

Sense and Respond Supply Chains Work, but Investment is Not Trivial, Nick LaHowchic Says

Shift Takes Capital and Skill; Limited Brands has a “New Store” Each Week

SCDigest Editorial Staff

This week, we continue highlights from our interview with **Nick LaHowchic**, former head of supply chain for The Limited Brands and before that medical device company Becton Dickenson. He is also co-author with **Dr. Don Bowersox** of Michigan State of the recent book [Start Pulling Your Chain](#). (See part 1 - [Getting to Integrated Planning and Execution Essential but Challenging, LaHowchic Says](#).)

That interview was conducted by **Chief Supply Chain Officer Insights** for its recently released report on [Next Generation Supply Chain Management: Integrating Planning and Execution](#), which we summarized on SCDigest. (See [Time to Integrate Supply Chain Planning and Execution?](#))

LaHowchic is a big proponent of “sense and respond” supply chains. Naturally, both sides of that paradigm are critical. Can a company see the information it needs to make decisions, respond to demand, and make course corrections (sense)? And even if it can, does it have the process, talent, technology and culture to react appropriately (respond)?

“If demand is changing up or down, first, how fast do we see, and then how do we and our partners react?” LaHowchic said.

In today’s dynamic market environments, this is true even at the strategic level, LaHowchic says.

“The first question is: how well can I manage market shifts? Do I have the skills and technologies to manage the shift quickly? And what partners should I be playing with?” he said. “Clearly, supply chain man-

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agement is key to making those changes rapidly and effectively. But not enough companies really give supply chain a real seat at the boardroom when those strategies are developed.”

He says European retailer apparel Zara is recognized as a leader in sense and respond supply chain practices – but at the price of some supply chain complexity.

Zara makes and delivers about 80% of its inventory from central or low cost locations, but produces 20% close to local markets to allow it to rapidly react to actual demand.

The model has worked very well for Zara, so why haven’t more fashion retailers adopted it?

“It adds a lot of operational complexity, and many retailers simply don’t want to invest the time and capital to build a capability like that,” LaHowchic says.

But some retailers are making great progress. At LaHowchic’s former employer, The Limited Brands, the previous week’s sales data by store are crunched each Monday. Teams look at the data, and by Tuesday are sending out plans to each store for changes in pricing, promotion, signage,

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etc.

"It can be like a whole new store," LaHowchic says. "This is a pretty advanced capability."

Longer Lead Times Complicate Execution

LaHowchic agrees that the growth in offshoring and resulting longer lead times can make integration of planning and execution and the development of sense and respond supply chains more difficult in any industry sector.

"Lead times are an issue for everybody. Obtaining the products that you want at the price points you want, either you will have to live with being less responsive or you will have to add some supply chain complexity, capabilities and skills to operate a long supply chain more like a shorter one," he says.

Ditto with building systems and capabilities that can really understand demand at a granular level, he says.

For example, he says that in many consumer goods companies, demand is actually collected at a local or retail store level, but then simply "aggregated back up" to a regional level, losing much of its potential value.

"They are just throwing it back into old systems, not really clustering it in a way that makes sense," LaHowchic says.

Again, however, getting to that next level requires investment.

"Having the ability to look at every store, every class of trade – that can be very challenging," he says. "It can be a substantial undertaking, with investment in technology, people and supply chain processes to leverage the data. But the benefits are real."

