OMIS 6500 P Case Analysis2

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POLO RALPH LAUREN & LUEN THAI:   
USING COLLABORATIVE SUPPLY CHAIN INTERATION IN THE APPAREL VALUE CHAIN

**Introduction**

Luen Thai is a highly reputable apparel manufacturing firm headquartered in Hong Kong, China. Its key partner, Polo Ralph Lauren wanted to apply a D2S strategy between them and their raw material provider, ruentex, to tighten the collaborative operations between the 3 companies and increase efficiency throughout their supply chain, (came up with the D2S (“Design - to - Store") strategy which would be carried out with another key partner-raw material provider, Ruextex, to create efficiencies throughout the supply chain. )The CEO of Luen Thai, Henry Tan, was keen to develop a differentiable strategy managing their supply chain to retain the leadership position in textile market and wondered if D2S is the optimal strategy to allow was the right one which could enable Luen Thai to achieve its goal.

**Apparel Industry**

The apparel industry was expected to go through major huge changes because of the removal of textile and apparel the quotas in the textiles in 2005. This change in policy The change of the policy would put great much pressure on the overall industry as considering it would provide industry space for the smaller incompetent and lower-priced low-price companies, and hence thus creating created potential for industry-wide pricing crisis. the price war. However, this crisis would also create new opportunities for growth. However, the opportunities always come together with the crisis. The traditional supply chain for the apparel industry is unorganized, insufficient and lacks customer management. Traditional supply chain of the apparel industry is unorganized, low-efficient and lacking in customer management. With the rising trend of the internet and information technology, the apparel industry would be fundamentally changed on how it is operated, through the integration of data and integrating the supply chain. It's the trend that the Internet and IT would fundamentally impact how the industry is operated by providing the integration of data and integrating the supply chain.

**Luen Thai**

As the leading company in the apparel industry, Luen Thai is constantly adjusting never stops to adjust its strategy to meet clients’ requirements and find its own niche in this the dynamic changing industry. The close and collaborative relationship with its key partners, Polo and Reuntex ~~also~~ encourages Luen Thai to shift to a service-oriented company, and to be a full apparel supply chain provider. To improve data communication, increase efficiency and shorten lead time, Polo would ~~even~~ outsource the product design and logistic processes to Luen Thai under the D2S model.

Polo expected Luen Thai to primarily focus on product design and logistic process in the D2S model. Product design and Logistic would be the two main parts that Polo expected the Luen Thai to focus on in D2S model. Tan believed that the best method to accomplish overall integration of the D2S model into their supply chain is to build a Supply Chain City(SCC) that accommodates all 3 partnering companies. Tan was thinking to build a Supply Chain City (“SCC”) to integrate different supply chain process in one stop, this SCC can easily allow for integration of different supply chain in one stop, due to the removal of physical distance and barrier, in which case Luen Thai could easily understand and take up the product design from Polo and Ruentex could update the material information to Luen Thai by instant communication. The SCC would contribute to a more organizational linkage in the whole apparel supply chain.

Luen Thai’s in-house logistic company, CTSI logistic was planning to build its capability to provide differentiable services by managing information in the whole process. The online platform would update all parties the real-time orders and improve the responsive speed to all partners.

**SWOT Analysis**

For Luen Thai, the SWOT analysis to implement the D2S are as below:

**Strength:**

* 1. Advanced technology (automation of support functions; in-house logistic operation)
  2. Rich buyer knowledge
  3. Strong and trustful foundation for collaboration between partners
  4. Different supply chain operation functions

**Weakness**

* 1. Inefficient and inflexible EDI system
  2. Not institutionalized relationship with partners

**Opportunity:**

* 1. The support of Luen Thai’s key partners
  2. The fast-developed technology availability

**Threats**

* 1. Removal of textile quota
  2. Competitiveness among the apparel industry

**D2S Evaluation**

We can evaluate the D2S strategy from different dimensions:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Collaborative** | **Traditional** |
| Overall Competitive | Leading position | High | Middle |
| Supply Chain Competitive | Lead time | Short | Long |
| Cycle time | Short | Long |
| Inventory management | Efficient | Inefficient |
| Operational Performance | Production efficiency | High | Low |
| Customer service | High | Low |
| Margin improvement | High | Middle |
| Collaboration with Partners | Data integration | High | Low |

Compared with the traditional unorganized apparel supply chain, D2S is superior in many aspects. However, the risks of the whole process can’t be ignored. The switch might be painful at the beginning. It takes some time for every part of the whole process to get familiar with the new system and to find the most efficient way to work together. Plus, the biggest concern Tan has is that the D2S might be purely technologically approached without all partners fully understanding their role and position in the whole process and how to co-ordinate with each other. The base of the D2S is the risk and profit sharing among all partners, the more profit the collaboration will bring, the more risk all partners will take. This way, some actions should be taken in advance to mitigate all the potential risks.

**Conclusion and suggestion**

Based on the analysis above and other background information we can get from the case, we can conclude that the D2S strategy is a great way to collaborate all parties in the apparel supply chain to improve the efficiency and margin. Internet and IT will play the essential role in the whole process. It's a big advantage that all three key partners are equipped with advanced technology and can be a part of the online sharing platform. Below are some suggestions for the three partners to better bring the D2S into reality.

* + Institutionalize the partnership relation
  + Hire professional talents to lead the whole process
  + Train current employees to adapt to advanced system
  + Set regular meeting with key partners to deliver the issues