



Randy Harward

Sustainability
Innovation
Leadership

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Three Stories

I was an
Outdoor Retailer

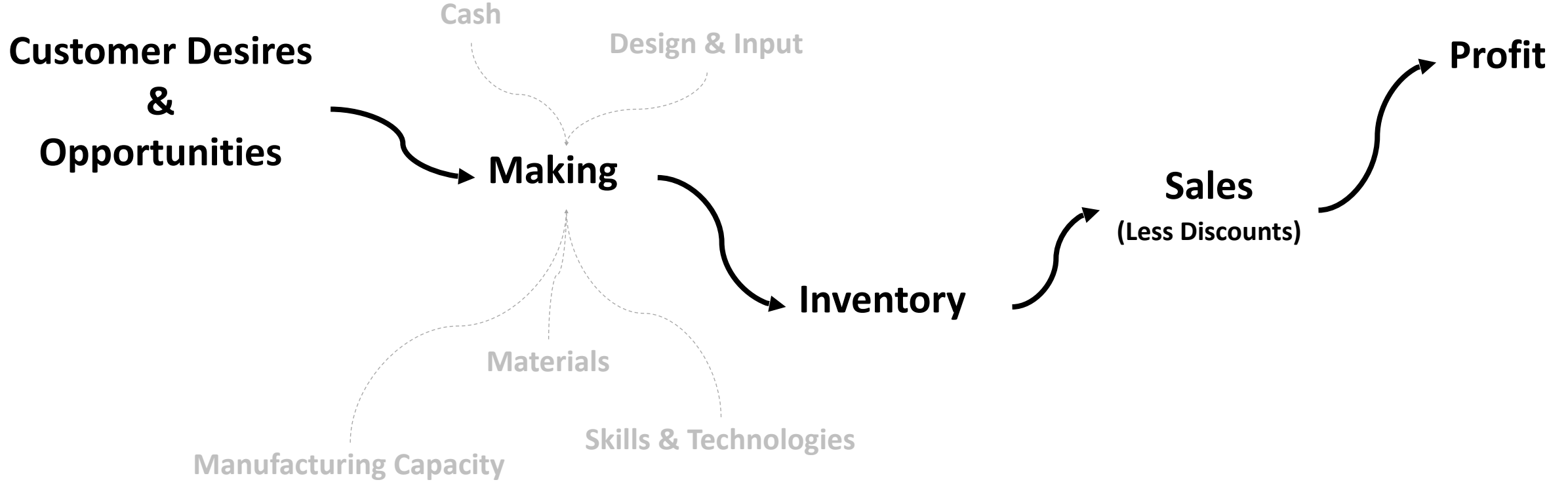
I led material and
technology innovation

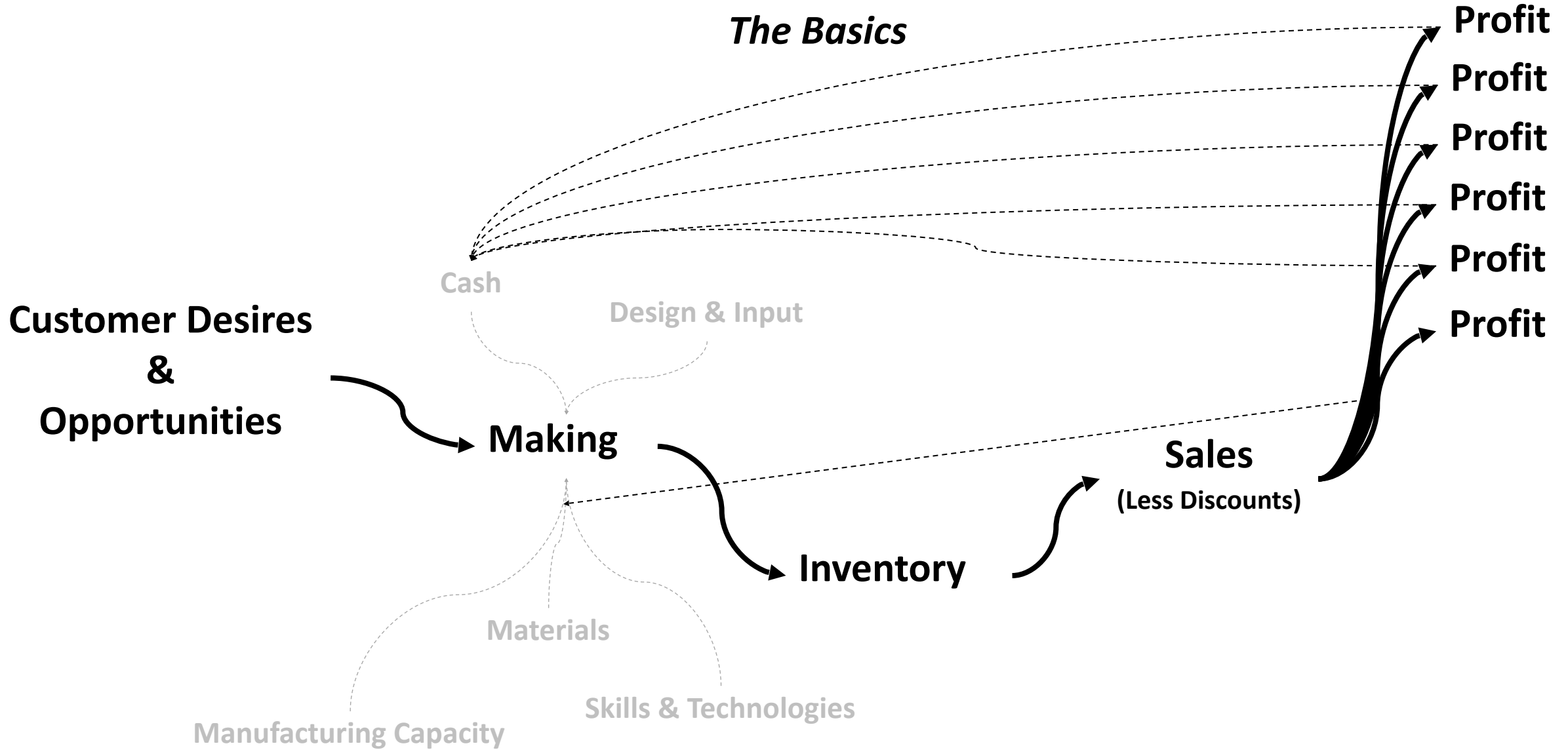
Three Stories

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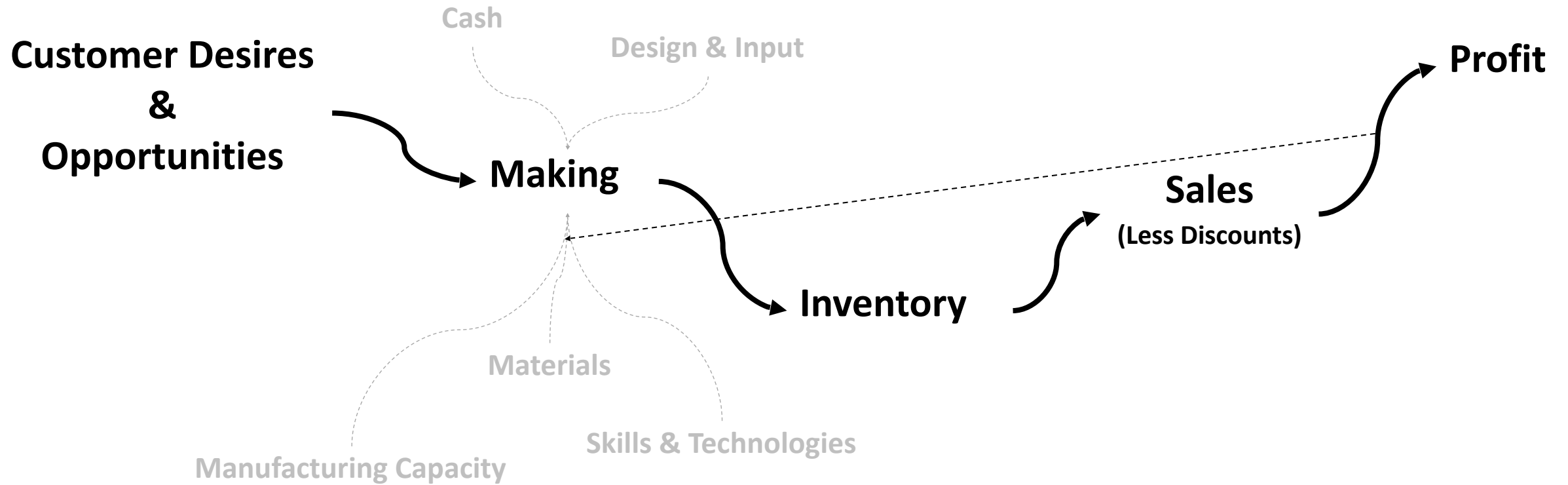
**I led material and
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The Basics





1) This cycle has to be the focus.

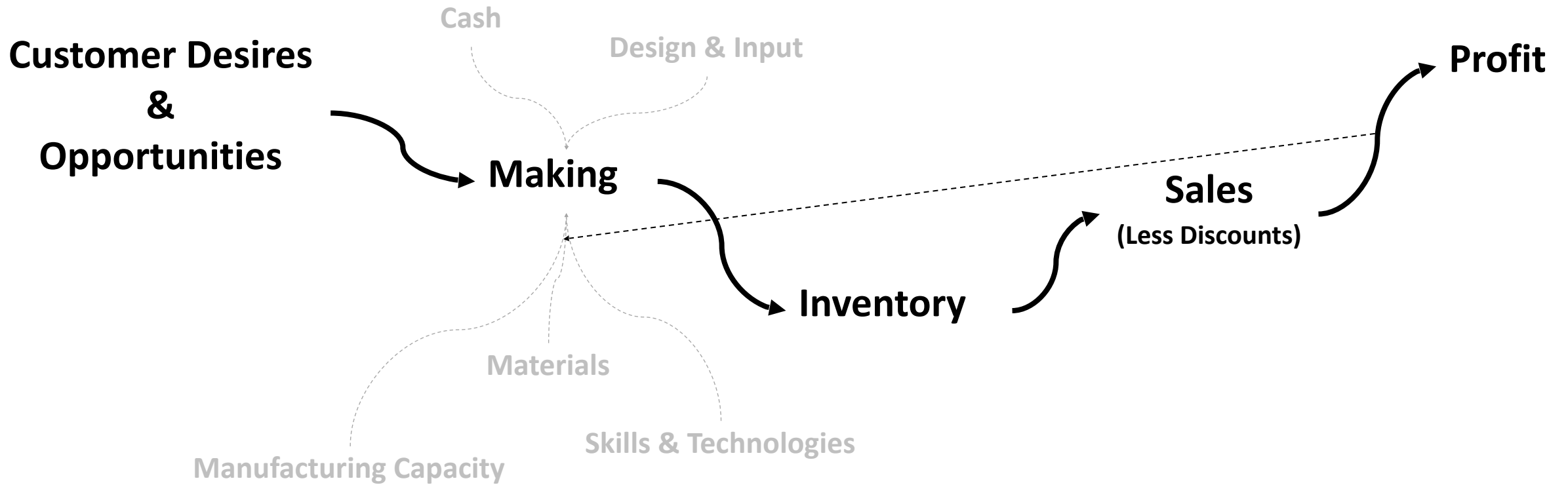


Three Stories

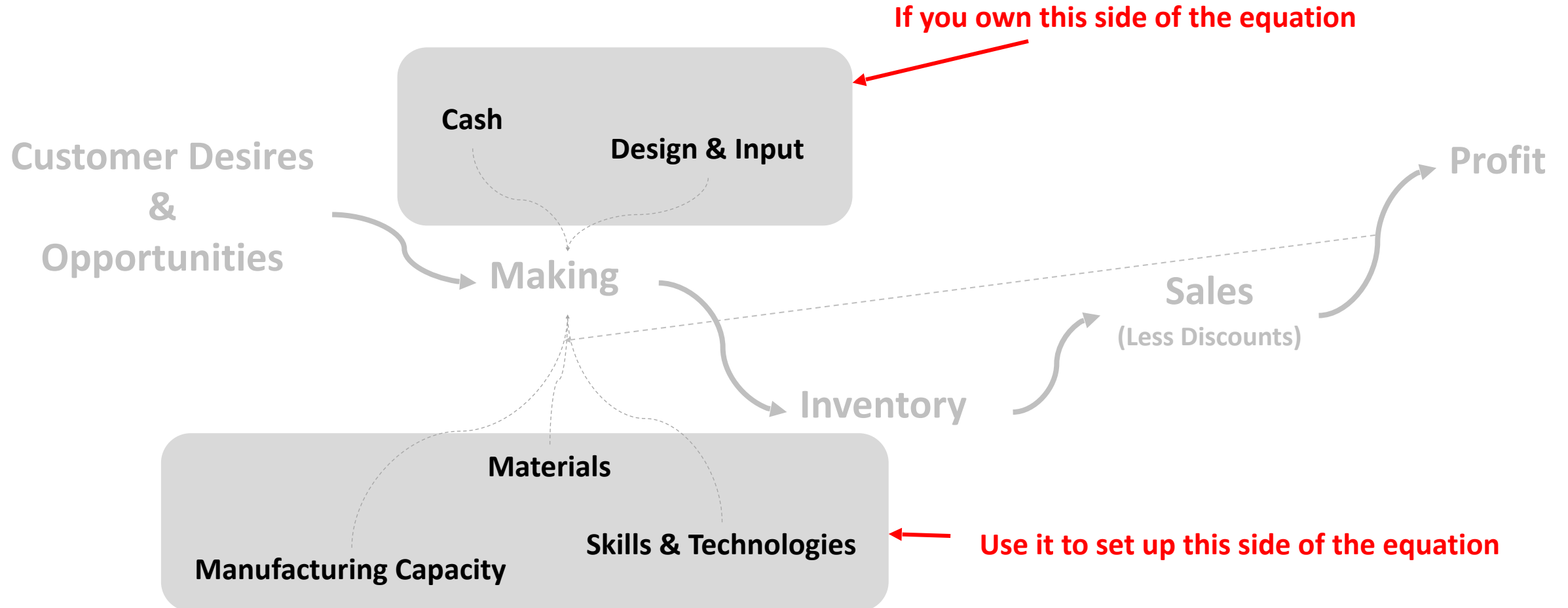
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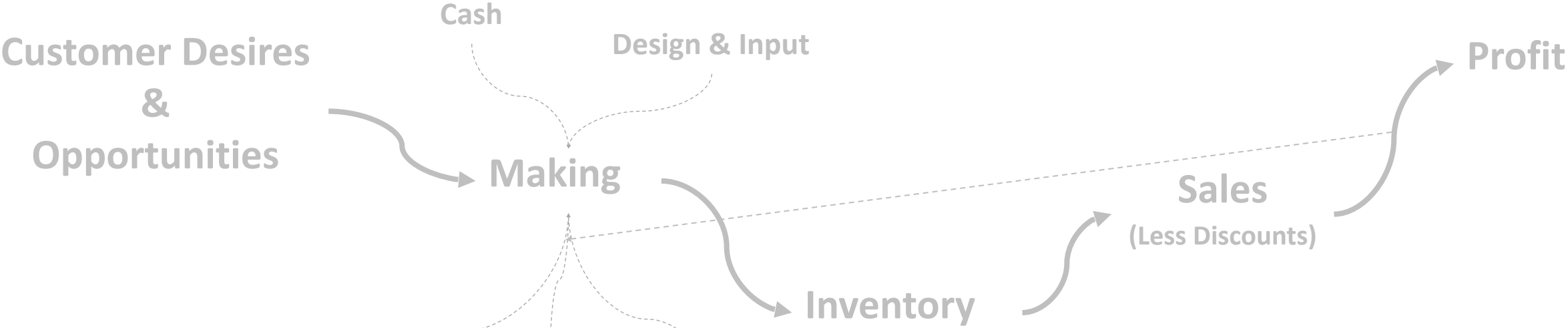
1) This has to be the focus.



2) You have to own something to leverage it.



3) Sourcing and Finance gotta wanna.



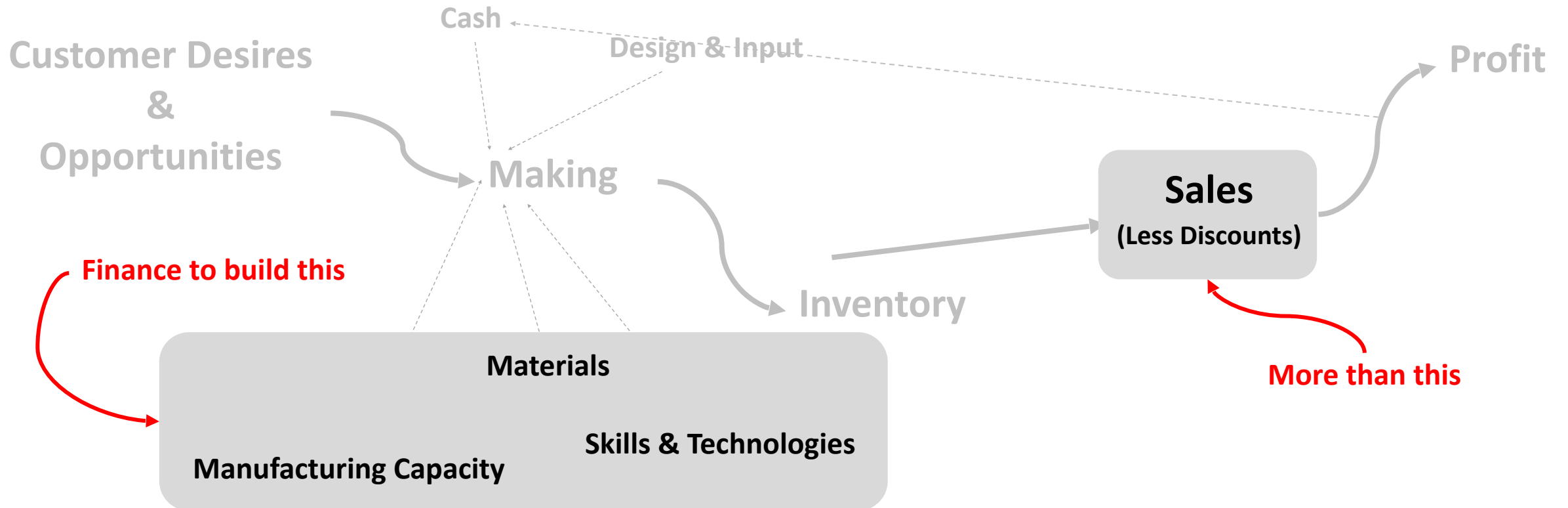
Materials

Skills & Technologies

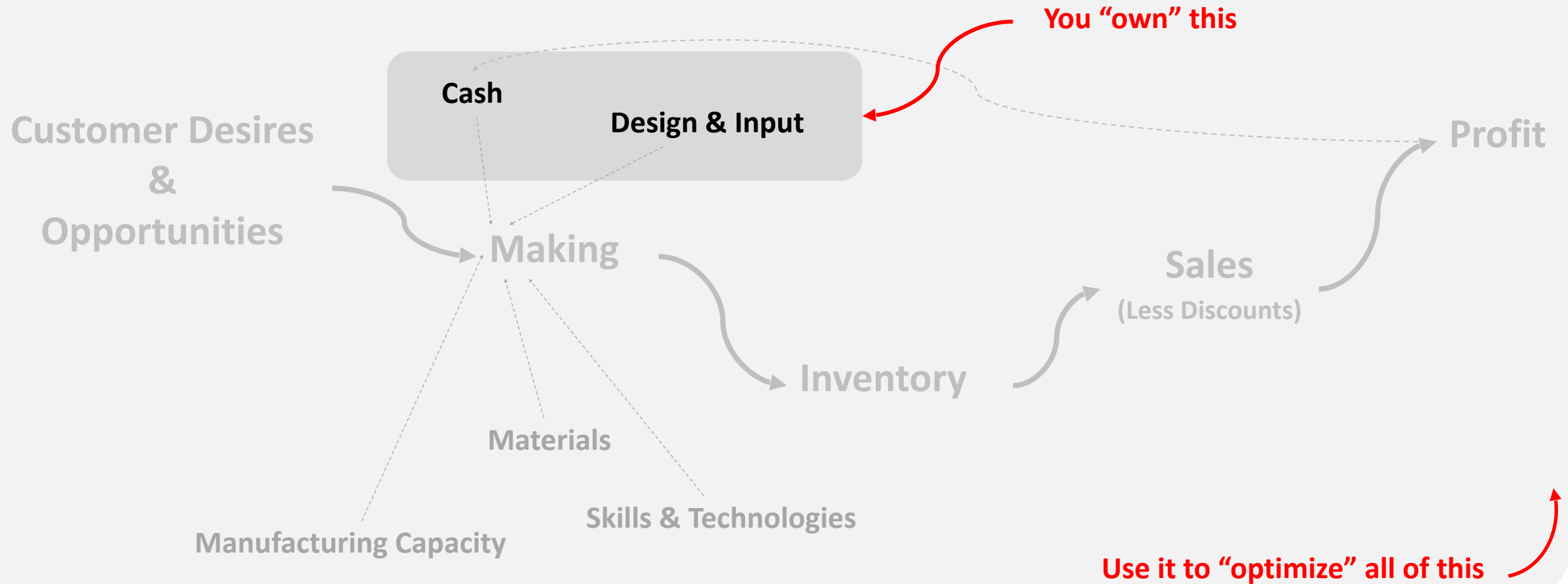
Manufacturing Capacity

Material and Capacity positioning, aligned with Design and manufacturing constraints, and informed by consumption data, is more important than managing house margin.

4) Governments: Incentivize and finance capability as much as sales.



5) Retailers / Brands: You most of all.



- **Own the whole problem**
- **Love constraints**
- **Cost reduction is the smallest profit driver**

AAPN Turn Value Calculator

Typical Current

	\$1,000,000,000	Long Lead Time	*Regional Mfg	**Close To Market
Turns / Yr		2.7		
% of sales		100%		
\$ sales		1,000,000,000		
Avg Earned Margin		38%		
Margin dollars earned		\$380,000,000		
Working Inventory required		\$140,740,741		
Margin dollars earned / dollar of inventory		\$2.70		

Short term

		Long Lead Time	*Regional Mfg	**Close To Market
Turns / Yr		2.7	4	8
% of sales		70%	20%	10%
\$ sales		700,000,000	200,000,000	100,000,000
Avg Earned Margin		38%	45%	50%
Margin dollars earned		\$266,000,000	\$90,000,000	\$50,000,000
Working Inventory required		\$98,518,519	\$22,500,000	\$6,250,000
Margin dollars earned / dollar of inventory		\$2.70	\$4.00	\$8.00

Longer term

		Long Lead Time	*Regional Mfg	**Close To Market
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Margin dollars earned		\$57,000,000	\$112,500,000	\$300,000,000
Working Inventory required		\$21,111,111	\$28,125,000	\$37,500,000
Margin dollars earned / dollar of inventory		\$2.70	\$4.00	\$8.00

* Manufacturing in region specifically for turn increases using current calendars, resource planning and replenishment methodologies.

** Designing into and manufacturing in region using multi-calendar positioned materials, color palettes and manufacturing capabilities for higher turns, and market relevance.

Shaded cells can be modified

AAPN Turn Value Calculator

Long lead time manufacturing, with high inventories and large discounts

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+ Manufacturing in-region for turn increases.
Using existing calendars and systems

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Lowest \$GM earned
 High Inventory
 Lowest \$GM / \$ Inventory

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\$406,000,000
\$127,268,519
\$3.19

7% Higher \$GM
10% Less Inventory
18% Higher \$GM / \$ Inventory

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\$469,500,000
\$86,736,111
\$5.41

24% Higher \$GM
38% Less Inventory
70% Higher \$GM / \$ Inventory

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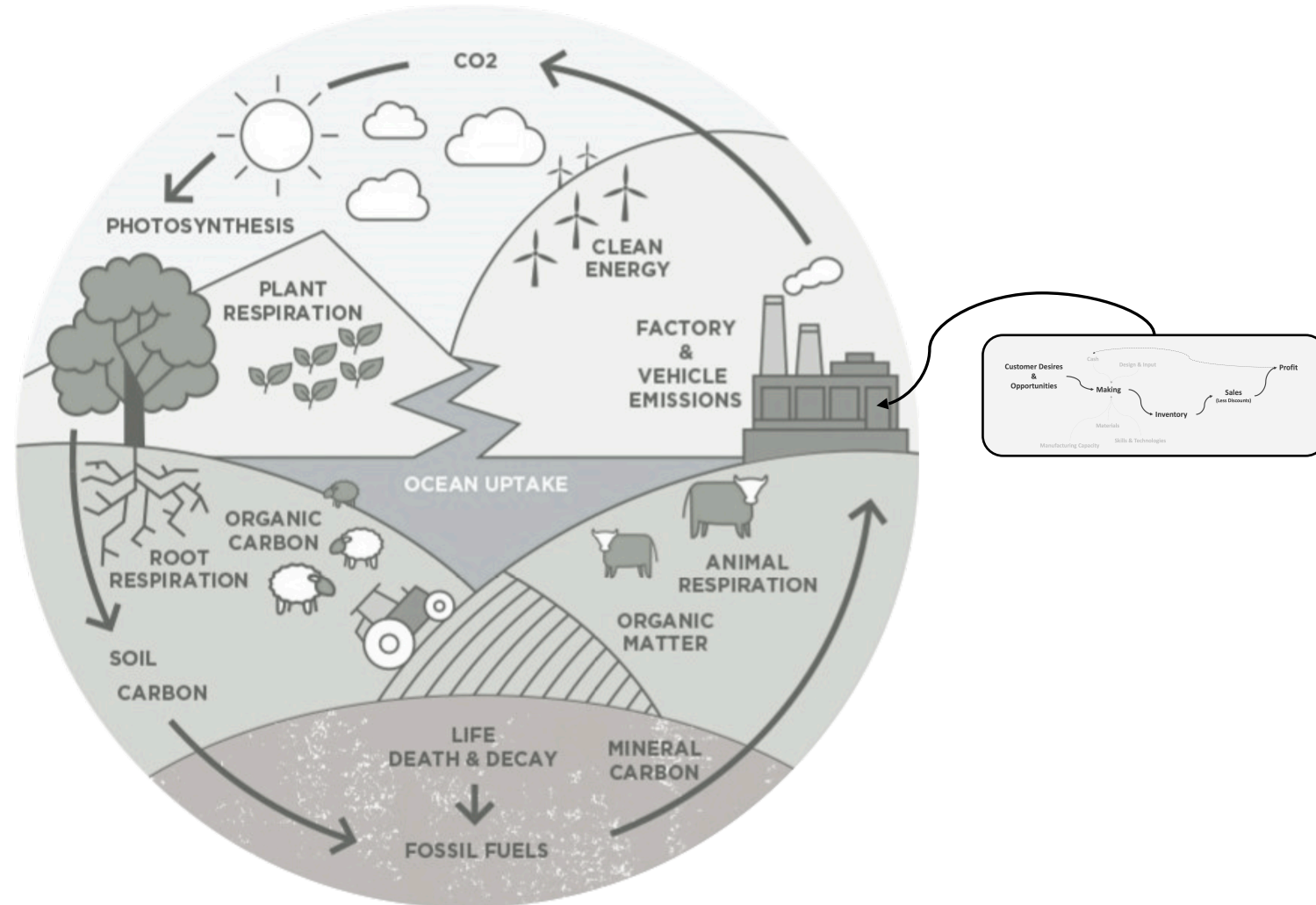
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The optimization opportunity never ends.





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Principles:

- 1) Choose "positions" and leverage what you "own".**
- 2) Design into those constraints to drive innovation and creativity.**
- 3) Establish new financial instruments that support capacity not PO fulfillment.**
- 4) Develop more capable PLM/ERP (and FIT) systems.**
- 5) Be aware of when you are sub-optimizing.**
- 6) Own the whole problem.**

Principles:

Choose "positions" and leverage what you "own".

- Color
- Materials
- Factories / Locations
- Designs
- Sewing Operations
- Markers/Cutting
- Print/coloring integration into markers/cutting