



SHOES OF PREY

Overcoming supply chain challenges

22 Feb 2017

Who am I?

**Customised shoes
13 years**



**Operations consulting
5 years**



**Customised shoes
1 year**

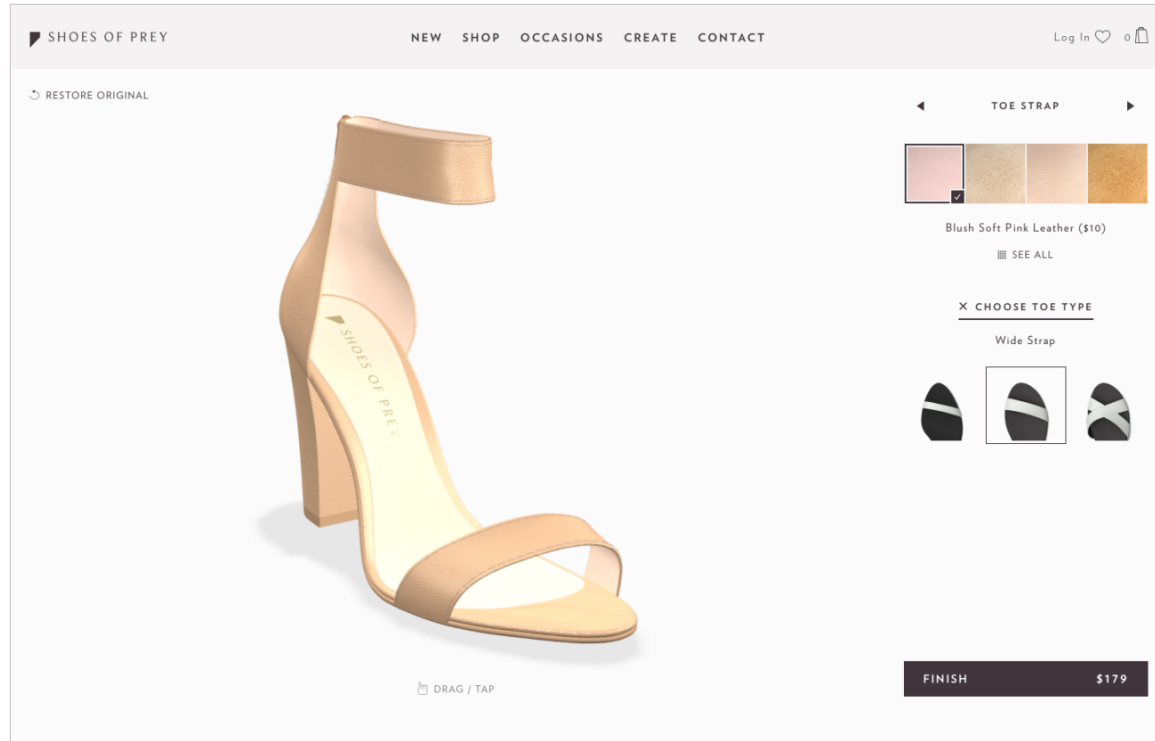


1. **Shoes of Prey overview**
1. **Our supply chain strategy**
1. **Our challenges in delivery**

We make beautiful shoes. These don't yet exist.



Until she customises them online, anywhere in the world.

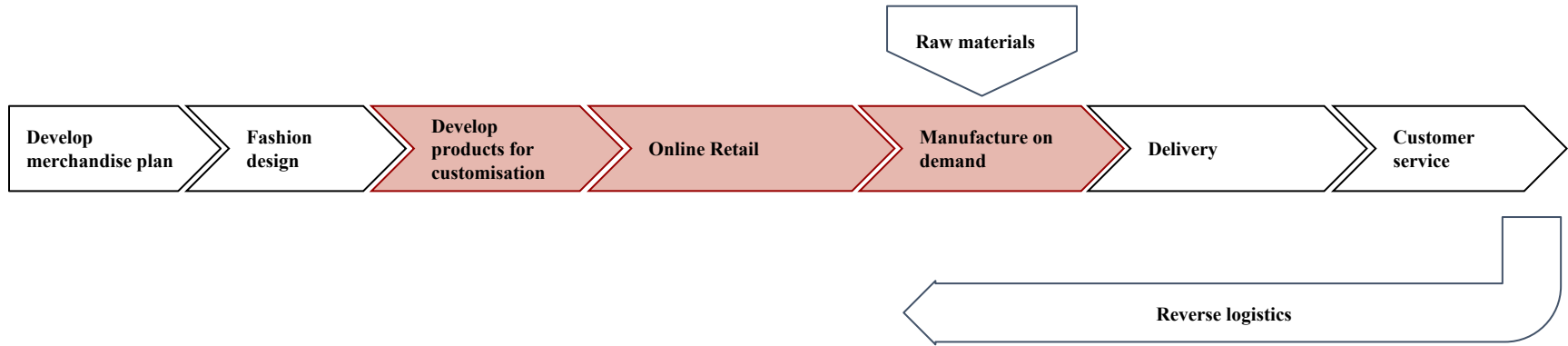


We make those shoes and ship them to her in two weeks.



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We insource differentiator capabilities.



Our shipping costs are probably higher than any other footwear retailer in the world.



We believe our supply chain should be optimised for the customer value proposition. Not for lowest cost logistics.



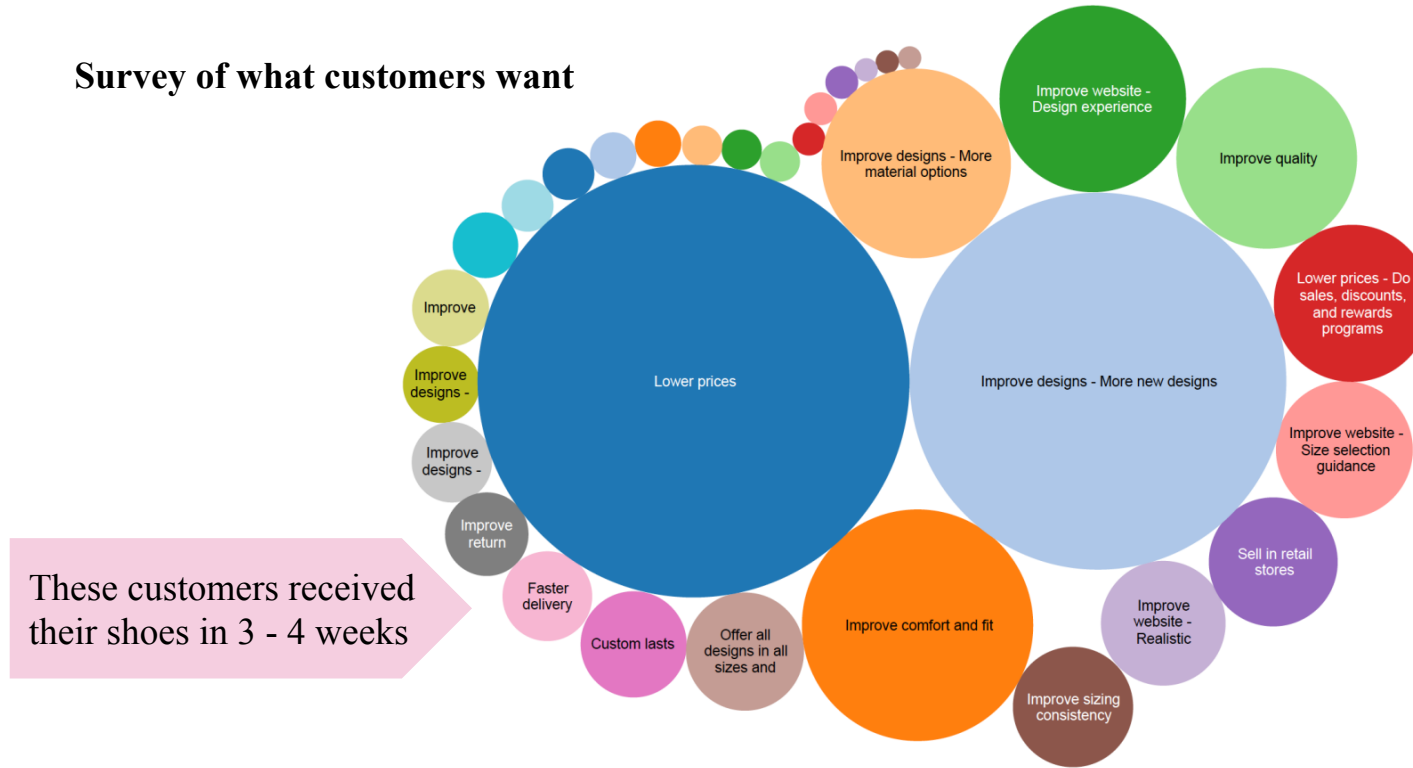
Customised shoes



Delivered in two weeks

*Our customers think customised shoes in four weeks is okay.
But we want to compete with non-customised shoes.*

Survey of what customers want

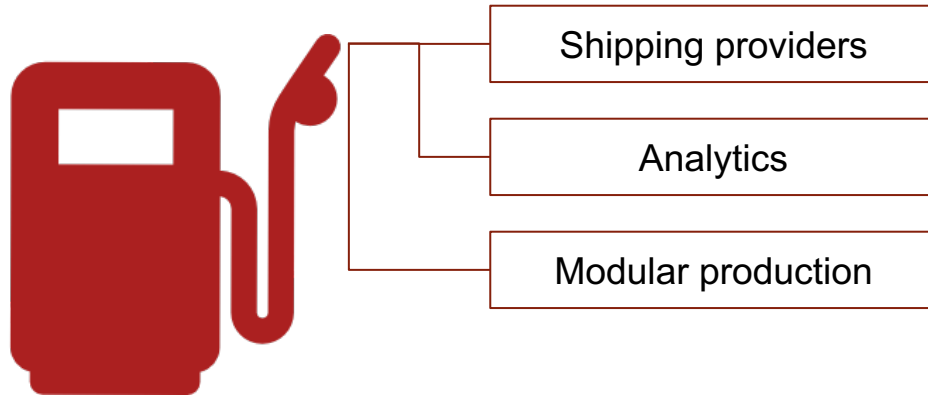


These customers received their shoes in 3 - 4 weeks

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Our challenges in delivery.

Time & Money



Reverse supply chain



Logistics providers are starting to feel like commodities.



Prices are similar amongst providers.

Prices move up and down with fuel costs.

Where will innovation come from?

Are any step changes in efficiency coming?

We are investigating new players.



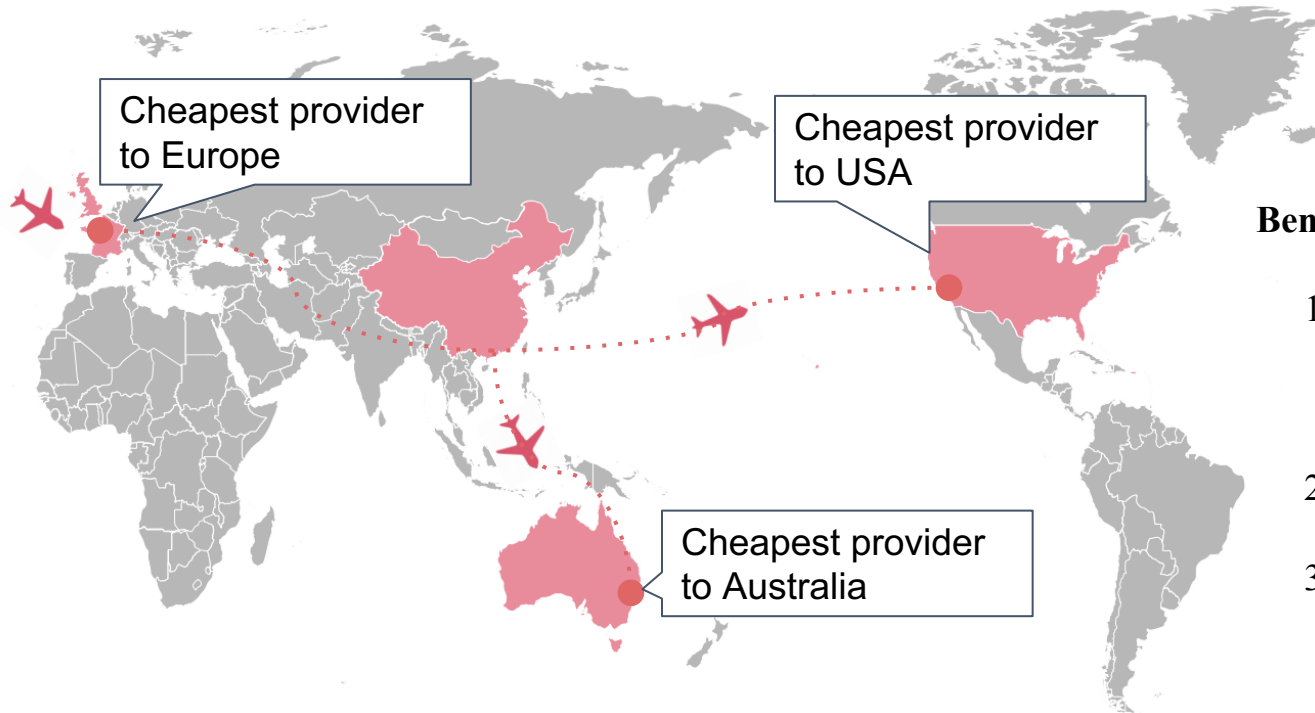
Could there be an Expedia of logistics?

Provider consolidation

“Expedia, Inc. drives incremental demand and direct bookings to travel suppliers, provides advertisers the opportunity to reach a highly valuable audience of travel consumers, powers travel bookings for some of the world’s leading consumer brands, and gives travel agents direct access to one of the broadest selections of travel products and services anywhere.”



One large Chinese online retailer is trying.



Benefits

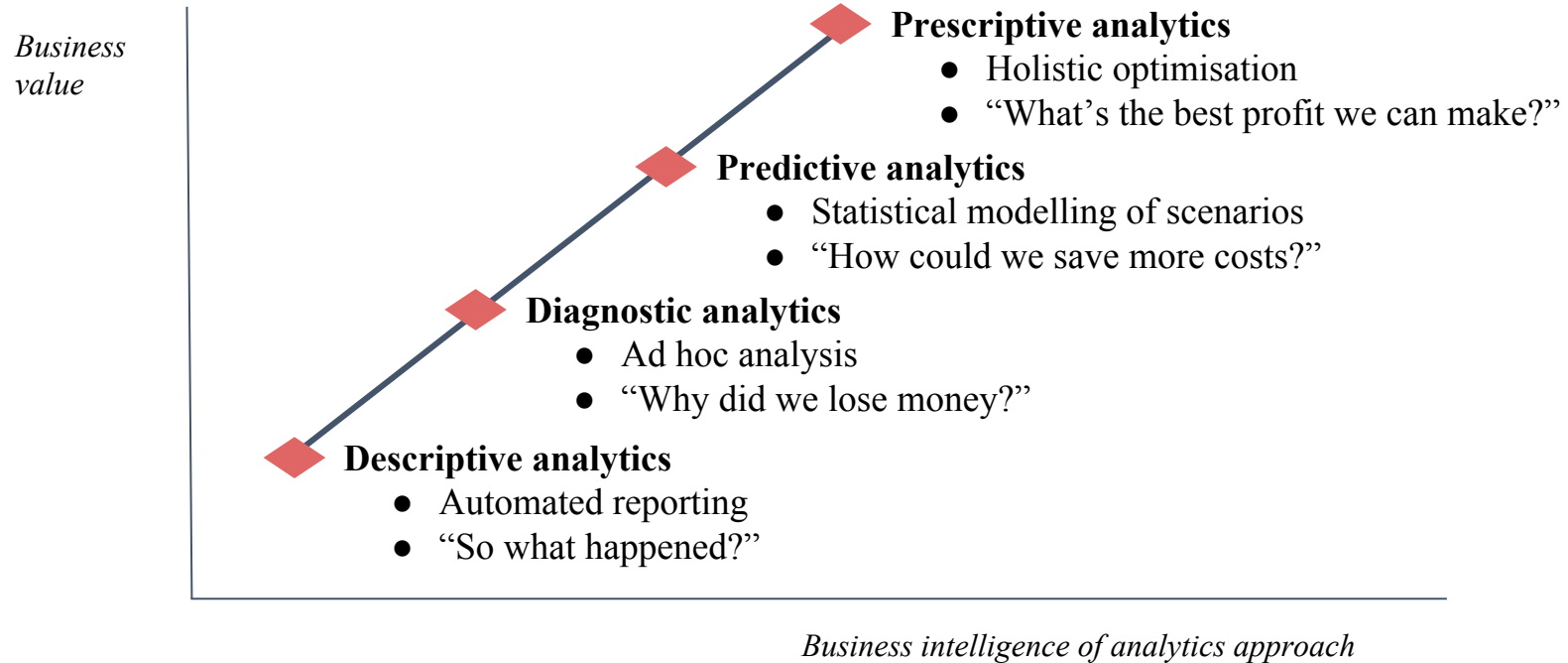
1. Ability to choose best provider by destination without volume requirements
2. Manage a single logistics relationship
3. Take advantage of their volume discounts

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 - ii. **Analytics**
 - iii. **Modular production**
 - b. **Reverse supply chain**

*We are investing in **prescriptive analytics** to optimise for profit across the whole supply chain.*

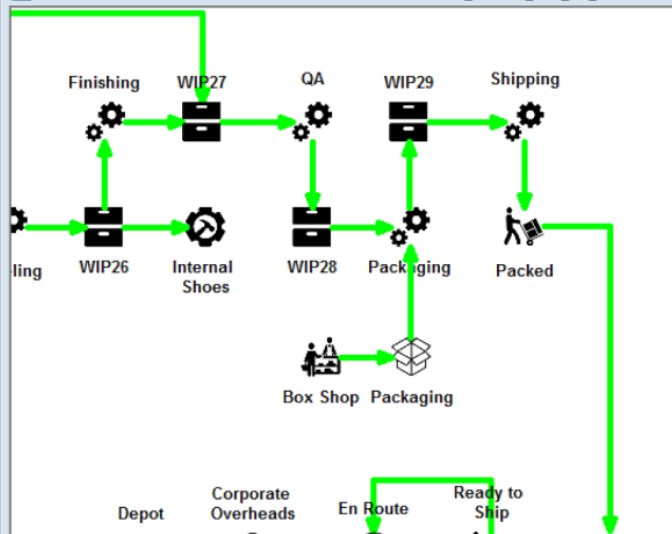




Browser

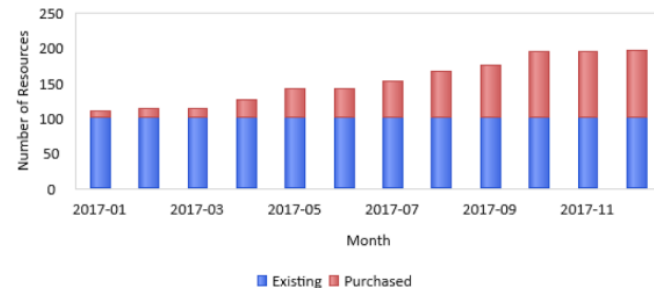
- forecast_model_v01_65_20170116.cor
 - Database
 - Diagram
 - Queries
 - Inputs
 - Detailed Financials
 - Summarised Financials
 - Charts
 - Query Support
 - Checks
 - Forecast Pairage 20160107
 - Station Throughput Over Time
 - Dashboards
 - Charts
 - Financials
 - Board
 - Reports

forecast_model_v01_65_20170116.cor - Diagram

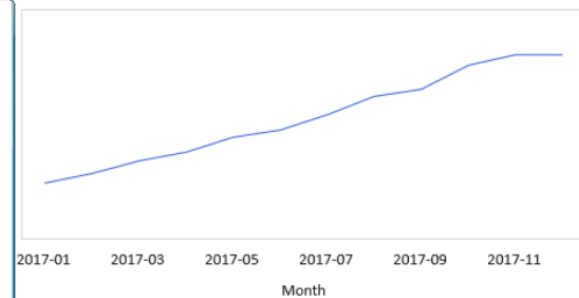


forecast_model_v01_65_20170116.cor [Charts] - Dashboard

Available Resources

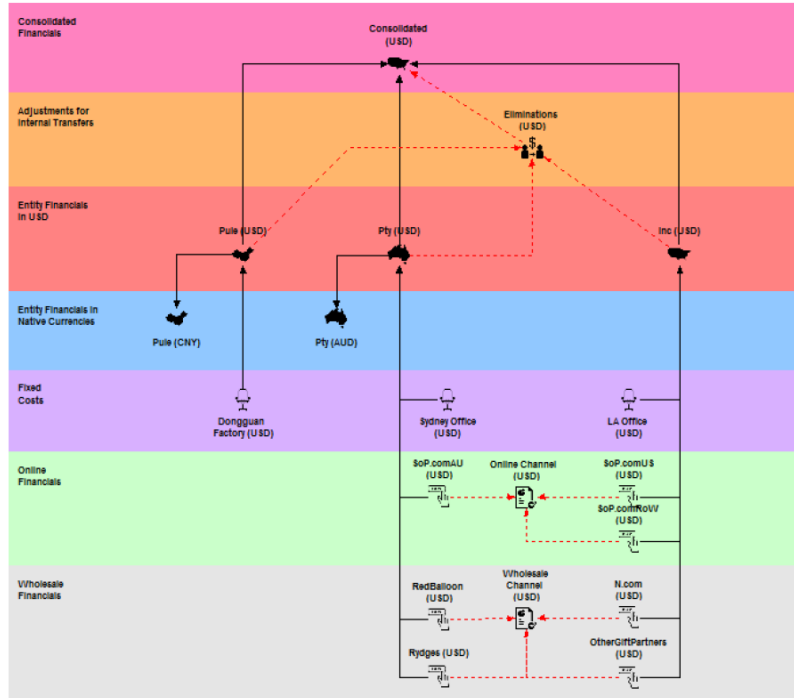


Factory Output



Stage 1: Financial structure

FINANCIAL STRUCTURE

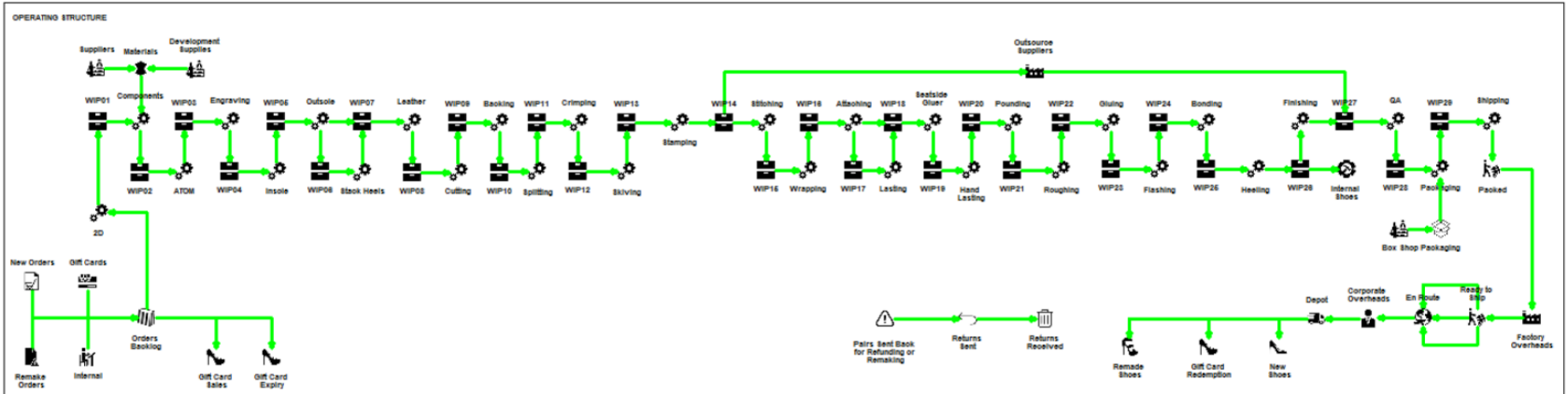


Features

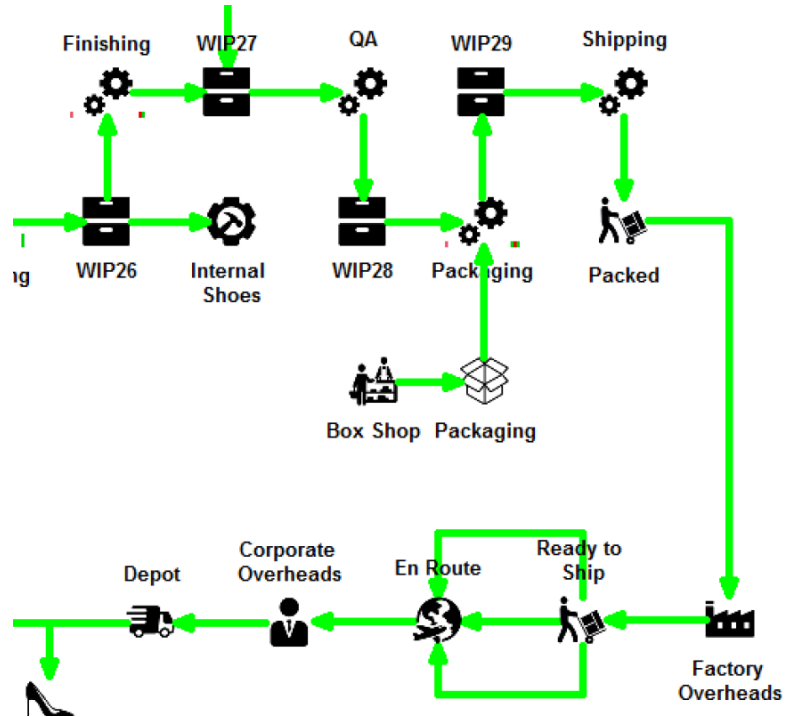
- Multiple entities
- Multiple currencies
- Transfer pricing
- Consolidations and eliminations
- Full P&L, Balance Sheet, and Cash Flow by entity and sales channel

Stage 2: Physical production

SHOES OF PREY



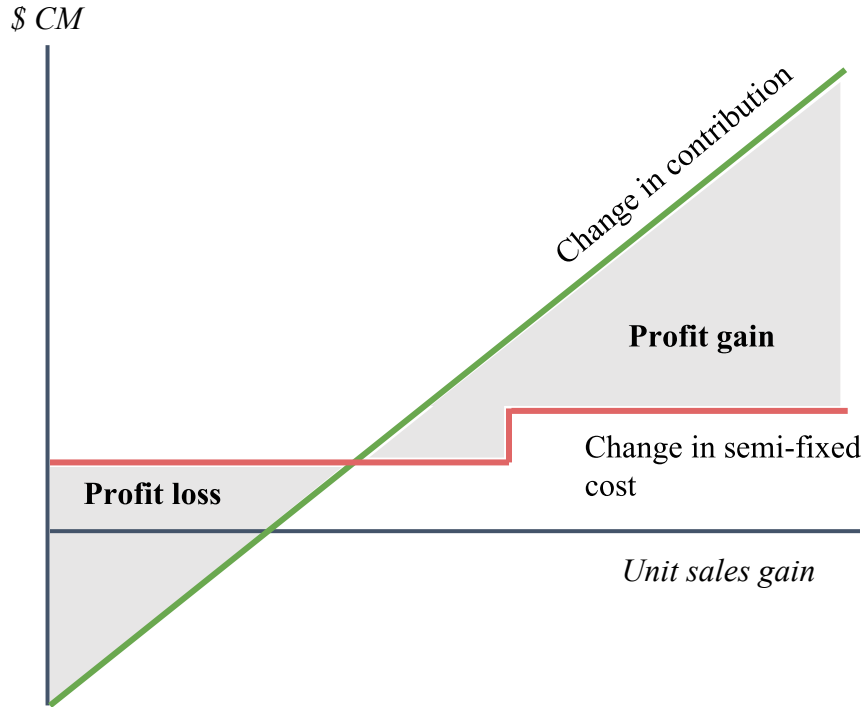
Stage 2: Physical production optimisation



Features

- Real process and equipment uptime and throughputs
- When to bring on which labour and equipment
- Optimal CAPEX investment mix and timing
- Which components or processes to outsource
- Value bottleneck analysis

Stage 3: Product price optimisation

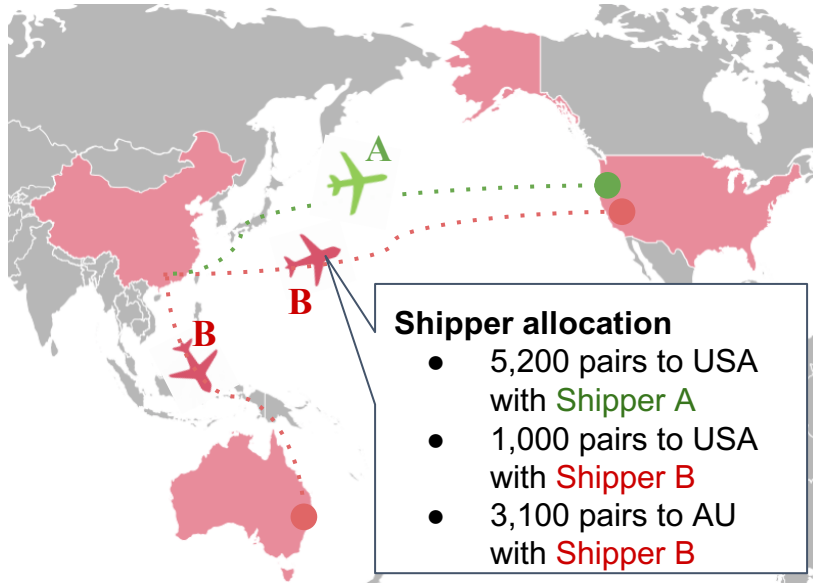


Features

- Optimal product category mix
- Volume change breakeven for various prices
- Considers step changes in semi-fixed costs like labour and equipment
- Pricing scenario analysis
- Considers regional pricing, delivery costs, and duty/VAT

Stage 4: Delivery optimisation

Optimise shipper allocation



Features

- Optimal allocation of packages to shipping providers, considering:
 - Unlimited number of providers
 - Weight and region rates
 - Package consolidation
 - Achievement of tiered volume discount rates across multiple shipping providers

We are now developing Stage 3.



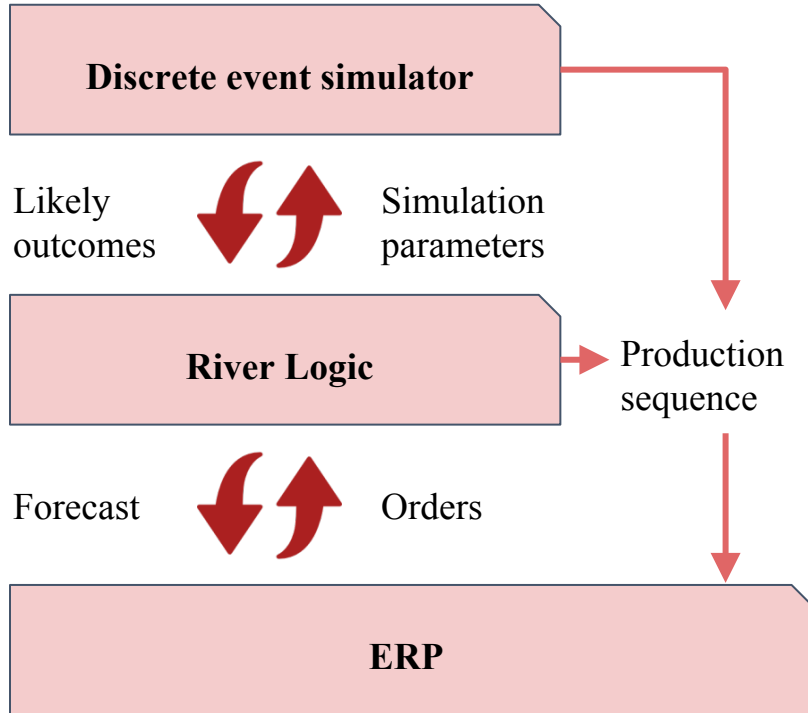
Stage 1: Financial structure

Stage 2: Physical production optimisation

Stage 3: Product price optimisation

Stage 4: Delivery optimisation

Beyond... End to end supply chain optimisation.



It will prescribe to us

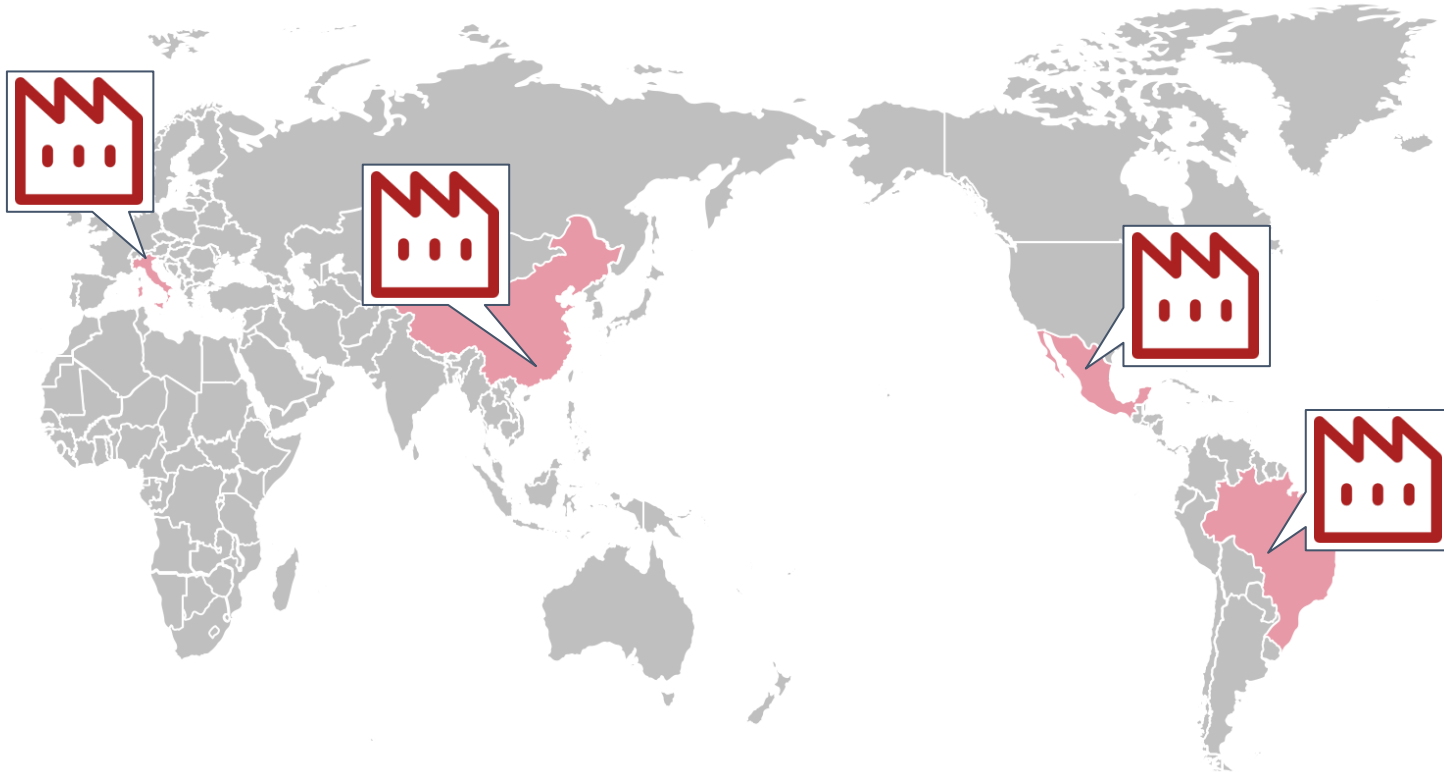
- Which price/delivery date combination to offer customers
- Which order to produce when
- Which production to line to use per order
- Which shipping provider to use per order
- Which shipping product (time/cost) to use per order

1. **Shoes of Prey overview**

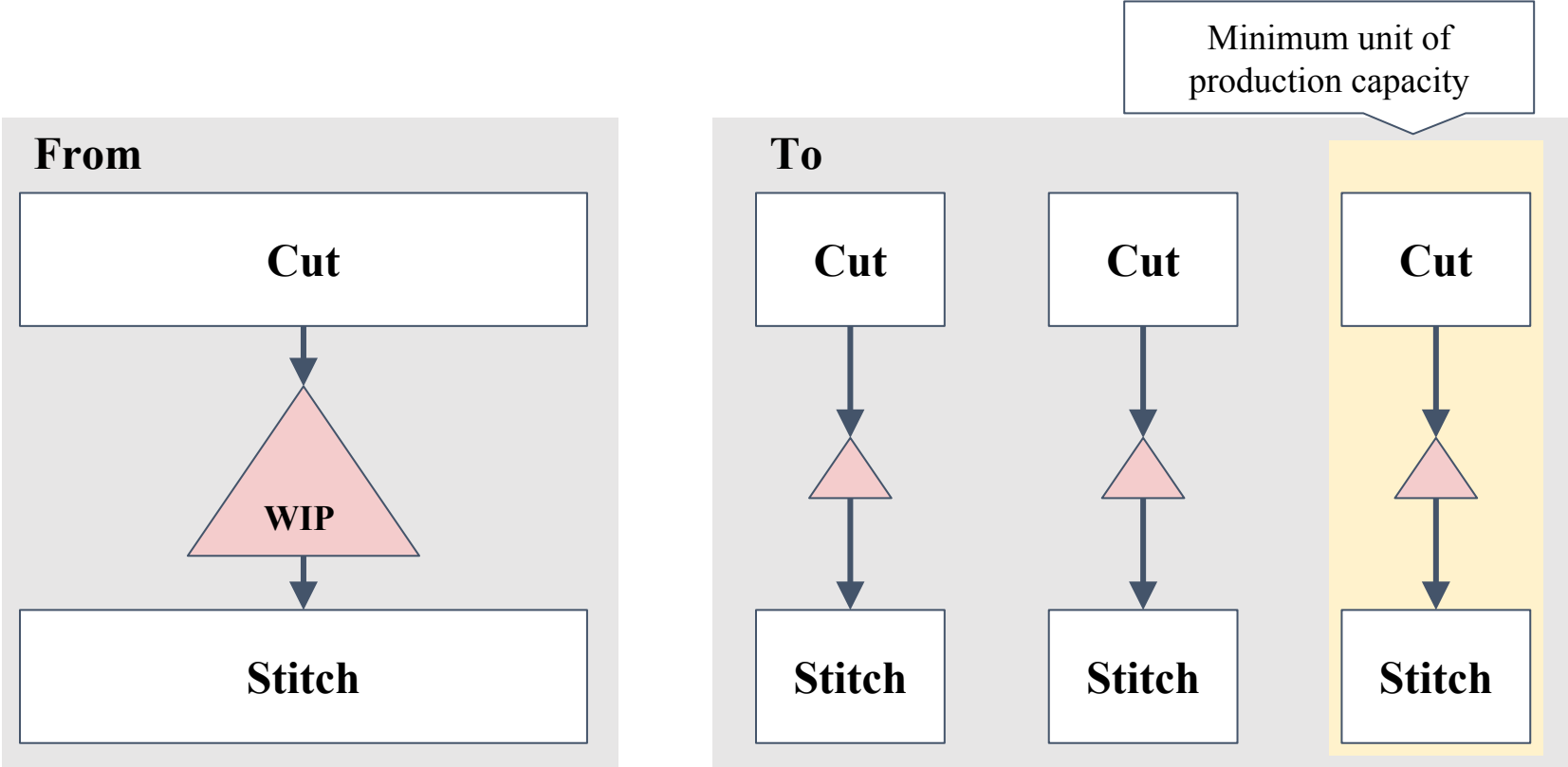
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*We are building a modular production capability. Why?
So we can produce a customised product, anywhere.*

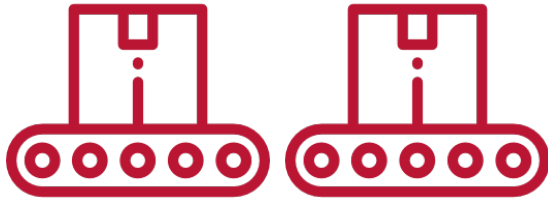


How: 1 Flexible and lean production lines

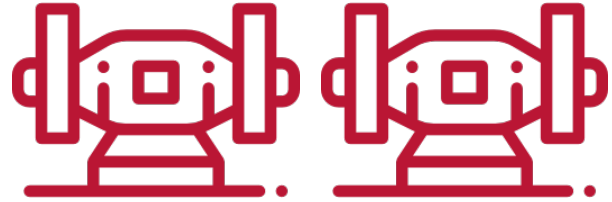


How: 2 Standardisation

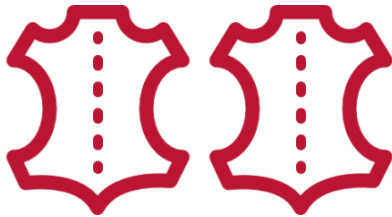
Process



Equipment



Materials



Components



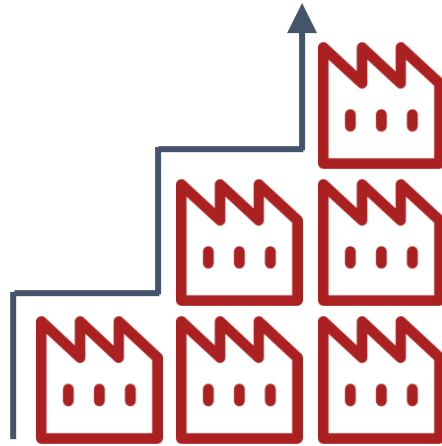
How: 3 Zero stock mandate

0

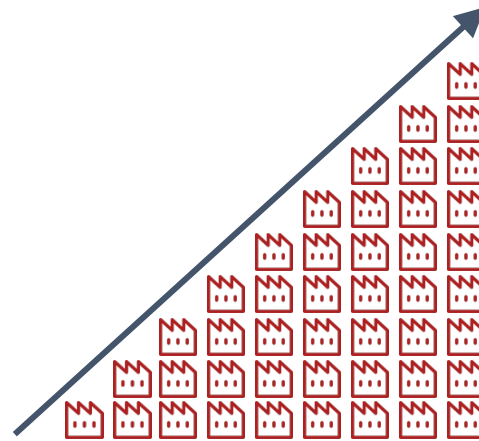
The goal is to approach linear capital expansion.

Larger units of production

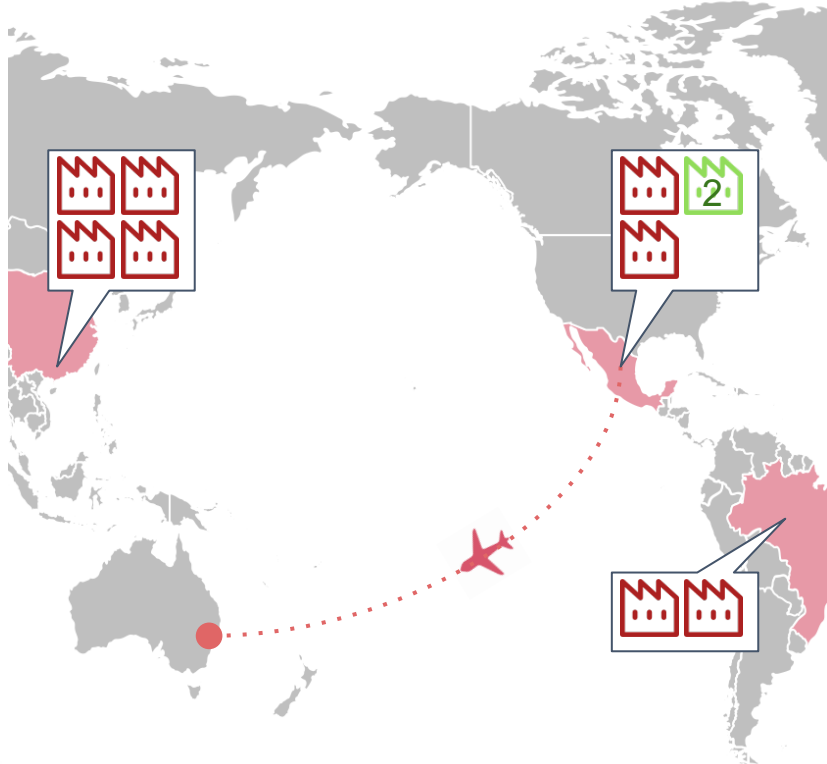
Large step investment to make one more shoe than current capacity, or set up in a new location.



Smaller units of production



Underpinned by the analytics stack.



Customer order prescription

- Make in Mexico, line 2 (MexL2)
- Start production on this date
- Use Shipper B, 5-day economy

Why?

- MexL2 has spare capacity
- All materials are in stock
- Achieve the global volume discount with Shipper B
- Meet customer delivery promise

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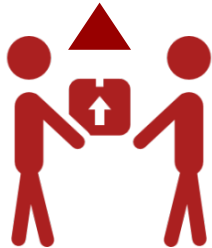
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Returned product hurts us more than most retailers.



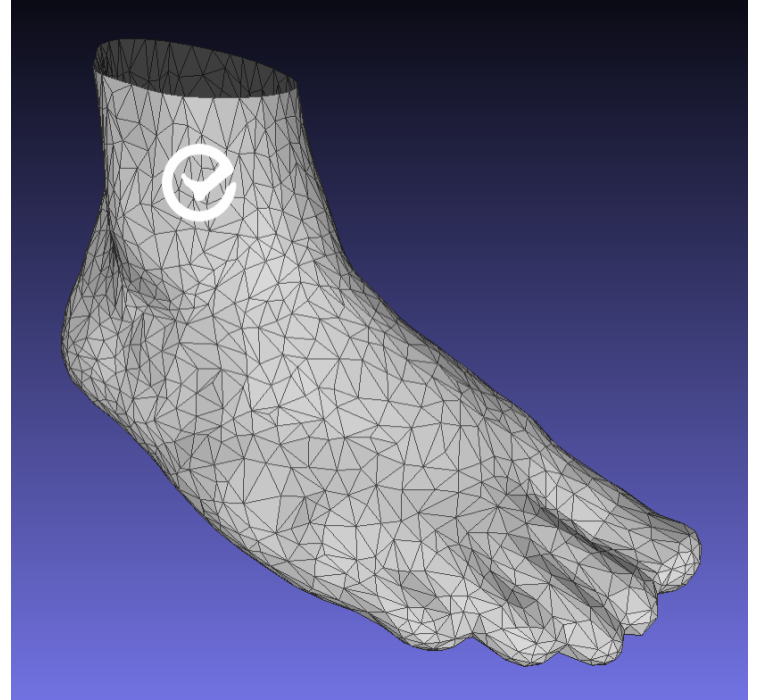
Some shoes, only a mother could love...



We redeveloped our entire product range to reduce returns.



We are experimenting with better ways for people to get shoes that fit.



But there will always be some returns.

Free Shipping on Orders Over \$100*
90-Day Returns to Nordstrom Rack

NORDSTROM rack

Search



WOMEN

SHOES

HANDBAGS & ACCESSORIES

MEN

KIDS

HOME

GIFTS

CLEARANCE

Women's Pumps

WOMEN / SHOES / PUMPS

Women

Size

Color

Price

Brand

Narrowed to 4 Items

Sort By:

Newest Arrivals

SHOES

Boots & Booties

Sandals

Sneakers

Pumps

Platform

Classic

Wedge

Slingback

Flats

Mules & Clogs

Slippers



ONLY 1 LEFT

Shoes of Prey

Slingback Pump (Women)

\$89.97 \$238.95 62% Off



ONLY 2 LEFT

Shoes of Prey

Glitter Half d'Orsay Pump (Women)

\$74.97 \$198.95 62% Off



ONLY 2 LEFT

Shoes of Prey

Peep Toe Platform Pump (Women)

\$69.97 \$178.95 61% Off

What can we learn from reverse logistics in China?



Returns



Deliveries



