



Keeping adidas-Salomon One Step Ahead of the Competition

Facing mounting challenges from their multi-channel supply chain, executives at sporting goods leader adidas-Salomon knew they needed to replace a home-grown planning system to meet the needs of their growing company. To ensure that it continued to meet the needs of customers, suppliers, and consumers, adidas-Salomon implemented i2 solutions. The implementation enabled the company to reduce order confirmation times and to get products to market faster.

In the often unpredictable athletic footwear industry, trends can change dramatically from season to season since styles, colors, and functional features are in continual flux. To stay ahead of the competition, athletic shoe manufacturers must keep a keen eye trained to the demands of the consumer.

For more than 80 years, adidas-Salomon has been doing just that. But given its increasingly complex supply chain, staying in step with consumers' whims was becoming increasingly difficult.

"We use third-party manufacturing so we are involved with a lot of different partners, from people who manufacture our product, to people who manufacture our raw materials, to the distributors that sell our product throughout the world," said John Hamilton, the Development Manager for Supply Chain Applications at adidas-Salomon. "We had a bit of a lag in our ability to see downstream demand. It's hard to see the end customer's demand because we are working through a lot of different subsidiaries."



adidas-Salomon

Challenges

- Increase visibility into downstream demand
- Improve asset utilization and factory fill rates
- Gain ability to plan more often

Solutions

- Move from article-level planning to size-level planning
- Integrate minimum-order quantities planning into planning process
- Establish planning rules to prevent subsidiaries from exceeding capacity quota

Results

- Reduced order confirmation time
- Achieved planning at multiple and shorter lead times
- Reduced time necessary to get products to market

Company Description

With total net sales of US\$7.9 billion and net income of nearly US\$280 million, **adidas-Salomon** is a global leader in the sporting goods industry, offering a broad portfolio of sports footwear, apparel, and accessories. Activities of the company and its 114 subsidiaries are directed from adidas-Salomon AG's headquarters in Herzogenaurach, Germany. adidas-Salomon AG has about 14,700 employees worldwide.

*“We are able to make smarter business decisions because we have more cushion time to react to the marketplace. We are able to react quicker and to plan with more information in our possession before we make those critical business decisions. **i2 solutions are helping adidas to become a higher-velocity company because they allow us to get our products to market faster.**”*

*—John Hamilton
Development Manager for
Supply Chain Applications*



adidas-Salomon



In addition to the challenges that arose from a multi-channel supply chain, adidas-Salomon also faced competition from many new businesses, and had multiple IT systems with varying degrees of service requirements. Company executives knew that their legacy system would not be able to meet the demands of this new business environment.

To maintain competitive advantage, they needed a supply chain solutions provider to help them improve asset utilization and factory fill rates.

“We had a home-grown planning system, and while it was handling the job adequately, we realized that we were reaching the limits of its functionality,” Hamilton said. “We wanted to be able to plan more often, and we knew that we were going to grow, so we were going to be handling more volume. We wanted to go from article-level planning, which is basically at the shoe-color level, down to size-level planning. We knew that with the engine that we had built ourselves, we wouldn’t be able to do that.”

“With our old system, we only had the capability to plan one lead time,” Hamilton said. “One of our key drivers was to shorten the cycle of a plan and to be able to plan at multiple lead times. With the old system, if you all planned at one lead time, we couldn’t change everyone to a shorter lead time. Now, with i2, we can change some people to a shorter lead time and gradually work our way toward changing everyone to a shorter lead time, while also handling some even shorter lead times.”

Why i2?

adidas-Salomon began evaluating the marketplace to determine what company had the supply chain solutions to best meet its requirements.

“We actually went through the search to find a solutions provider twice, because after our first search, other priorities emerged, and we had to put the project on the shelf,” Hamilton said. “After the first evaluation, enough time had passed in between that the market had changed a little bit, so we embarked on a new search. Each time, we narrowed it down to two different competitors, and i2 came out on top both times. We knew that i2 had a high ability to support us based on our site visits with i2 customers.”

i2’s Contribution

adidas-Salomon chose to implement i2 Supply Chain Planner,[™] which the company currently uses on a monthly basis, with the intention to move to a weekly basis in the future.

Supply Chain Planner helps companies meet demand and achieve a high degree of customer satisfaction by optimizing their supply while meeting their real-world constraints, and lowering their inventory, distribution, and transportation costs.

Each month, adidas-Salomon takes its demand indicators from various legacy systems and loads them into Supply Chain Planner. Supply Chain Planner creates a master plan at the article level, which is used to allocate articles to a factory. The results of that plan go into a tooling plan.

“The tooling plan is used to plan at the size level, which enables us to plan for the very expensive tooling that is needed to manufacture footwear. That is our highest cost driver in the manufacturing process,” Hamilton said. “By being able to plan at the size level, we are able to plan ahead and make intelligent decisions about what kind of tooling we want to open up. There is no way that we could have done that in our old system, not with the volume and the complexity of the model. It simply wasn’t possible.”

adidas-Salomon’s Results

With Supply Chain Planner in place, adidas-Salomon can now plan at multiple and shorter lead times.

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As a result of implementing multiple and shorter lead times, adidas-Salomon has reduced order confirmation time — which has its customers responding positively.

“With the implementation of the shorter lead times, we have already seen that our customers are more eager to work with us,” Hamilton said. “They know that we can be more flexible with their orders, and we will be able to provide to them at an earlier rate.”

Supply Chain Planner has given adidas-Salomon a number of capabilities that weren’t possible with its old home-grown system.

“i2 solutions have enabled us to establish planning rules so that subsidiaries do not exceed our capacity quota,” Hamilton said. “We have also been able to integrate minimum-order quantities planning into the planning process, whereas before it was a separate process. Before, we would go ahead and plan, then we would check our minimums separately. Now we have those constraints within the plan.”

Improvements like these are enabling adidas-Salomon to make better choices — and to stay a step ahead of the competition.

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