[Case Study] H&M's Supply Chain Faces Struggles

H&M is one of the largest fashion retail companies in the world. Despite years of supply chain challenges, the company has remained profitable and popular. H&M has done this by strengthening its brand against growing concerns for the environment and human rights during manufacturing. Read on to learn more about H&M's supply chain policies and current company struggles.

H&M's Labor Contracts

Image via Flickr by bencorman

H&M produces most of its garments in Asian markets because labor contracts are cheaper there than in the U.S. The problem is that most countries do not have the same standards for working conditions as in the U.S., yet customers care about ethically sourced materials. H&M is different than other big retailers because it cares about working conditions and does not sacrifice this belief to boost profits. H&M makes sure to disclose all of the locations where its clothing is manufactured and report on labor conditions. It maintains over 1,000 suppliers around the world.

One current problem that H&M's procurement team faces is the strengthening U.S. dollar. Labor contracts are typically negotiated in U.S. dollars, but most H&M garments are sold in Euros and other currencies around the world. This has had a detrimental impact on profits because of the currency exposure in the U.S. H&M must decide how to price garments appropriately to keep customers happy and also maintain profitability.

H&M's Approach to Manufacturing

Image via Flickr by NASA Goddard Photo and Video

H&M's procurement department likely noticed the currency exposure problem a long time ago and has since created some form of currency hedging. This is just a temporary fix, though. H&M must find a way to deal with labor contracts to protect its best interest in the long term. At the same time, H&M has continued to improve manufacturing processes to meet the growing concerns that customers have for the environment. Both human rights and sustainability are hot topics in the manufacturing industry.

H&M has devoted extensive time and money to sustainable growing practices. The company does not believe in pesticides or synthetic fertilizers. By focusing on organic cotton, H&M has reduced its environmental footprint. Most of the cotton currently produced in the U.S. does not follow the same sustainability practices.

Sustainable cotton is not the only thing H&M does for the environment, though. The company also has a zero waste policy. H&M accomplishes this by using recyclable material during textile production. The company also works with the World Wide Fund for Nature to conserve water and energy.

Impact and Advantage

Image via Flickr by henryjose

Through careful planning and evaluation, H&M has worked to create a supply chain that is ethically sourced and environmentally friendly. The real test will be how the company deals with the currency exposure problems. International businesses often run into these currency problems as world economies push against each other.

One thing is certain. H&M will not sacrifice its beliefs for fair working conditions and environmentally safe manufacturing practices just to make more money. The company has proven itself over the years, and customers are happy as a result of these practices.

JDA and Google Team Up to Create Strategic Cloud Collaboration

JDA Software Group is one of the leading providers of retail and supply chain planning solutions. The company serves more than 4,000 customers around the world. JDA does this by creating customized solutions for each customer to help control costs, optimize processes, and maximize revenue at every point in the supply chain. JDA prides itself on innovation and is constantly looking for ways to improve its product and service offerings, like its recent switch to a new cloud platform.

JDA Turns to Google

Image via Flickr by Iqbal Osman1

After carefully weighing its options, JDA chose to use Google's cloud platform to enhance existing JDA products. JDA believes that Google's scalability and history of innovation are a perfect match for the culture and quality standards at JDA. Executive Vice President at JDA Software Serge Massicotte said, "Google Cloud Platform offers the unparalleled speed, performance, scalability, and reliability we need to launch truly differentiated solutions."

Vice President of Technology at JDA Software John Sarvari stated that information is the most important aspect of JDA's ability to deliver actionable results to its customers. The Google Cloud Platform is so robust that more data will become available to customer, which further enhances the possible solutions that JDA can offer. This allows for better scale and speed than ever before, especially in terms of forecasting for customers.

More Features Offered By Google Cloud Platform

Image via Flickr by Carlos Luna

The Google Cloud Platform offers JDA a reliable and powerful backend system, which will be used as a Platform as a Service (PaaS) solution. This means that JDA will not have to spend time creating a cloud system of its own. Not only will this save JDA time, but it will also save the company money. JDA has a 50-person team driving its JDA Labs and product innovation initiatives, but Google will accelerate the innovation process.

In the past, JDA would use overnight batch jobs to generate replenished orders for customers. With Google Cloud Platform, that time is cut down to mere minutes. JDA can now process 50,000 point-of-sale transactions per minute or in real time. It's highly unlikely that JDA could have come up with this sort of solution on its own, at least not this quickly.

Shared Culture of Innovation

Image via Flickr by Hampton Roads Partnership

On top of the fact that Google Cloud Platform is fast and reliable, JDA also appreciates the culture of innovation inherent to Google. Innovation is a passion that JDA and Google share. Both companies focus a large amount of time on research and development to continually offer customers bigger and better products. This is clear from the sheer number of patent applications that both companies submit each year. Both companies also invest significant funds into innovation. JDA has a $125 million budget for this, and Google invests a lot more.

Because of the shared culture, JDA and Google create a solid partnership that is mutually beneficial. It will be interesting to see what the duo comes up with in terms of product offerings for customers in the near future. Supply chain inventory management has never looked easier or faster than it does with the help of JDA and Google.

[Case Study] A Close Look at How Xerox Overcame System Problems

Xerox is the leading provider of both printing products and printing services to corporate and individual customers around the world. The company is also recognized as one of the top employers in the U.S. and Canada. However, it has faced its fair share of challenges. Xerox must constantly make changes to keep up with technology that its customers demand. The company recently had to overcome a major overhaul to the Legacy mainframe system in its Canada division.

Xerox's Antiquated Legacy System

Image via Flickr by desertdutchman

Xerox Canada wanted to mobilize its Legacy system with web services, but it kept encountering problems because the system was so antiquated. According to Dan Herrmann, Logistics Systems Manager at Xerox Canada, the company's Legacy system relied on seriously outdated technology that frequently failed. Staff members had to devise solutions for each failure in order to continue moving the company forward, and it was clear that Xerox Canada needed a system upgrade.

The existing Legacy mainframe system that Xerox Canada used was very visible to customers, and it hurt the company's ability to provide products and services without delays or problems to customers. Xerox Canada couldn't simply replace the system with newer technology, however, because such an upgrade would have a significant impact on several aspects of the business, specifically warehouse technology. On top of an old Legacy system, the company had outdated handheld devices in its warehouses and an outdated wireless network. This would require a major and costly backend restructure.

The Solution: A Massive System Upgrade

Image via Flickr by UnknownNet Photography

Businesses never want to spend a significant amount of money or make major changes because it hurts profits, causes problems, and creates employee resistance. In the case of Xerox Canada, though, technology upgrades and other changes were necessary to strengthen the business and help it remain the leader in the market. Xerox Canada opted to go ahead with the major restructuring of its warehouse system.

Xerox Canada requested customized assistance from RFgen, an ERP solutions service provider. RFgen was able to provide web services that integrated with Xerox Canada's Oracle Legacy system and provided some upgraded modifications. Xerox Canada received a new warehouse system built from the ground up. The new system could manage shipping, receiving, and inventory management with ease. Plus, Xerox could now create web applications on its own.

Impact and Advantage

Image via Flickr by Texas State Library and Archives Commission

Xerox Canada took a major risk with its warehouse system upgrade, but the company realized several benefits that would be long lasting. For instance, development was quick and Xerox became more productive, saving time and money. Additionally, the new system was more reliable and accurate than the old one. After additional training, employees could work with and accept the new technology. Xerox Canada's open line of communication with its employees helped this process along.

Other companies could learn a lot from Xerox and its willingness to change old and outdated systems and processes. Though they can be arduous processes, these technology upgrades are necessary so that companies can continue to provide the advanced products and services that customers demand.

Understanding the “China, Plus One” Strategy

China has become the leading manufacturer of goods in the world, but economic changes in the country are causing a shift in thought. For instance, wages for Chinese workers have tripled over the course of the past decade. This is causing manufacturers to move some outsourcing to countries where worker wages are still low. As a result, China's economy has been slowing. The "China, plus one" strategy is about still using the resources allocated in China, but adding lower wages to the mix.

China Is Changing

Image via Flickr by jurvetson

China's economy is evolving due to several different factors, but the main reason is the higher cost in labor. Labor costs have risen because of population changes and new government strategies. As China ages as a nation, more workers are retiring. The one-child policy in China means that there aren't enough workers to replace the ones that are retiring. China's National Bureau of Statistics reported that in 2013 the population decreased by 2.4 million. As worker demand increases, labor costs rise to attract and retain more workers.

Another change in China is that the nation is adopting a consumption-oriented economy. Wages for all jobs in China have consistently increased because local governments keep raising the minimum wage. Many overseas companies once moved operations to China due to the low cost of labor, but companies are now reevaluating their setup in this country and diversifying their manufacturing strategies.

Companies Are Turning to Southeast Asia

Image via Flickr by Kossy@FINEDAYS

As Peter Petri, Brandeis University International Finance Professor stated, "Companies are much more conscious about trying to have robust supply chains in which you can continue production even if your principal site of business is facing some difficulties. You want to have a geographically diverse supply base, you want to have access to markets in many countries, and you want to protect yourself against a wide range of risks."

Many companies are adding new operations to Asia's developing countries to supplement current production. Countries in Southeast Asia are welcoming new manufacturing opportunities and streamlining the setup process for new companies. Vietnam is the largest region to see new manufacturing growth from offshoring. The nation is targeting the IT industry and has secured deals from both Samsung and Intel. Other prime candidates for manufacturing, especially in textiles, include Malaysia, Singapore, Thailand, Indonesia, and the Philippines.

China Won't Be Uprooted

Image via Flickr by yakobusan Jakob Montrasio 孟亚柯

Even though wages are rising, companies are not uprooting operations from China completely. This is because there is still a strong supply chain network, infrastructure, and knowledge base in China. For instance, even though Intel opened a new facility in Vietnam, the company still has several assets in China. Vietnam was simply added as an assembly and testing operation.

It's important to note that wage increases have not caught up on the inland portions of China, and the coastal regions see most of the growth. This is another reason that all manufacturing opportunities haven't been uprooted across the nation.

China, plus one seems to be a viable option for many companies, and it's a trend that won't go away anytime soon. Many companies are diversifying across Southeast Asia and even bringing some operations back home.

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