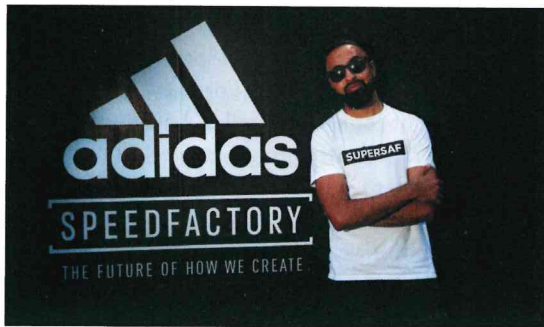


How Adidas coped with shrinking fashion cycles



There is a vast industry involved in designing, making and distributing trainers (sneakers). It is an industry where supply chains are complex, and involve an extensive network of specialized operations, each focusing on the individual components that make up the shoes. A single part could have crossed back and forwards between several different countries before being assembled into the finished product, usually by hand. Most of the making is done in Asia, where labour costs are low compared with Western countries and where there is an immense and interconnected network of specialist manufacturers employing thousands of people. Most well-known brands have tended to concentrate on the design, marketing and distribution. Adidas, like most of its rivals, subcontracted the 'making' part of the total process (it had not run or owned its own manufacturing operations since the 1990s) but the network of suppliers it employs spreads over more than 1,000 facilities in 63 countries. Yet, like other similar companies, Adidas faces some problems with its Asian outsourcing model. First, growing affluence in the area has resulted in rising costs. Second, the longer and more complex a supply network, the more difficult it is to oversee every single operation that contributes to the finished shoe, which opens any company to reputational damage if a supplier employs unacceptable working practices (although Adidas has a particularly thorough set of 'workplace standards' to which

all suppliers must conform). Finally, this globalised and complex supply chain means a long lead-time between conceiving a new trainer and it eventually arriving in the shops. And it is this last point that can be the most problematic, particularly for fashionable trainers with a short 'fashion life'. From the initial design for a new trainer, through prototype creating and testing, to placing orders on suppliers, setting up the production process, ramping up production, and finally sending the trainers to the shops, can take as long as 18 months. Even orders to replenish stocks can take two to three months. But fashion cycles for trainers are getting shorter, with some designs lasting only one to three years.

Faced with this tension between slow lead-times on one hand and short fashion cycles on the other, Adidas developed its 'Speedfactory' operation, the first one of which was located in Ansbach, Germany, halfway between Munich and Frankfurt (the second one is near Atlanta in the US). The Speedfactory is totally automated, and designed to be able to accommodate new technologies, such as 3D printing, as they become appropriate. And because almost all the stages of manufacturing are done on the same site, it makes Adidas considerably faster and more flexible, especially in producing limited runs of fashionable products. Speedfactory can produce shoes in days, which also gives the company the ability to replenish the fastest selling products during the same season. Each Speedfactory can make around 500,000 pairs of trainers a year (small compared to over 400 million that Adidas makes using its traditional supply chain). But Speedfactory is not intended to compete with its Asian subcontractors; it complements them. For shoe designs with relatively high and predictable volumes, the traditional Asian supply networks still dominate. But for local (European and US) markets with high-end, fashion-oriented trainers for environmentally sensitive customers, the Speedfactory is a fast and flexible addition to Adidas' traditional supply.

Note how the 'Operations in practice' example of Adidas demonstrates how one company is being innovative in tackling the challenges inherent in the 'new operations agenda' that we identified earlier in the chapter. It is an example of how changes in market requirements prompted a response that involves new technologies (including automation and 3D printing), a rethinking of how supply was to be organised (bringing some, albeit limited, work back to Europe and the US), and consideration of environmental sustainability issues (reduced transportation and less waste from 3D printing).