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— Rob McClellan, Global eMarketing Manager, **TaylorMade-adidas Golf**

Industry
Consumer Packaged Goods

i2 Success Story **#166**

Helping TaylorMade-adidas Golf Score a Hole-in-One with i2’s Supply Chain Solutions



In an effort to better gauge its strong but unpredictable demand, executives at TaylorMade-adidas Golf sought to increase demand forecast accuracy by optimizing the entire end-to-end supply chain. To do this, TaylorMade-adidas Golf implemented i2 solutions. Through the implementation, the golf equipment company is targeting \$50 million in cost savings and incremental sales over the next three years by doubling inventory turns, reducing freight, slashing inventory, and adding velocity throughout the enterprise.

Challenges

- Avoid overstocking inventory and lost sales through better forecasting
- Reduce freight costs by more accurately gauging demand
- Increase inventory turns and improve customer service through higher fill rates and improved on-time deliveries

With its cutting-edge golf equipment popular with PGA professionals Ernie Els and Tom Lehman, as well as avid golfers, TaylorMade-adidas Golf is truly at the top of its game. Sales are outstanding and demand is strong for its metalwoods, irons, golf apparel, and footwear.

SuperSteel to a limited number of customers, upsetting other customers and missing opportunities for sales.

But while demand is strong, it is also unpredictable. In the past, using Excel™ spreadsheets, the company’s planners tried in vain to determine how many of which clubs it needed to supply its retail customers.

But there was a way out of the rough. A change in management brought with it executives experienced in increasing demand forecast accuracy by optimizing the entire end-to-end supply chain. The company’s leadership realized it could use the end-to-end supply chain as a weapon to further distance itself from its competition and add even more value to its customer relationships.

“We never really knew how much of what we were going to sell in a given period of time,” said Rob McClellan, Global eMarketing Manager for TaylorMade-adidas Golf. “Because we didn’t have an accurate picture of demand, we would build up our inventory to guard against placing customer orders on backorder.”

TaylorMade-adidas Golf wanted to first focus on more accurately gauging customer demand, then managing to that forecast in a more efficient manner. For example, because many golf club components come from the Far East, shipping can be a major cost. Transporting those parts over the ocean is much more cost-effective than flying them to the factories. But without an accurate demand picture, TaylorMade-adidas Golf was often forced to expedite part shipments, causing operating expenses to climb.

The problem with unpredictable demand was exemplified by the company’s popular SuperSteel™ line of metalwoods and irons. When a competitor dropped its price for a competing line, TaylorMade-adidas Golf responded with a similar cost reduction. The strategy worked, though a little too well. Demand for the SuperSteel products spiked well beyond TaylorMade-adidas Golf’s expectations – as well as its ability to deliver. So the company was in the frustrating situation of shipping

The company’s management also sought to increase inventory turns and improve customer service through higher fill rates and improved on-time deliveries, so that retailers would, in turn, stock their shelves with even more TaylorMade-adidas Golf products.

Solutions

- Fully integrate front-end operations with back-end processes
- Create an online shopping experience for retail customers
- Enable wireless customer inventory management

Results

- Generate \$50 million in value over three years
- Double inventory turns
- Increased customer satisfaction through higher fill rates and on-time deliveries

TaylorMade-adidas Golf has led the golf industry’s technical revolution since it was founded in 1979. In 1998, the company merged with adidas Golf, a manufacturer of performance golf footwear, apparel, and accessories.



“That will not only enable our customers to order through a B2B site, but they can also track their orders, check their accounts, and make payments against their payables, and we can provide them with best-in-class product marketing information to help them sell more of TaylorMade-adidas Golf products,” McClellan said.

Why i2?

After thoroughly surveying the market, TaylorMade-adidas Golf chose i2 and its i2 Supply Chain Management™ (SCM), i2 Supplier Relationship Management™ (SRM), and i2 Intelligent Selling Solution™ (ISS) suites. Executives came to this decision based on i2's leadership in the market, as well as its extensive customer base. i2 has more than 1,100 customers and more than 9,000 implementations to date.

TaylorMade-adidas Golf wanted an end-to-end solution that would be fully integrated as soon as it was implemented.

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i2 solutions enable consumer goods companies to simultaneously optimize and monitor inventory; reduce costs and risks through integrated sourcing, negotiation, and procurement; and improve customer service levels and reduce fulfillment costs through multi-division and multi-channel order management.

Additionally, consumer goods companies use i2 solutions to minimize transportation costs and increase service levels through integrated transportation procurement, planning, execution, and monitoring.

i2's Contribution

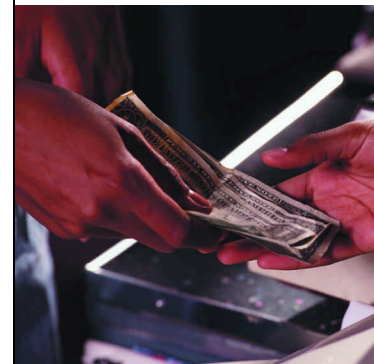
TaylorMade-adidas Golf began its implementation of i2's end-to-end solutions with demand planning. Using that solution, the company will reduce inventories, markdowns, and write-offs, establishing the industry's best-in-class standards for customer service.

i2 solutions also determine safety stock targets for the company, then identify what TaylorMade-adidas Golf needs to produce to meet projected demand. i2 SCM measures those additional production requirements against the company's capacity and then determines the most efficient way to utilize that capacity.

The solutions within i2 SRM provide procurement collaboration among TaylorMade-adidas Golf and its key suppliers. By sharing its demand forecast and capacity constraints with its suppliers through i2 SRM, TaylorMade-adidas Golf can determine its component requirements and confirm its suppliers' ability to fulfill those requirements. Once a vendor agrees to supply the components, i2 solutions will automatically generate a purchase order.

On the ISS side, once TaylorMade-adidas Golf's products are produced or sourced, i2 solutions allocate that constrained supply across different customers under predefined business rules. i2 ISS also creates online shopping carts through an Internet site that TaylorMade-adidas Golf's customers and sales representatives can use to order product any time.

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“This partnership will help us keep our promise to meet the needs of our worldwide family of retailers and serious golfers. With i2, we’ll not only continue to deliver the most innovative products in golf – we’ll also get it in their hands and onto the tee even faster,” said Jim Stutts, TaylorMade-adidas Golf’s Chief Executive Officer.

Going Wireless

A special feature of TaylorMade-adidas Golf’s i2 implementation is a wireless customer management system that is fully integrated with i2 ISS, i2 SCM, and i2 SRM.

As a value-added service, TaylorMade-adidas Golf sales representatives go into their customers’ stores every 30 days to inventory clubs and recommend fill-in orders based on budget constraints, sell-through sales history, seasonality, and other factors. The order is typically faxed into TaylorMade-adidas Golf, where an inside sales representative re-keys it. In addition to being time-consuming, the process can be fraught with human errors.

To alleviate this problem – and to independently gather customer intelligence that was impossible to capture before – TaylorMade-adidas Golf will soon use Symbol’s wireless personal digital assistants (PDAs) with built-in barcode scanners. Once the sales representative scans the inventory on hand, i2 solutions automatically calculate a recommended replenishment order based on retail inventory levels and sell-through velocity.

That order is wirelessly sent to TaylorMade-adidas Golf, where i2 solutions check inventory availability and give the customer a promised delivery date.

“It gives full visibility to our sales reps and customers up front about our order-fulfillment capabilities, rather than just blindly submitting an order and hoping that product will show up when it’s needed,” McClellan said.

The wireless solution will enable TaylorMade-adidas Golf to capture sell-through information, then use that data to make more informed business decisions in the future.

“With access to that information, we can develop targeted marketing practices to help retailers understand what’s happening in their stores compared to the industry at large in their geography,” McClellan said. “We can also try different point-of-sale displays for our products and determine which is the most effective for each trade channel. We then have hard, quantifiable information that we can use to better market our products across the country. It all comes back to increasing revenue for our customers, which adds value for everyone participating in the TaylorMade-adidas Golf end-to-end supply chain.”

TaylorMade-adidas Golf’s Results

All told, by using i2 solutions to optimize all aspects of its end-to-end supply chain – supply chain management, supplier relationship management, and intelligent selling solution – TaylorMade-adidas Golf is targeting \$50 million in cost savings and incremental sales over the next three years.

That savings will come from a variety of sources, including doubling inventory turns, reducing freight, slashing inventory, and adding considerable velocity throughout the enterprise.

Production cycle time is down significantly, and TaylorMade-adidas Golf now offers next-day custom club service – the fastest service offering in the industry. The custom club business has more than doubled in the past year.

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"The buyers are already saving time using i2 SRM," McClellan said. "They're spending a lot less time trading e-mails, voicemails, and faxes around the world with our supplier partners that are already using the solution. Our suppliers like it because they have a much better idea of what's coming their way."

In addition to hard-number benefits, TaylorMade-adidas Golf and its suppliers are also realizing some intangible results.

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i2's broad set of solutions enables TaylorMade-adidas Golf to better understand its own business — allowing it to thrive in a marketplace in which speed and intelligent decision-making are critical for survival.

"Everything is high velocity. Information is coming from all different angles," McClellan said. "We have all kinds of new things to talk about with customers and new ways to manage our business with them. We need to have tools that will enable us to work faster and work harder. That's why we needed i2 — to make sure that we're focused on the right things."

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