetings. A mass retailer held 10 milestone meetings in a given season, and each of those meetings required an additional two meetings beforehand to prepare. By cutting the total number of meetings to five per season, product development staff were able to stop working nights and weekends, which helped reduce turnover. Ensuring that each meeting has clear objectives and includes only those decision-makers with knowledge of the topic at hand will also save time.

But even when the number of milestone meetings has been cut down to an appropriate number, there are still ample opportunities to cut waste. Many retailers order samples for each milestone meeting regardless of whether any change has been made that would actually necessitate a new sample. When a footwear wholesaler stopped doing this, they were able to reduce the number of samples made by 10%, saving time and money. Using a sales sample as a gold seal sample also helps rein in the number of samples to produce.

Leading retailers are also cutting out wasted motion by making their decision-making processes less iterative. For example, when it comes to lab dip testing, retailers can save considerable time by telling vendors to submit three or four lab dip samples at once and then pick amongst those options instead of going through three or four separate iterations to achieve their desired color.

3. Wasted transportation

Whereas wasted movement applies to unnecessary movement of people, wasted transportation applies to unnecessary movement of product. During product development, this most often applies to arduous approval processes that move products around needlessly, often in costly FedEx containers.

Not only will a leaner product development process save time and money, it will free up product development staff to focus on where they can add the most value: creating high-quality, innovative products.

Many retailers currently wait on samples to be shipped from Asia to the U.S. before they approve them, wasting considerable amounts of time. Instead, a footwear retailer trained employees at each of its factories to the retailer's quality standards and empowered those people to approve samples instead of waiting for those samples to be shipped to the U.S. and back to Asia.

A leading mass retailer took this idea one step further, striking a deal with the factories that if their trained employee leaves, the factory has to provide a new employee certified for the role at the factory's expense.

Retailers can also make better use of technology, like teleconferencing and spectrophotometers, to get a better sense of a sample and give approval from afar.

4. Excess inventory, over-processing & over-production

Defined as any process steps that do not add value for the customer, over-processing often manifests itself as unnecessary rework and iteration upon iteration of designs and unwieldy tech packs. In much the same way, excess inventory is wasteful because it is not creating any extra value visible to the customer.

An organizational environment in which each person is isolated in his or her functional silo is likely to breed over-processing. For example, designers often work on lines for a month or more before a merchandise plan is put together. This lack of communication between the two departments often results in significant rework: Designers, unaware of the cost of the fabric, build a BMW for a Chevrolet customer and have to backtrack and figure out how to cut the cost of what they've created. A lack of cross-functional communication between design and sourcing can also create unnecessary rework.

To help fix this problem, an apparel wholesaler developed a rough cost for its jeanswear line before designers started

prototyping, ensuring that designers weren't designing using fabrics the retailer couldn't ultimately afford.

A women's sportswear retailer took a slightly different approach to combat the same source of waste: Before designers selected fabric for a given line, merchants converted the line plan into a target price per yard, guaranteeing that designers wouldn't choose fabric that couldn't ultimately be used.

Reining in the number of components and trims can also help reduce excess inventory—and the customer will never notice the difference. For example, an apparel wholesaler realized that its bra category required dozens of different subassemblies, like different types of elastic, hooks and eyes, and labels, but by establishing aesthetic standards and adopting subassembly standards, they were able to greatly reduce their inventory and eliminate a frequent culprit in production delays. More broadly, leading retailers are reducing inventory by using one clothing label per region instead of one for each country.

Another prime example of over-production is top of production (TOP) approval. TOP approval made perfect sense when the factory was located a few hours away from a retailer's headquarters, but now, by the time a sample arrives from Asia, production is already complete and the retailer can't make any changes. Instead, the best practice is to either certify the vendor to approve the TOP sample or get rid of the process entirely.

5. Defects

It goes without saying that any product not completed to the customer's liking is a waste. Defects often come about as a result of a lack of alignment and understanding between retailers and vendors with regard to design specs and quality standards.

Tech packs are commonly over-worked, giving factories too much information in the wrong format and increasing the likelihood that defects will occur. Factories can often build their own tech packs using pattern systems and other technologies, which means significant duplication of work if retailers create a tech pack that is too detailed. Instead, retailers should rely heavily on standard blocks or patterns and should use standard guides. Many retailers develop tech packs that are over 30 pages long, which are often sent to factories where very few people read English. Instead, edit down the material to what is really needed and create a shorter tear sheet that has only the essential information in a more graphical format.

Empowering vendors with a clear understanding of a retailer's quality standards will also curb defects by allowing vendors to recognize and fix errors before the product is sent.

6. Knowledge disconnect

This refers to waste stemming from administrative disconnectedness between a company and its suppliers, which creates barriers to creativity, innovation and knowledge sharing.

Poor vendor relationships are often a significant source of wasted knowledge. Retailers with significant vendor turnover or a fragmented vendor base are missing out on valuable opportunities to build up trust in key vendors, training them to be able to take over many of the key approvals and decisions that many retailers feel compelled to bring back to the U.S., which wastes time and money.

At the same time, working with too many vendors adds unnecessary complexity to the product development process. Making many of the improvements we've discussed requires a stable vendor base.

Never has it been more imperative for retailers to ensure their product development processes are as lean as possible. Not only will a leaner product development process save time and money, it will free up product development staff to focus on where they can add the most value: creating high-quality, innovative products. ❖

To compare your product development operation to that of other retailers, take Kurt Salmon's Product Development Benchmarking survey at **www.kurtsalmon.com/pdsurvey.**

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