

# The Competitive Power of Communication Technologies

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2.9.1998

*Internetworking the Global Enterprise*

**UNITED COLORS  
OF BENETTON.**



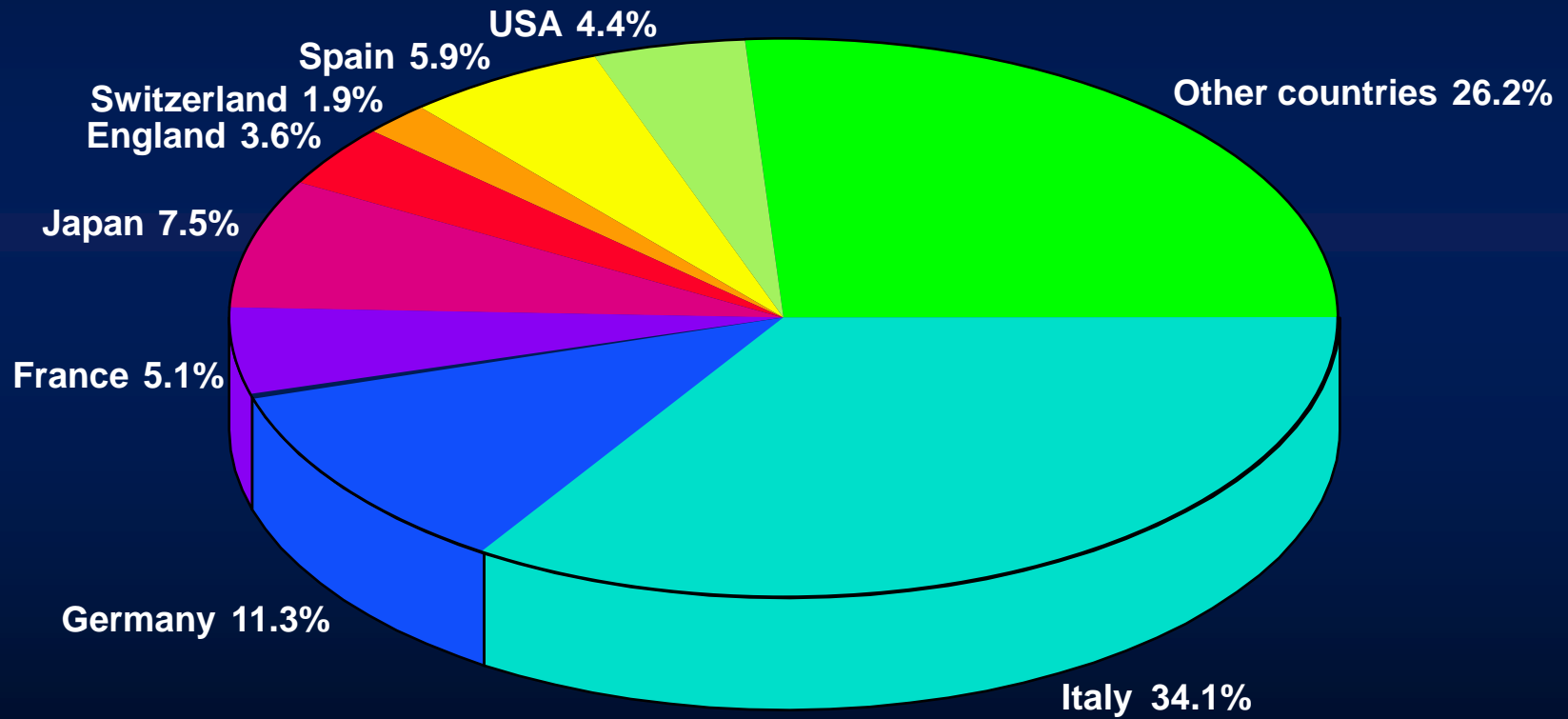
# BENETTON

Net sales 1988/96



# BENETTON

## 1997 Sales by Countries



## **BUSINESS OVERVIEW**

- **World leader in the Design, Manufacture and Marketing of distinctive casual apparel for men, women and children**
- **Wide array of colors, fashionable italian design and youthful image**
- **Offering a worldwide basis product lines to accomodate the needs of many markets**
- **New products (underwear, shoes, fragrances and cosmetics) to complement the product lines**

## **BENETTON'S ENTREPRENEURIAL MODEL IS BASED ON:**



**External Production**



**Indirect Sales organization utilizing Agents**



**Widespread indirect Retailing Network**



**Centralized management and operations**

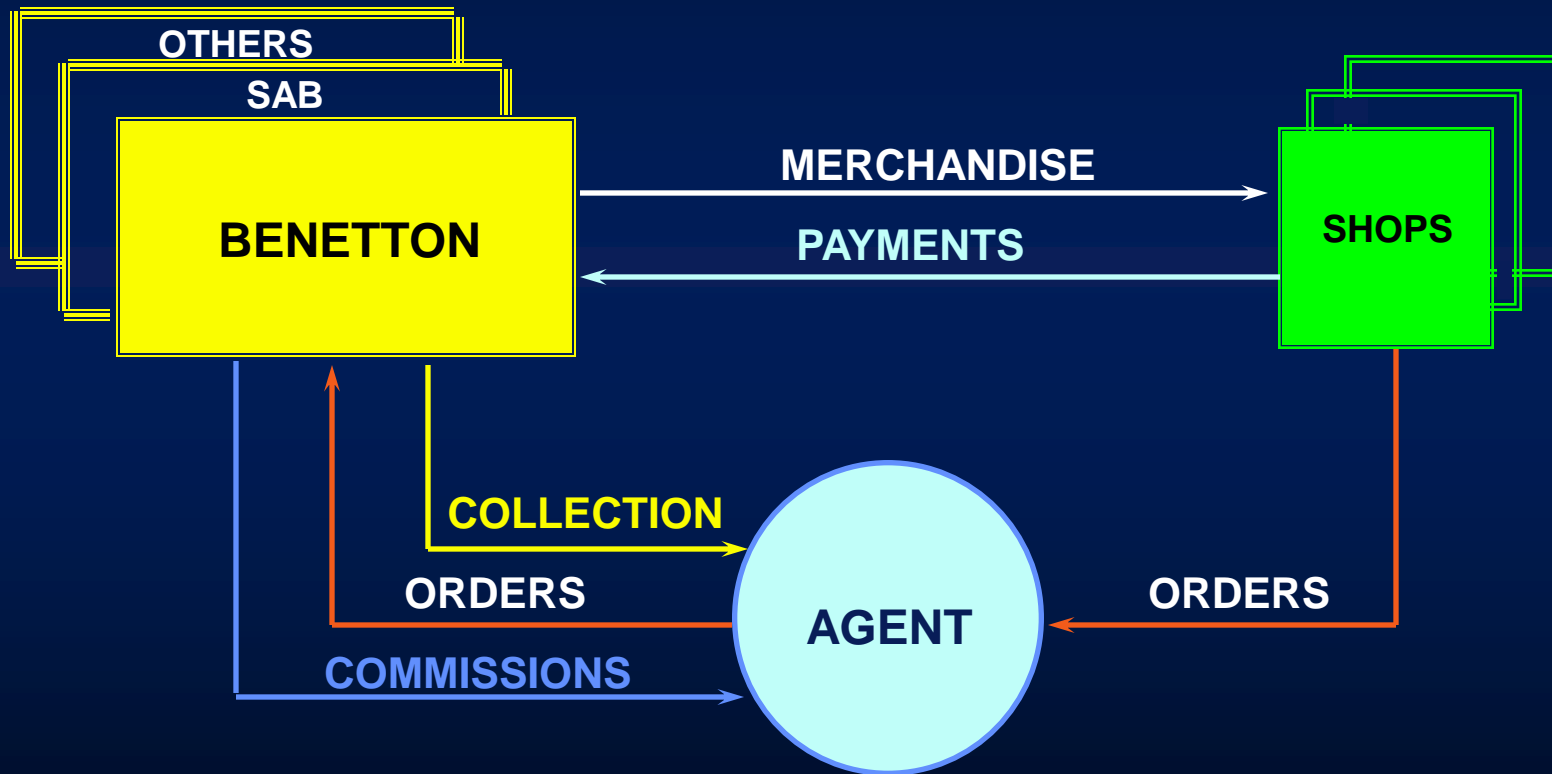
## 1997 PRODUCTION

- More than 80 million garments produced
- 7000 different items, with avr 4 sizes and 5 colors
- More than 6.000 tons of wool used
- About 40.000 kilometers of fabric used
- **90% manufactured in Europe  
(80% in Italy)**
- **More than 700 subcontractors integrated  
in the production process**





# INDIRECT SALES ORGANIZATION



## AGENT

- **An entrepreneur, with goals of orders, revenues and credits for a commercial area**
- **Manages business only for Benetton companies**
- **Selects potential investors for shops and defines shop locations**
- **Presents the collections to shop owners and collects orders**
- **Benetton's monitor on the market**

# SHOPS

- The shops are not owned and managed by Benetton
- Three brand names: Benetton, 012, Sisley
- Central supply of advertising material
- Standardization of shop image
- Assistance for new clients
- “Shops are our clients”



# COLLECTION PROCESS



Virtual  
Collection

Orders  
Managem.

Man. I.S.  
Communic.

Aut. Wareh.  
Forw. EDI

Cash Man.  
System

## **INFORMATION TECHNOLOGY IS A COMPETITIVE FACTOR IN:**

- **Collection**
  - assures integration between design and production
- **Commercial**
  - is the bridge between the manufacturing companies and the market
- **Production**
  - provides programming and control of all the external prod. units
- **Distribution**
  - manages the centralized distribution all around the world
- **Finance**
  - supports the centralized management of the financial flows

***...WITH A CONTINUOUS INVESTMENT IN ADVANCED TECHNOLOGIES***

## KEY INDICATORS

<b>COLLECTION</b>	<b>Complexity</b>	<b>Avr</b>	<b>8.000 Styles/year</b>
<b>COMMERCIAL</b>	<b>Order collection time</b>	<b>Max</b>	<b>12 Hours</b>
	<b>Reass. order servicing</b>	<b>Max</b>	<b>5 Days</b>
<b>PRODUCTION</b>	<b>Complexity</b>	<b>About</b>	<b>8 Pieces/Sec.</b>
<b>DISTRIBUTION</b>	<b>Deilivery time</b>	<b>Avr</b>	<b>5-6 Days</b>
	<b>- Europe</b>	<b>Avr</b>	<b>7-8 Days</b>
	<b>- USA</b>	<b>Avr</b>	<b>7-8 Days</b>
<b>FINANCE</b>	<b>Credit collection time</b>	<b>Max</b>	<b>6 Days</b>

## THE VIRTUAL COLLECTION

- 3.800 styles / season
- 4.000 prototypes / season
- 300 people in the design dept.



- Less prototypes
- Images database
- Merchandising
- Catalogs etc.

# THE COMMERCIAL NETWORK

## IN THE EIGHTIES...

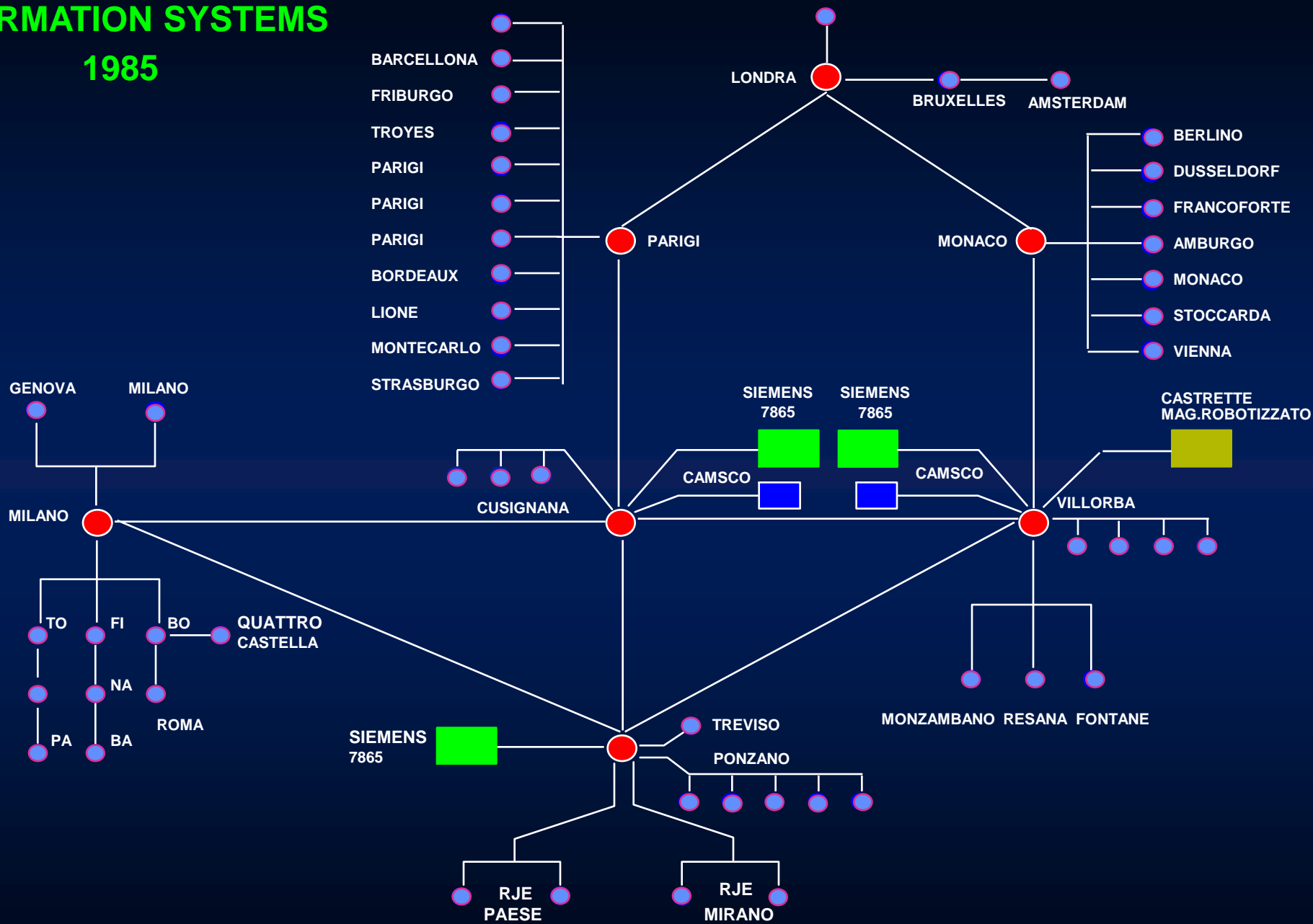
- To collect the orders of the shops Benetton used a proprietary D.T. network with terminals in the agents' offices connected by leased lines to the main computer

## STARTING FROM 1986 *network outsourced*

- New network architecture based on VAN network
- New client/server agent's information system
- An application interface on AS400 for the companies
- An "EMAIL" to interchange reports, files, mail etc.



# INFORMATION SYSTEMS 1985



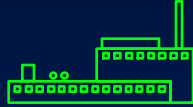
**FILES  
UPDATES  
CONFIRMATIONS  
MAIL  
REPORTING**



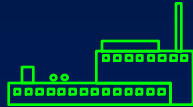
**ORDERS  
UPDATES  
REQUESTS  
MAIL  
ETC.**



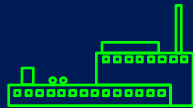
**BENETTON  
GROUP**



**BENETTON  
SAB**



**BENETTON  
FRANCE**



**BENETTON  
SPAIN**



**BENETTON  
FAR-EAST**



**BENETTON  
JAPAN**



**OTHERS**



**VAN  
NETWORK**

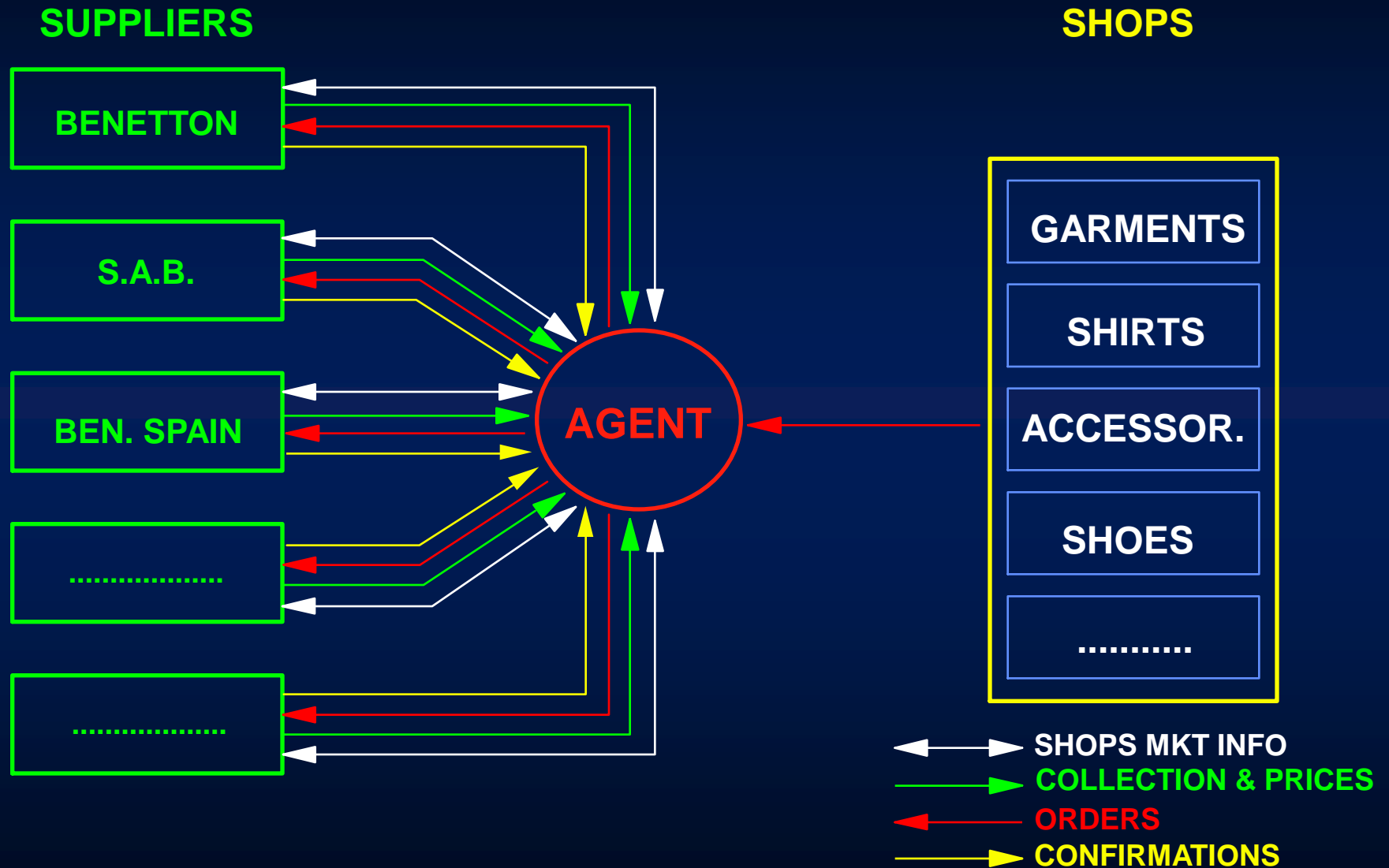


**TOKYO**



**TREVISO**

# INFORMATION FLOWS



# THE BASIC FUNCTIONS

## **COMMUNICATIONS**

- Shop opening/close etc.
- Shop mkt information
- Controlled order- entry
- Confirmations
- Colors instructions
- Message interchange
- Order for local production
- Transfer of orders among plants

## **AGENT INFORM. SYSTEM**

- DB mangement
  - . Order portafolio
  - . Customers, items, price-list
  - . Shops
- Order portfolio analysis
  - . Current collection
  - . Past collections
  - . Customers
  - . Items, colors etc.
- Shops Mtk anlysis
  - . Brand names
  - . Square metrs, windows, etc.
  - . Furniture, etc.

**IN 1998 THE SYSTEM CONNECTS 76 AGENTS  
TO 10 COMPANIES IN 28 COUNTRIES...**

<b>U.S.A</b>	<b>SPAIN</b>	<b>HOLLAND</b>
<b>ENGLAND</b>	<b>SWEDEN</b>	<b>AUSTRIA</b>
<b>IRELAND</b>	<b>NORWAY</b>	<b>SWITZERLAND</b>
<b>GERMANY</b>	<b>BELGIUM</b>	<b>FRANCE</b>
<b>ITALY</b>	<b>CANADA</b>	<b>PORTUGAL</b>
<b>GREECE</b>	<b>AUSTRALIA</b>	<b>KOREA</b>
<b>HONG KONG</b>	<b>DUBAI</b>	<b>JAPAN</b>
<b>DENMARK</b>	<b>SINGAPORE</b>	<b>MEXICO</b>
<b>CHILE</b>	<b>PHILIPPINES</b>	<b>ARGENTINA</b>
<b>URUGUAY</b>		

## **... IN A COMMON SYSTEM WHICH SECURES:**

### **CONSISTENCY**

- **The common information (customer, outlets, agents, etc.) and the rules of the games are managed by Benetton Italy**
- **The agents has a unique interface with any company in the network**

### **INTEGRATION**

- **Between the manufacturing companies and the distribution network**

### **FLEXIBILIT**

- **In 11 years this architecture has supported the world-wide expansion of the business**
- **New services have been added to this infrastructure**

## **NEW SERVICES**

- **REASSORTMENT ORDER SYSTEM**

- allows the reordering of best selling items
- average 5 days service time
- improving the service to the shops

- **SHOP MANAGEMENT**

- more than 2.000 shops connected
- supplies the P.O.S. systems all the data concerning:
  - styles, orders, prices etc.
- and for each delivery:
  - packing lists, invoices etc.

## **NEW SERVICES**

- ***EDI FORWARDING SYSTEM***

- connecting the customs brokers
- reducing delivery time by 15%
- informing the agents and the companies

- ***CREDIT COLLECTION***

- 85% of credit managed through cash managed system
- confirmation of payment in 5-7 days
- on-line customer credit for agents



# BENETTON SYSTEM NETWORK

196 Connected Units



Agencies **76**

Subsid. Plants. **10**

Companies **20**

Others **90**

## PRODUCTION

- **6 Product lines, managed by 6 manufacturing divisions**
- **About 80 Milion garments produced in 1997:**
  - **20 million wool knitted goods**
  - **19 million trousers and jeans**
  - **3 million coats and jackets**
  - **32 million cotton knitted goods**
  - **6 million shirts**
  - **1 million shoes**
- **Production organization is unique and is fully supported by an advanced Information System**

- **Production and material programming is done by production divisions**
- **Divisions also coordinate the scheduling of production batches through about 700 subcontractors**

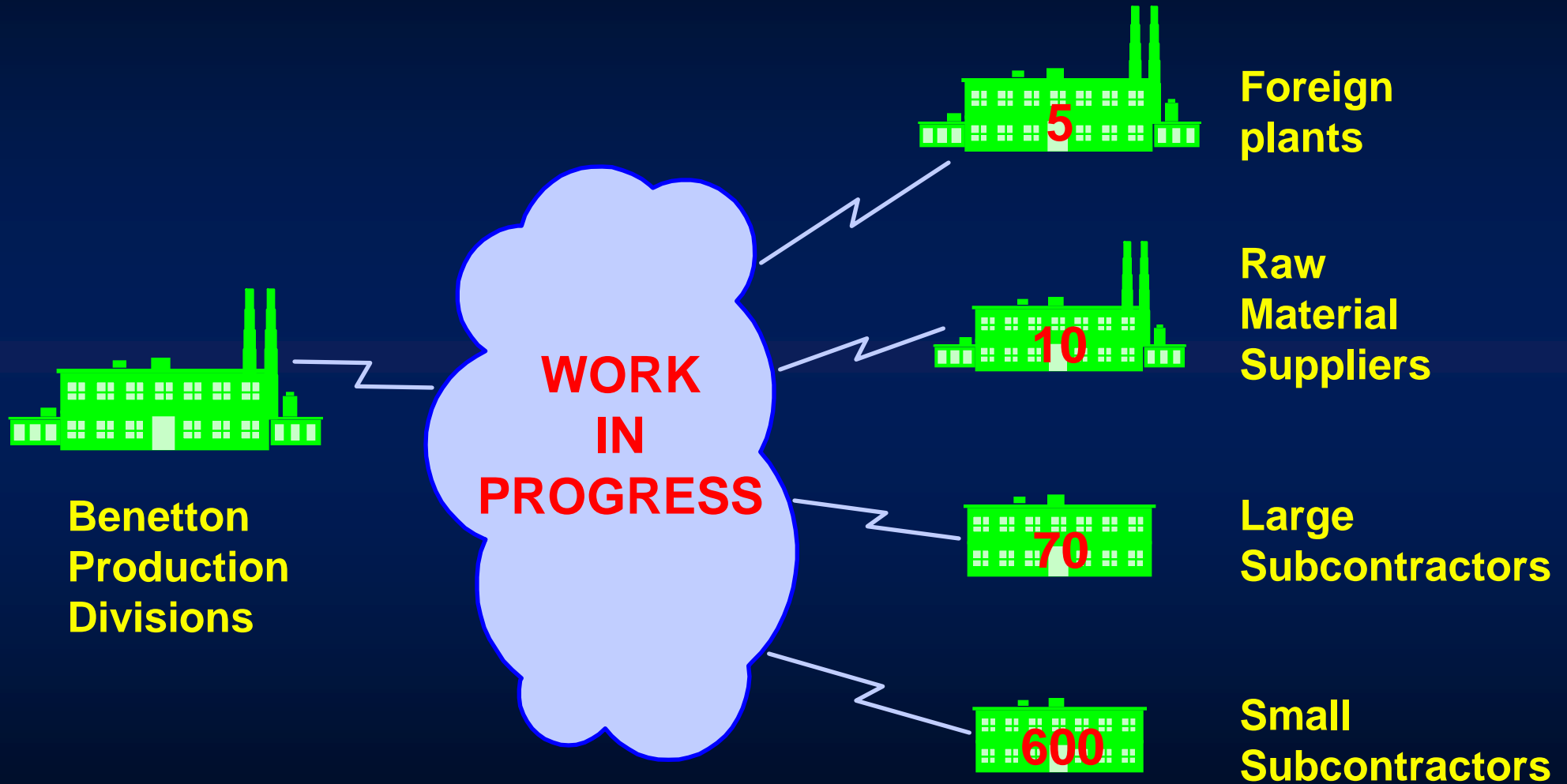


- **Benetton invested 10 Million \$ to develop one of the most advanced computer based manufacturing Information System**
- **The focus now is on the integration between design and production**

## PRODUCTION

- **Huge investments in automation have been made:**
  - Automatic Fabric Cutting    8.000   Km fabric/year**
  - Automatic Packing            15.000   Boxes/day**
  - Fabric Inventory Manag.    20.000   Km fabric/year**
- **Extensive use of EDI with raw materials suppliers was implemented to shorten the supply cycle time**
- **Currently we are designing an EDI system to integrate large and small subcontractors**

# PRODUCTION

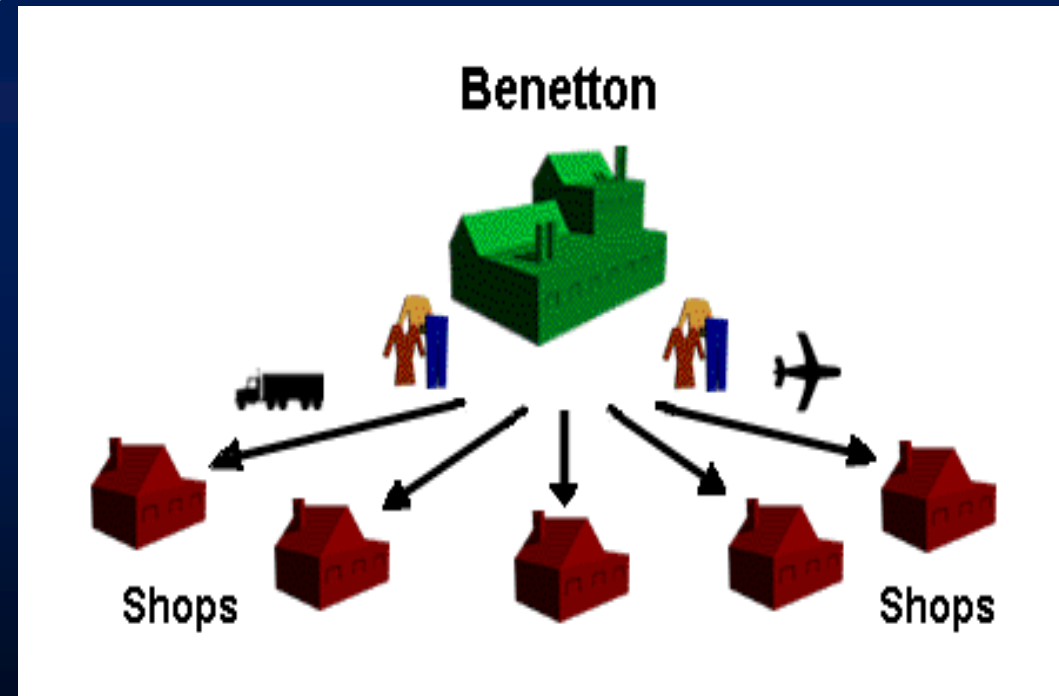


# INFORMATION FLOWS

	<u>TO</u>	<u>FROM</u>
• Raw Material Suppliers	Order proposal Purchase order Delivery plan	Order arrangement  Confirmation
• Foreign Plants	Product Tech.Spec. Shop orders Delivery plan	Produced quantity Confirmation
• Large subcontractors	Shop orders  Delivery plan	WIP update Produced quantity Confirmation
• Small subcontractors	Operation order	Produced quantity

# DISTRIBUTION

- The finished goods are forwarded directly from a central warehouse to the shops in the world
  - No regional warehousing
  - No invoicing
- The activity is seasonal with peaks in june/july and dec./jan.:
  - 80 Million items/year
  - 3 Million boxes/year
- The automated warehouse can deliver up to 25.000 boxes/day



## THE AUTOMATED WAREHOUSE

- Before entering the warehouse the garments are packed according to customer order
- The boxes are labeled with customer name, contents, and a barcode number to identify the box inside the warehouse
- A process computer manages the warehouse devices
- The main-frame, to which the warehouse is connected, manages input, inventory, delivery programs, output and invoicing





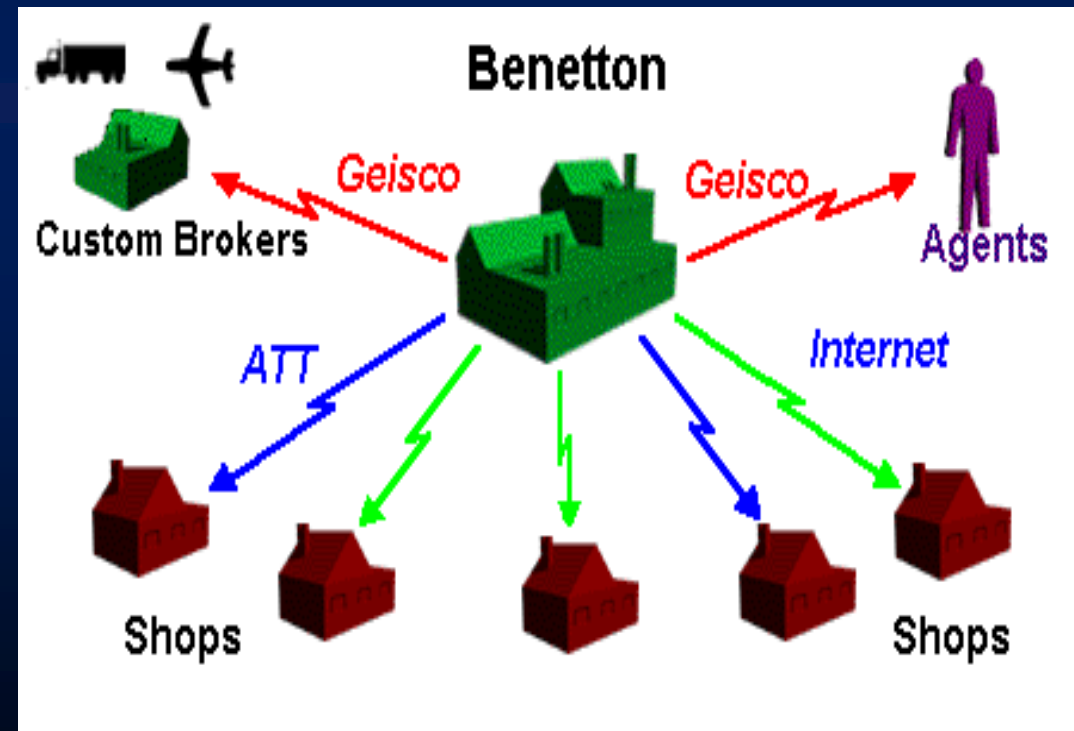
## DISTRIBUTION

- When the forwarding department decides to deliver to a customer, the computer selects the right boxes from the warehouse and prepares the documents

- For each delivery many information flows take place:

- to custom brokers  
*invoices etc.*
- to agents  
*delivery data*
- to shops  
*packing lists, invoices*

using V.A.N. networks



# INVOICING AND CREDIT COLLECTION

- **INVOICING**

- invoicing managed centrally
- Postel service for Italian customers
- on-line invoicing for foreign customers

- **CREDIT COLLECTION**

- 85% of credit managed through cash managed system
- confirmation of payment in 5-7 days
- on-line customer credit for agents



***THE END***