

Government backs logistics centre expansion

Unlike other Inditex group companies, Tempe is based not in La Coruña, but in Spain's main footwear manufacturing centre, Elche.

CREDIT: TEMPE/GRUPO INDITEX



The Inditex Group is famous for doing things for itself. In the 1980s, Amancio Ortega, the founder of the group—which includes, arguably, the most influential global fashion brand of the last 15 years, Zara—had his fingers burned when, as a supplier of slippers and dressing-gowns to one of Spain's biggest department store chains, he suffered severe losses through no fault of his own. He decided that the group of companies he set up in the aftermath would run most of its own manufacturing and all of its own retail operation, turning its back on the outsource-and-franchise model.

The different brands that make up the group now have a combined total of more than 4,200 stores in 72 countries around the world, which have helped make the reclusive Mr Ortega (according to the 2009 Forbes Rich List) the wealthiest person in Spain and the tenth richest in the world. No business empire the size of his could run without huge IT capacity and a sophisticated logistics set-up, but even these are in-house resources for Inditex.

Partners in footwear

Nevertheless, when it comes to footwear, the group has adopted a less self-sufficient approach; it has much closer ties to outsource manufacturing partners than the clothing side of the business, with around 50% of the shoes that go into its fashion collections sourced from partner manufacturers. And now the group has applied for, and received, support worth €15.5 million

The Spanish government has agreed to support a project to expand a logistics centre in Elche that is dedicated to the footwear business of Inditex, the parent group of fashion brands including Zara and Massimo Dutti.

from the Spanish government to help it expand a logistics facility it has set up in Elche for Tempe, its in-house footwear company.

Inditex bases most of what it does in La Coruña, in Galicia, in the far north-west of Spain, the city to which Amancio Ortega's family moved when he was one year old. However, when choosing a site for the logistics hub for Tempe, Elche, the country's main footwear manufacturing centre, was the logical choice.

Tempe is one of the newest additions to the Inditex empire. Its role is to design and source shoes for all the brands in the group, ranging from high-fashion boots and dress shoes to athletic footwear and slippers, make them (or work with manufacturing partners to make sure the shoes meet design and quality requirements) and ship them to stores. In recent years, in addition to the set-up in Elche, Tempe has opened smaller platforms in Latin America and Asia to help it continue to meet the needs of Inditex brands as they expand around the globe.



In-house designers come up with new collections and Tempe works to bring their ideas to life.

CREDIT: TEMPE/GRUPO INDITEX

Fast and accurate

This article has referred to the influence that Zara has had on the ready-to-wear retail world. The reasons why are well documented: the company has come up with an unbeatable formula for putting new fashion ideas into its shops faster and more frequently than any of its rivals, responding to consumer demand as it changes. This philosophy, much imitated (not least by direct rivals such as H&M and Mango) applies to the whole of the Inditex group, including Tempe, of course. To translate the idea into a successful business model, as Inditex has done, is only possible if your entire supply chain is efficient and effective.

In 2008, Tempe's management team decided that the logistics centre it had established in Elche was becoming too small to support the company's growth. This was on the back of 2007 figures that produced 23% growth on the previous 12 months, with Tempe shipping 26.8 million pairs of shoes that year and bringing to the group revenues of €483 million. It entered into discussions with the city authorities and agreed to buy a nine-hectare plot of land for €8 million on which it said it would construct a new 60,000 square-metre distribution centre and equip it with advanced logistics automation technology.

The government's decision to invest €15.5 million in this project came in December 2009. In spite of the high levels of automation, Tempe has assured the authorities that, when it is fully up and running, the new logistics hub will allow it to create 300 new jobs in the area, taking the total workforce at the facility to around 900. The public money will come from funds set aside to give direct help to parts of Spain that are suffering through the process of deindustrialisation. This certainly applies to Elche, which has been dependent on the footwear industry for decades. Last year, however, the Footwear Industry Association of Elche reported that its membership was falling as a result of the

global economic downturn. While the association welcomed 10 new companies to its ranks during the previous year, 2008, 42 fell away, leaving the industry body with a membership of 179 firms. Of the 42 footwear manufacturers that ceased to be members, four were excluded for failing to pay their membership fees, two because they had moved premises and 11 because they wanted to save on the cost of membership. Two companies had moved out of the footwear industry, and several were found to be ineligible for membership owing to the fact that they are traders rather than manufacturers. Twenty companies, however, had gone out of business.

The new Tempe site is almost complete now, local media have reported. It will operate 24 hours a day, with the workforce divided into three shifts and will incorporate 25 loading bays. There will be three warehouse areas for pallet storage with automated order management technology. It won't be long now before Tempe is running one of the most sophisticated logistics operations in the region. 📦



The new facility will have high levels of automation, but will still allow Tempe to create 300 new jobs. CREDIT: TEMPE/GRUPO INDITEX