

This document is based on sector studies, special reports or other publications and resources prepared by e-Business W@tch. The European Commission, Enterprise & Industry Directorate General, launched e-Business W@tch in late 2001 to monitor the growing maturity of electronic business across different sectors of the economy in the enlarged European Union, EEA and Accession countries. All publications are available in full length on the internet at the e-Business W@tch website (www.ebusiness-watch.org).

CASE STUDY: BUSINESS PROCESS EFFICIENCY AT LIOLÀ

Abstract

Liola runs a medium-sized vertically integrated Group: from the production of fabric, to dyeing and printing, garment manufacture and distribution, mainly through a own-brand sales outlet network. The firm's supply integration choices are linked to the original core business of the firm, which was founded 150 years ago as a knitted fabric manufacturer. Distribution phase integration choices have been more recent however. The firm is at the forefront in relation to the majority of the competition in terms of distribution, which is one of the keys to its success, in that it allows greater brand awareness and visibility on one hand, and the ability to monitor client development directly on the other. In order to follow and satisfy this development in real time, in 2004, the company decided to automate both the sales force and the mono-brand sales outlets. The automation of the distribution process was carried out with an aim to contain warehouse stock levels as tightly as possible, supplying a continual delivery and thus ultimately increasing both trade and consumer brand loyalty, through a flexible and efficient service, without neglecting garment quality, guaranteed by a entirely focused business model

Case Characteristics	
Location of the company	Headquarters in Milan, plant in Borgomanero (Novara), Italy
Company size (no. of employees)	207
Turnover in last financial year	19.6 million euro in 2004
Primary customers	100% production is for retail, both multi and own-brand (own-brand makes up around 80% of sales, both in Italy and abroad).
E-Business Focus	
Business process integration	***
Sales process automation	*
* = in implementation stage; ** = used in day-to-day business; *** = critical business function	

Background and objectives

Market activity and positioning

Liola (I) produces women's clothing and has its headquarters and show room in Milan and plant in Borgomanero (Novara). The company offering exclusively high-end, targeting middle aged women (45-60 years) with larger sizes (up to a size 60) and concentrating mainly on knitted garments.

The Liola brand is divided into three lines:

- Liola (the most traditional line)
- Botto (the most elegant and sophisticated).
- Liola Sport (the most sporty and young line, launched for Spring/Summer 2005).

The lines are organised in two annual collections, presented in specific catalogues distributed through the sales outlets (both own and multi brand). All garments presented in the catalogues are continuously delivered throughout the season, with products in stock in the warehouse.

The company is a high-end ready-to-wear manufacturer, supported by Group supply chain organisational flexibility and efficiency.

It is positioned in a consolidated niche market, with a fairly steady turnover of around 20m euros, which guarantees good revenues, even in a negative period like the one currently experienced. 65% of turnover is generated in Italy and 35% abroad, particularly in the EU, Eastern Europe, China, and South America. Around 80% of sales both in Italy and abroad are generated by the own-brand chain of shops.

Supply chain control and integration

Liola has a long history. It was founded 150 years ago as a knitted fabric manufacturer. Between the fifties and sixties it became a knitted garment manufacturer, integrating this activity with its fabric manufacture. In 1967 the dying and printing plant was established. Finally in the nineties the first own-brand shops were established, thus completing supply chain integration.

Apart from the production and sales of women's garments, as holder, the firm currently has total control of 5 other companies, in Italy and the UK, which are dealing with design and fabric production for the Group and for third-party firms, sales and real estate (i.e. ownership of 40 private shops, run by third-party licence holders). There are also another 120 Liola brand shops, managed by third parties and 3 direct sales outlets. Globally, around 50 shops are located outside of Italy, mainly in the EU, East Europe, China, Japan and South America.

The business model

The business model developed by the company is quite unique within the domestic market scenario and aims to create a niche leadership position based on the total and completely integrated "Made in Italy" offering. The final aim is to create a continual flow of merchandise at the sales outlets, through mechanisms to allow maximum integration and planning through the various phases of the supply chain that forms the Group.

These mechanisms allow a significant reduction in production and distribution times by comparison to the main competitors, which generally aim for production decentralisation. The company/group is able to produce a high quality garment in 8 days from raw yarn; only the most efficient low-cost ready-to-wear manufacturers are able to equal these times. On the other hand, this business model calls for constant research activity and technological innovation, to maintain the high standards of competitiveness and offset the cost benefits derived from the decentralisation and delocalisation put into practice by almost all the main competitors.

For this reason the firm is constantly investing in technological automation and ICT, focusing on:

- improving the offering from a point of view of design content. In the short term, the firm will equip the dying and printing plant with an ink-jet machine, which will allow maximum creative flexibility in terms of design, colour and batches;
- optimizing organizational integration through the various phases of the supply chain, and particularly between the distribution and production phases, with an aim to monitor customer needs in real time and reduce warehouse stock through an extremely efficient delivery service.

Activities

Technology used

In 2004 the firm started order acquisition process automation, through investments in IT in the following areas:

- Sales force: the agents (14 in Italy and 10 abroad), were equipped with laptops, connected to the Liolà central warehouse via internet, through a reserved site and management software that runs on Windows.
- The own-brand sales outlets (100 in Italy and 60 abroad), are also connected to the company warehouse using the same software package used by the sales agents. This package allows the visualisation of merchandise in the warehouse and order placement, by inserting the garment code in real time, and then receipt of merchandise the following day, if already in stock at the warehouse, or if not, within 8 days.

In this way the agents can manage the basic seasonal catalogue orders (for all shops, both own and multi brand), whilst the own-brand shops can manage the orders. All products in the seasonal catalogue can be delivered at any time, available for the consumer at the shops themselves.

The computerisation of the sales processes was developed in-house, thus the web server itself is in-house and well-adapted to specific Group needs.

As well as allowing ordering, the software package, which is very easy-to-use and practical and is based on the image and identification code of each garment, also allows the user to carry out quick statistical calculations in real time, both in terms of sales agent and sales outlet performance and garments sold, providing extremely useful management input.

Sales automation followed on from and completed the computerisation process of the two main production phases: fabric production in Dormeletto and clothing manufacture in Borgomanero, which are connected to the intranet via two separate but inter-communicating software packages, running on Windows. The first was developed in-house and is used for the Milan and Borgomanero sites, whereas the second, which was developed by a third-party firm, is used for the Dormeletto fabric production plant.

In order to contain costs and further improve organisational efficiency in the light of the increasingly difficult market scenario, the firm plans to incorporate the Dormeletto fabric manufacture plant into Liolà in the near future. The two software packages will therefore also be integrated into a unique internally-developed package.

The dying and printing phase, carried out by Liolaprint however, will remain separate, for two reasons. Firstly, because around half of the turnover is third-party and, secondly, because it is currently involved in a revolutionary technological development that will rapidly change the competitive scene in this sector. The introduction of the ink-jet machine will allow garment-manufacturer clients to integrate themselves directly with the textile finishing phase, at least for higher added-value manufacture. However,

for standard less expensive manufacture, the industry is increasingly orientated towards countries with low cost labour.

Timing of the activity

The sales force and sales outlet computerisation process took around a year and a half to implement and was completed mid-2004.

Costs

It is particularly difficult to split investments in computerisation of the sales and distribution networks, as they form part of the automation process of the entire company management process. Hardware (PCs) was at the expense of the agents and shopkeepers. The software is managed by the company IT office, made up of two members of staff and systems supported by an external firm. Finally, sales staff technical training is always managed internally by the firm, by the two IT staff.

Lessons learned

Sales process and sales outlet computerisation has allowed:

- A significant reduction in trade stock and improvement in profits. Liolà shops have the opportunity to substitute a proportion of unsold garments with alternative garments. Essentially, the firm has calculated that a Liolà own-brand shop is able to obtain the same profit as a multi-brand shop, with a 25-30% lower turnover. This is due to the fact that a traditional shop has to work with the merchandise it has in stock and therefore face sales, unsold goods and devaluation of merchandise.
- A reduction of the time that elapses between product design and making the product available in the sales outlets, extending the just-in-time concept to the entire production/distribution chain.
- The satisfaction of increasingly personalized or segment-specific needs, passing from traditional order-delivery cycles, with medium-large consignments to few destinations, to cycles that allow various consignments to several different destinations.

Essentially, this allows switch from a manufacturer-centred model to one focusing on the customer.

Sources and references

This case study was conducted by Databank on behalf of the *e-Business W@tch*.

References:

- Interview with Ing. Del Curto, Production and Plant Manager, Liolà S.p.A., April 21, 2005
- Other sources: www.liola.it

Contact

For further information about this topic or about the *e-Business W@tch*, please contact:

 <p>e-Business W@tch c/o empirica GmbH Oxfordstr. 2, DE-53111 Bonn Germany Fax: (49-228) 98530-12 info@ebusiness-watch.org</p>	 <p>European Commission Enterprise & Industry Directorate-General Unit D4 'Technology for Innovation / ICT Industries and e-Business' Fax: (32-2) 2967019 entr-innov-ict-ebiz@cec.eu.int</p>
--	--