

# The e-commerce gap

Experts say companies need to implement e-commerce right now if they want to remain competitive, but managers in the soft goods industries just don't see the point



By Charles Harris

**T**here is a gap out there - and we're not talking about THE GAP. This gap is one that appears to exist in the Canadian soft goods industry between the expectations of e-commerce "experts" and the perceptions and beliefs of senior managers of consumer products companies.

The "experts" say that e-commerce, in all its forms, is now a reality and that companies need to be in full implementation mode. But many managers are uncertain of how e-commerce, beyond basic EDI and internet capabilities, will be of significant use to their organizations. Unfortunately, the recent downturns in the fortunes of many e-commerce initiatives and the financial losses incurred by the majority of dot.com companies have reinforced the negative opinions of these managers.

As a result, another gap is widening — the gap between the e-commerce-oriented companies that will profit from their foresight and the naysayers that will fall even further behind.

The Context Group has been working with the Quebec Department of Industry and Commerce and the Apparel Manufacturers Institute of Quebec to conduct a broad survey of e-commerce understanding, capabilities, and strategies. Interviews have been conducted with senior man-

agers and a detailed questionnaire was circulated throughout the Quebec industry. These initiatives are ongoing, and results of the questionnaire have not been completely assessed. However, some preliminary conclusions are inescapable.

## **Problematic at best, financially risky at worst**

**1. Apathy towards e-commerce is widespread.** It is revealing that the response to the questionnaire was less than five percent. In many cases, the questionnaires were returned incomplete. Interviews showed that, because of recent problems with dot.com companies, there is a strong feeling that e-commerce is problematic at best and financially dangerous at worst. One interviewee said, "Let somebody else take the risk. I will keep my focus on my business instead of going after expensive and uncertain solutions to problems that I'm not even sure that I have."

**2. E-commerce is poorly understood.** E-commerce includes many concepts and technologies from simple initiatives like e-mail, EDI, and Internet communications to complex initiatives such as internet auctions, joint product development between suppliers and customers, and on-line real time inventory management.

A surprisingly large number of firms noted that they were not informed about the alternatives that exist in e-commerce. Managers might understand the concepts behind many of the alternatives that exist. However, the practicalities of implementing e-commerce are typically not understood.

One respondent to the questionnaire said, "We're suffering from sensory overload. Everybody has an e-commerce 'solution'. We can't try them all. We don't even know what most of them can even do for us. So we end up not trying any of them."

Industry managers need to become

savvier in their understanding and use of e-commerce. A major recommendation of the e-commerce study must focus on education.

**3. While larger firms have implemented most basic e-commerce tools, the small- to medium-size firms in the province are far behind.** In Quebec, the vast majority of soft goods companies are small to medium size. They typically do not have the resources required to successfully implement e-commerce projects. They lack the staff and financial position to be successful. They therefore have decided not to make any attempts to move forward. The majority of the respondents to the e-commerce questionnaire had little interest in pursuing e-commerce. In some cases, they were vehemently opposed to committing any resources to "hopeless pursuits".

If one believes that e-commerce is inevitable, this attitude guarantees that companies will remain non-competitive. If Canada is to maintain a strong soft goods industry, this attitude must change. Part of this change can be driven through educational initiatives. However, the benefits of e-commerce must be demonstrated to the managers of smaller companies. By proving the benefits through a few focused projects involving small companies, the necessary attitude change is possible.

**4. There is no interest in cooperative efforts to develop e-commerce opportunities.** Generally, managers viewed cooperative approaches to e-commerce with antipathy. Whether the initiatives were driven by multiple company development efforts or with the support of industry associations or government agencies, most company managers did not support any projects outside their own organizations.

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## Reliable agreement

**D**urkopp Adler America, a world leader in sewing technology, has appointed Reliable Sewing Machine as the exclusive Canadian distributor for its apparel division.

Durkopp Adler manufactures a wide variety of machines catering to the menswear, pants and jeans, shirt, home furnishings and industrial textile industries.

Reliable Sewing Machine is one of Canada's leading distributors of industrial equipment for the sewn products industry. They have offices in Toronto, Calgary and Vancouver. □

■ For more information, please contact Reliable's national sales manager Guy Lew at (416) 785-0200 or toll free at (800) 268-1649

## Gateway and Bluefish

**E**DI Gateway and Bluefish Commerce, based in Montreal, have concluded an alliance that will enable EDI Gateway clients to obtain custom design web-development services tailored to their business needs. Bluefish Commerce is a web development company offering services ranging from corporate information sites to full-service e-commerce capabilities. EDI Gateway is a pioneer in e-commerce and a service bureau specializing in Electronic Data Interchange and eB2B applications. □

■ Contact Peter Alexander at [petera@bluefishcommerce.com](mailto:petera@bluefishcommerce.com) or visit [www.edigateway.com](http://www.edigateway.com).

## beenz.com, launches rewardzCodes

**T**he current state of the economy has forced traditional businesses to embrace technology in order to develop a sound one-to-one marketing strategy. By tying in the Web with marketing campaigns through incentive programs, consumers are able to interact with the companies they buy from, simply by entering codes found on products.

Rewardzcodes makes it possible for retailers to reward consumers via unique codes on their packaging that consumers can take online to earn beenz.

### How it works:

The purchaser enters the code at a specified website, along with personal information requested by the manufacturer, to earn beenz. The information allows manufacturers to develop a more profitable and long-term relationship with consumers. The rewardzCodes can even be tracked back to the exact store in which they were placed. They may also be used in direct mail to increase response rates or on printed media to track performance.

### The result:

Consumers are rewarded for their purchase and manufacturers get the benefits of a unique and flexible marketing tool. The beenz earned by the consumer can be spent on products and/or services from the manufacturers themselves, or in online stores worldwide that form part of the beenz network.

■ For more information, call 212-827-3759.

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This places the typical company in a difficult position. They do not have the resources to do things on their own, but they distrust outside "interference." They also fear security problems that are inherent in developing solutions to problems cooperatively. The limited resource base of most Quebec soft goods companies could be overcome with cooperative e-commerce projects, however, and must be strongly considered.

## Mexico offers an example to follow

While many Quebec soft goods companies may prefer to believe otherwise, a look at the competition is revealing. Even in Mexico, there are many progressive firms moving

rapidly to implement sophisticated e-commerce tools. They believe that e-commerce is a primary competitive weapon that will allow them to more effectively work with their customers. In some cases, regional groups of companies are working together on projects.

Are there problems? Absolutely. The establishment of security protocols that will allow competitors to use a common system is probably the major issue. Allocation of development costs is another. While the problems are significant, the companies that are growing and becoming more profitable are those that are finding creative ways to overcome all obstacles.

Canadian soft goods companies must adopt a similar approach. Ultimately,

e-commerce will become a critical component of every soft goods company's strategy. The tremendous benefits, for all participants in the sourcing chain from raw materials supplier through product manufacturing to the retailer, will drive this reality. The negative perceptions of the e-commerce situation that exists today must not allow companies to become non-competitive.

Without action, competitive gaps will continue to grow and every day lost makes closing those gaps more difficult. It is in the industry's best interests to become better educated about the opportunities that exist, to work together to maximize the return on investment from e-commerce initiatives, and to become leaders in the e-commerce environment. □

# iCongo designs systems to address specific e-business needs

By Marsha Ross

Change comes about quickly in e-commerce, says Cary Miller, director of marketing and sales at iCongo.com, a provider of business to business e-commerce solutions for the sporting goods, apparel and footwear sectors.

"A year or two ago, people knew they could have an internet presence but the concept of B2B was a new thing."

Today, he says, about one-third of business are saying 'No, I don't need it,' another third are interested in feeling it out, and the last third understand its benefits and are really pushing it. "There's less willingness to feel it's important in Canada than in the United States," he adds, "But that's changing too."

Joshua Ostrega, director of technology systems, adds, "We've seen the same people at the same trade show one year later and they are much more informed. A year later they understand the concept and recognize their need."

centre with a secure transactional catalogue and order entry system, industry content and affiliations, e-marketing tools and supply chain applications.

- The Private Trading Exchange can be established between a supplier and its customers or between a retailer and its suppliers. Participants engage in cost effective transactional commerce, while achieving supply chain improvements.

Users can customize their system with a selection of iCongo Modules:

- Catalog and Procurement Module: The module provides single and multi-dimensional order-entry, multi-currency pricing, product search capabilities, multi-dimensional product kit management, online negotiations, buyer approval workflows, corporate branding.
- B2B Extranet Module: With complete control over website content and updates.
- Integration Module and Services: Lets company communicate real time information to trading partners by automating business processes.

access to the company's catalogue through a password-protected extranet or website connected to iCongo's Catalogue and Procurement Module. The system offers complete security, with the user granting or restricting access to its catalogue and deciding which styles will be shown to individual clients.

## Advantages for an average Canadian company

What advantages does the e-route offer to an average Canadian manufacturer? Many, according to Ostrega.

- Order process can be automated, saving time and money.
- Less time is spent servicing small retailers, who acquire the same back office access as majors.
- Can promote during the season.
- Can introduce new product mid-season via the online catalogue or an e-mail broadcast.
- More efficient sales force. Paperwork is eliminated. Salesmen can push sales with custom prepared order that client can modify. Can up-sell and cross-sell with the help of the on-line catalogue. Can immediately offer substitutes for out of stock items.
- Retailers can initiate orders, check the status of existing orders, and source new product.

For Ostrega, iCongo is a "one-stop shop." "We can give clients all the start-up services they need," he says. "That includes a secure web site for their dealers, web development services to set up the corporate site, and a secure B2B extranet."

Functionality can be achieved, he adds, for a very affordable cost. iCongo operates with an activation fee plus a fee per product, with each module quoted separately. "The low end can start at \$1500," Ostrega estimates, "and an operation can reach \$50,000 or more, depending on need."

It's going to take time, Miller concludes, but everyone's going to use the internet - and use it differently. When they're ready, he concludes, "iCongo provides an entire package of value." □

## The Marketplace Solution



## Private network or marketplace solution?

iCongo resolves the private network solution vs marketplace solution debate by offering both:

- The Private Network Solution enables private trade and communication between a company and its selected trading partners.
- The Marketplace Solution brings together retailers and suppliers to provide a single source e-commerce

Reduces costs and errors associated with manual data entry. Allows for seamless integration of back office systems with Procurement Module.

- Auction and Reverse Auction Module: A way to realize optimum price for excess or slow-moving inventory. Can post auctions to selected set of buyers or to all marketplace members. Reverse auction can be effective purchasing solution. Customers and sales personnel gain

# Benchmarking survey identifies “best practices”

Everyone pays lip service to strategic alliances and supply chain integration but the most profitable companies are actually doing it

By Marsha Ross

It's a call to action," says Alan Milstein, referring to the preliminary findings of a benchmarking survey his company, Richter Consulting, conducted in the industry last spring.

Richter surveyed close to 1,000 Canadian apparel companies to identify "best practices" and to assess how close most companies are to implementing them.

"Our clients are always asking how they compare to other companies," he says. "While we intuitively know the answers, we had no concrete data to actually measure the results."

The survey covered the areas that determine a business' success or failure: strategic direction, purchasing and suppliers, manufacturing and technology, and finances. In each, respondents were asked to rate how important each of a number of activities is to their company and, more tellingly, how close the company is to implementing it.

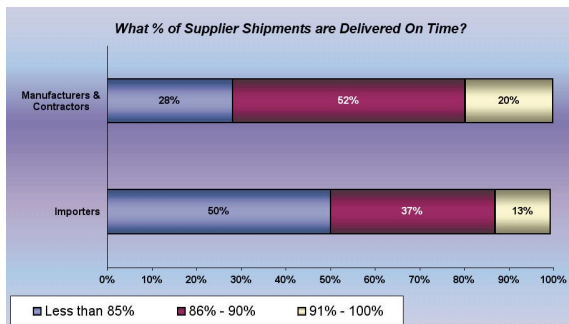
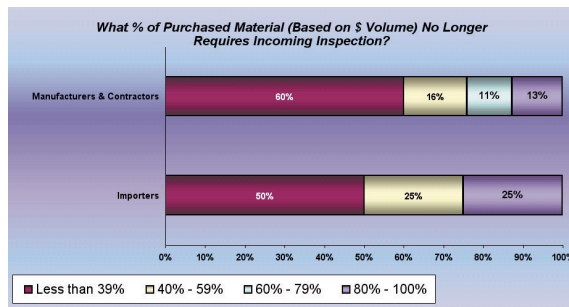
The results did not surprise Milstein. "Everyone identified the same initiatives but there is a dramatic gap between what's seen as important and what is actually implemented," he says.

"Successful companies are more emphatic about what they need and come closer to their goals.

With regard to Just In Time delivery (JIT), for example, 62% of respondents identified it as "extremely important" but only 38% claimed "extensive implementation." When the group was limited to "more profitable" companies (determined by information provided on the survey), 75% said JIT was "extremely important" and 50% of the group had achieved "extensive implementation."

## Global models set the pace

The urgency to implement best practices in the supply chain is driven by global competition. Milstein cites the example of Zara, a global retailer owned by Inditex, based in Spain. Zara boasts net income around 10% of sales with return on equity about 25%. Product can move from design to shelf in two to three weeks, and the company produces at least seven "seasons" a year rather than the two to four dictated by nature.



Zara's approach relies heavily on supply chain integration. Processes are in place so that agents monitor street fashion and stores constantly size up what their customers want and both feed the information back to head office. Fabric is purchased globally and sewing is outsourced to small contractors located close to head office. Suppliers, contractors, and the retail operation are closely linked, sharing information so that all parts of the chain can work as one. As a result, the production cycle is completed in weeks rather

than months, stores have fresh merchandise when the consumer wants it, and clearances are minimized.

Milstein points out that supply chain integration doesn't have to be limited to huge companies. The new technology comes at different price points and there are a number of steps to be taken before jumping to an e-commerce solution.

## Barriers to implementation

One impediment to centralizing the supply chain is the traditionally adversarial relationship between suppliers and manufacturers. Manufacturers have always tended to diversify their supplier base to reduce risk and to avoid opening the door to competitors. A cultural shift has to occur if strategic partnerships are to work. As Milstein says, "There are great benefits to be gained ... but partners have to be treated as partners."

Another obstacle is the difficulty of the process and the time that must be committed to it. "You have to review all your processes from an operational point of view," Milstein says. "It's a big project - and everyone in the company already has a full time job." Companies need an internal champion to drive the process, or they need to hire external resources to push it through.

But the opportunities are huge and the payoff can be, too. "It's a way to eliminate the midnight phone calls, the endless e-mails and the constant tracking," Milstein says. It's also a way to reduce inventory and production costs and to improve quality and customer service.

"It can all be rolled into an Internet application that streamlines the complex supply chain," Milstein concludes. It's a process ripe to be reinvented." □

# Charting the no-man's land between PO and delivery

fashionchain.com replaces the spreadsheet with an electronic trail that offers transparency, accountability and efficiency

By Marsha Ross

**H**ave you been losing money on chargebacks for late deliveries you can't control? Are you tired of hearing "You never told me" or "I didn't get that message" from your suppliers? Mike Wybo believes fashionchain.com, the supply chain management system he launched in March 2000, is the solution.

"The name of the game going forward is efficiency of the supply chain in terms of time, cost and accuracy," Wybo says. "When a delivery is late, it is the responsibility of five to 10 steps in the supply chain. Why should the manufacturer take the hit?"

Business is no longer one manufacturer competing against another manufacturer, Wybo points out. It's one manufacturer and his entire supply chain, which is often scattered across the globe, competing with another manufacturer and his supply chain. The supplier-manufacturer-retailer relationship is collaborative, a strategic investment that can only be developed over time and that pays off for everybody when visibility, accountability, and time management are built into the process.

Until recently, supply chain management involved a spreadsheet and one or more people whose job it was to track thousands of actions that had to take place from the time a retailer placed an order until the time he received the goods. Their responsibilities included calling "to remind" or "to make sure," checking progress along the chain, and alerting involved parties when a "fabric out of production-skus back ordered" sequence occurred.

Fashionchain replaces the people and spreadsheet with electronic management, using the internet to redesign and manage workflow. Tasks are linked together on the calendar and responsibility is given to the person who "owns" the task – who must alert the next three people down line if a problem occurs.

Planned, estimated and actual dates are supplied for every step of the process. The person responsible for coordinating the process can make decisions very quickly, with enough lead-time to avoid delays. The

production manager knows "this number of pieces for these skus are supposed to be cut by this date." If it doesn't happen he can adjust his scheduling to avoid downtime.

"I forgot to call you" is replaced by management by exception; an "alert" is issued only if something is off track. And there is a complete audit trail of all communications, which eliminates "you never told me" or "Yes, I completed my task" when "I" clearly didn't.

## Key characteristics make it easy to use

Because it is outside the enterprise, fashionchain doesn't require a company to change its existing systems. The company is provided with a set of data structures that enables it to push data out to fashionchain.com.

1. It is completely hosted. There are no infrastructure or technical costs. The only requirements are a PC, internet connection and internet browser.
2. Pricing is up-front, much like cable television or a cell phone. Companies pay an initial set-up fee and a monthly per-user fee. The link fee can range from about \$25,000 to \$50,000 and per user fees can range from \$65/month to \$250/month depending on the number of users.
3. There are no additional maintenance fees. Customer support is included and applications get better as the system is upgraded – with no additional charge.

"Cost differentials in product are disappearing as the efficiencies of chasing low-cost production get higher," says Wybo. "Today your competitive advantage is the ability of the whole supply chain to be efficient and cost-effective. If you can shave 10% to 15% off the time of the cycle, you can delay color and sizing decisions by 10 to 15 days and improve your level of efficiency to the customer.

"Fashionchain.com is also an excellent vendor evaluation tool. It provides an objective basis for rewarding the vendor who is doing well and for helping others improve their performance," Wybo concludes optimistically. □

fashionchain.com

