

Slicker supply chain will pay off



Containers, looking like so many shoe boxes. The port of Long Beach in California, where many of the shoes Payless imports from Asia arrive. Locating a new distribution centre in nearby San Bernardino County will save the footwear firm time, energy and money.

A project to revitalise the supply chain of footwear brand Payless ShoeSource is coming towards its conclusion and, by the summer, the company will have its new distribution strategy completely up and running. Underpinning this new supply chain set-up is a doubling of its distribution centres.

The single facility it used to run at its Topeka, Kansas, headquarters will close in a few months' time. This is not an outcome that the company has taken lightly: it gave the workers at the 250,000 square-metre site more than a year's notice that 500 jobs were likely to go. It opened discussions with union leaders at the same time and set aside \$5 million for severance payments.

Having got the bad news out of the way, Payless ShoeSource turned to positive developments. The first of its two new distribution centres opened at Redlands, California in the summer of 2007. The 120,000 square-metre facility is in San Bernardino County, which is winning a reputation as a centre of excellence in logistics. An air-freight centre at the former George air base is expanding quickly in the region, and is now known as the Southern California Logistics Airport, with

Newell Rubbermaid one of the first big-name companies to lease space there.

Payless ShoeSource is proud of its tradition of "democratising fashion and design in footwear", making attractive, up-to-date styles affordable for ordinary families on an ordinary budget. For this reason, it's unlikely to make much use of air-freight, the most expensive means of moving goods from manufacture to point-of-sale. Its choice of San Bernardino County as the location of its west-coast distribution centre owes more to the site's proximity to the ports of Long Beach and Los Angeles.

Between Long Beach and the neighbouring container port at Los Angeles, this complex is the fifth largest in the world in terms of container traffic. Together they handle more than 14 million standard (twenty-foot equivalent units, or TEU) containers a year; only Singapore (23.2 million), Hong Kong (22.4 million), Shanghai (18.1 million) and Shenzhen (16.2 million) handle more. With most of the 180 million pairs of shoes that Payless sells each year coming from partner manufacturers in Asia, this is the gateway it relies on.

On the waterfront

Congestion and pollution at the container facilities are sensitive subjects in California and it was no coincidence that when, in the summer of 2006, state governor, Arnold Schwarzenegger, hosted a meeting on climate change and carbon emissions with political and business leaders, he chose the Port of Long Beach as the venue.

The group—which included then UK prime minister, Tony Blair, then chairman of energy company BP, Lord John Browne, and the founder of airline Virgin Atlantic, Richard Branson—vowed to work together to make business and transport greener. Governor Schwarzenegger said: “You can do both. You can build a great economy and take care of the environment at the same time.”

One of the steps the big Californian ports have taken has been to push inland some of the activity that used to happen near the ocean, such as sorting imported products into smaller consignments for onward distribution. It is this that has brought places such as San Bernardino County into the logistics frame. At Redlands, Payless ShoeSource—who weighed up sites in Nevada before deciding on the Californian location—has the company of food retailers Hershey Foods and Stater Brothers, who each run a distribution centre of their own in the city. The footwear firm’s facility there will serve stores west of the Rocky Mountains and will also handle online orders from customers.

Great minds

The second of the distribution centres in its new dual-strategy will be in the town of Brookville, Ohio, which is close to the city of Dayton. In total, Payless hopes to create 300 jobs at the site. The company says it chose Brookville because of the high levels of encouragement it received for the project from local authorities, because of the town’s transport links (it’s in one of the top states for highway and rail connections), but also because a nearby university, Wright State, runs an in-depth global supply chain management programme, which means the shoe retailer will be able to source creative and talented supply chain thinkers locally.

For the company’s chief executive, Matt Rubel, this development is “a strategic initiative in our business strategy to enhance the Payless supply chain operation”. He translates this into a very clear message to consumers across the US and Canada, where Payless has more than 4,500 stores: footwear that is in keeping with the latest fashion trends and that meets the needs of the company’s customers will become available to them more quickly as a result of this move. To put it another way, Payless products will now have a faster time-to-market.

There and back again

The dual-strategy makes sense, Mr Rubel feels. The old way of doing things meant millions of pairs of ➤



Payless ShoeSource believes its supply chain review can help it reduce time-to-market.
PHOTO: COLLECTIVE BRANDS

SLICKER SUPPLY CHAIN WILL PAY OFF

FASHION FOR THE PEOPLE

Since its foundation in 1956, Payless ShoeSource has set itself the task of "democratising fashion and design in footwear". It seeks to achieve this by offering in a self-select format shoes for women, men and children that keep to the latest fashion trends, but come in at a family-friendly price-point. In 2006, the company sold 180 million pairs, generating \$2.8 billion in sales. It takes its mission seriously and, in recent years, has built up a series of strong relationships with New York footwear designers, featuring exclusive collections from them in its 4,500 stores. The stylists it has worked with so far include Lela Rose, Laura Poretzky, Stacey Bendet and Patricia Field. At the same time, it has an in-house design team of its own in the US's fashion capital. Eighteen months ago, the company introduced two new formats for its stores, the Payless Fashion Lab and Hot Zone; all new outlets feature one or the other. The idea behind the Fashion Lab, in particular, was to present shoes by fashion or trend, rather than by size. Payless believes this new format is helping it secure space in some of the US's most exciting shopping streets, including Fifth Avenue in New York.

shoes arrived in ports such as Long Beach and were transported overland to Kansas for storage and sorting, with all replenishment orders from stores being fulfilled from there. Payless stores are predominantly in the heavily populated coastal and border regions of the US and around 1,500 of them are west of the Rockies. The previous supply chain set-up meant the company, in its efforts to keep its west-coast outlets well stocked, was paying its outsource logistics service providers to carry millions of items halfway across the country and then bring them back west again.

With stores in the west now receiving their deliveries from Redlands instead, Payless ShoeSource is saving time, money and energy in meeting the needs of those stores and, most importantly of all, the needs of the consumers they serve. On the east coast, it's true that shipments will have further to go once the Brookville distribution centre opens for business—it's an extra 600 miles or some 1,000 kilometres—but if most deliveries go from there to the coastal cities further east there will be little or no added overall movement of the goods.

Matt Rubel is in no doubt about the benefits the company will accrue from this change. He calls it "a prudent, long-term investment in the company's infrastructure" from which the business, its parent company, Collective Brands, and its customers will all reap rich rewards. 



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