

RUSCA NEWS

RUTGERS UNIVERSITY SUPPLY CHAIN ASSOCIATION

Rutgers University Supply Chain Association | February 2020

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RUTGERS UNIVERSITY BUSINESS SCHOOL

ABOUT THE RUSCA NEWSLETTER

We are a team of writers and editors who write content based on current news and events happening in the supply chain world.

To stay updated with release dates and information, visit (pg. 10) for our social media platforms and contact information. Feel free to leave us any feedback or suggestions as well.

For previous newsletter editions, visit
<http://rutgersrusca.weebly.com/newsletter.html>



UPCOMING EVENTS:

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Amazon Fulfillment Center Tour
March 4th

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Study Hours with RUSCA
March 4th

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General Interest Meeting #3
March 9th

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Scarlet Day of Service With RUSCA
March 28th
(Register by March 3rd)

WHAT IS RUSCA UP TO?

J&J TECHNICAL INTERVIEW SKILLS WORKSHOP



On Wednesday, February 19th, 2020 RUSCA members had the opportunity to participate in a Johnson & Johnson Technical Interview Skills Workshop! RUSCA VP of Corporate Events, Nikka Jarabe, organized the event for members in order to develop a stronger foundation in interviewing skills. The workshop consisted of answering and critiquing potential technical interview questions in an open and collaborative environment. Special thanks to Mike Chuisano, for devoting his time to RUSCA.

UPCOMING APPAREL SALE!

Interested in repping RUSCA? Check out our new apparel for sale! For \$15 this could be yours.

Please email rusca.rbs@gmail.com if interested





FAST FASHION AND ITS ENVIRONMENTAL IMPACT

BY DANIEL LEE

Fast fashion is a clothing trend that has become continuously popular since the 1990s. Currently pioneered by companies such as Uniqlo, Mango, H&M and more, fast fashion draws inspiration from fashion shows and celebrity culture, both of which are short-lived and are only prevalent for a few seasons at max. Fast fashion companies must produce and sell apparel when the market is in high demand for those items as well; due to the necessity of a short lead time (the time it takes for a new product to be available on shelves), the end result of fast fashion products is a lower quality product that is meant to last a few seasons at max. Due to this reason, fast fashion is seen as unsustainable and harmful to the environment.

Recently promoted to CEO of H&M, former COO Helena Helmersson has talked about how fast fashion is not bad for the planet or for people. H&M is a leading company in terms of sustainability and has pledged to reach 100% recycled or sustainable materials across the company's supply chain by 2030 and 100% sustainable cotton sourcing by 2020. At the National Retail Federation's Big Show (a convergence of major companies, fashion designers and more) held in New York back in January, H&M talked about their progress with advanced analytics and AI which aims to close the gap between the predicted demand and supply. To quote Arti Zeighami, head of the AI program, "We're actually working very specifically on being able to, for instance, calculate and quantify how many cases you're going to buy [of any item]" (Cosgrove). A standard component of Supply Chain is demand forecasting where a company will predict how many of an item they should aim to produce. With the use of AI and advanced technology, H&M is looking to be able to create just enough so that their products sell out immediately, which adds to the exclusivity of their products.

Looking back at the lead time, H&M in recent years has been struggling

"Fast Fashion
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to compete with companies such as Zara or ASOS. Zara, based in Spain also sources from Spain (Vicky) while H&M, based in Sweden continues to source from Asia. H&M has been able to keep costs low by sourcing from Asia, however, this is at the cost of a longer lead time. The longer shipping time for sourcing material that H&M has causes products to take more time to hit the shelves and as a company, H&M's designs are said to be simpler than Zara's more fashionable fast fashion. Furthermore, supply chain analytics for demand planning is reverse engineered; fashion companies will see what products are selling well to see what they should continue to produce, and therefore a longer supply chain will take longer to respond. However, as H&M has been investing in its AI and forecasting technologies, it is possible that H&M will be able to keep up with its competitors.

H&M has given vague quotes about how it is striving to be more environmental, take for example the Conscious Collection that H&M released back in 2010 which defines its products as environmentally conscious as it is "made with sustainable materials such as organic cotton and recycled polyester" (Segran). While this may sound good on paper, the newspaper Fast Company explains that "there's an ocean of difference between the environmental footprint of organic cotton, which will decompose, and recycled polyester, which will never biodegrade". H&M also has stated in their 2018 Sustainability Report that "57% of all materials we use to make our products are recycled or other sustainably sourced materials" but as there is no standard for what is 'sustainably sourced', it is once again a vague claim postulated by H&M. Fast fashion companies have no real incentive to become environmentally conscious as it is more profitable for them to continue morally grey practices. The raw material's manufacturers, such as Asia to H&M, is largely unconcerned with environmental practices as well; if the farmers want to continue to make a profit, they must follow any means necessary to churn out materials. According to the magazine Foreign Affairs, only about 10% of China's environmental policies are actually enforced, which allows for farmers to practice methods outside of regulations (Economy).

Shockingly, the average American throws away 68 pounds of textiles per person per year (Cline). At the end of the day, the onus of environmentalism falls to the consumer. Fast fashion companies will continue to practice environmental methods unless the consumers truly care and make companies change their practices. Dollar votes speak louder than individual voices and consumers have sway if they choose to stand up for the environment. Just as consumers have turned away from plastic single use bottles and turned to reusable water bottles (ie Hydroflasks), consumers can once again elect to buy products that are more reusable and are more environmentally friendly.

“Only about 10% of China’s environmental policies are actually enforced, which allows farmers to practice methods outside of regulations”

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SUPPLY CHAIN MANAGERS DANCE AROUND CHINESE NEW YEAR

By Anthony Leung

One hurdle that end-to-end supply chains must adapt to are cultural celebrations and events. Companies utilize manufacturing and distribution centers around the world, especially in China where labor costs are relatively low compared to other countries. An annual celebration that companies need to take into account is Chinese New Year, also known as the Spring Festival. Chinese New Year marks the end of winter and the entrance of spring. It is one of the most important celebrations of the year spanning close to two weeks of festivities. The festivities include firecracker ceremonies along with symbolic lion and dragon dances to bring good fortune and “scare off” evil spirits as they enter homes, restaurants, and other businesses. The cultural celebrations have a major effect on supply chains because many businesses in China remain closed for a week to prepare for the significant events of Chinese New Year and reduce working hours to allow employees more time with their families. With fewer operating hours delays are caused in manufacturing plants, procurement, logistics, and forecasting.

Customer demand is the priority focus for supply chain managers. Forecasters play an important role in predicting demand by analyzing data. There is a five-month window in which forecasters need to account for demand exceeding capacity, the ability to maximize inventory, production, and sales until market conditions become regular and stable. Supply chains must be able to weather the storm and plan properly to ensure the business runs as efficiently as possible. Guido Gries, a director at Dascher Americas said: “Capacities will be tight and prices will go up. Capacity management is important” (Loudin). This is significant because businesses must ensure they order the utilize all of their resources and keep customers satisfied while staying within operating costs.

The industry of procurement will have to work around these constraints by sourcing supplies and products in bigger quantities. Procurement managers need to navigate around the typical calendar year and purchase products before the shutdown occurs. There are also costs that come along with rush orders and shipments, and these all need to be considered with the budget managers are presented with. “Chinese New Year is the time for ocean and airfreight prices to increase, as carriers take advantage of high demand for capacity” (Larsson). Due to rush shipments and capacity overload in preparation for the celebration, the

cost of purchasing goods rises, and companies look to expedite the process.

Moreover, logistical issues and costs will be on the rise since everyone is aware of the exceeding demand and lack of a means to meet it. Transportation costs always rise around this time of year while shipping out of China. Demand for rushed shipments affects the amount of time to get to its destination. “Typically, during the month of Chinese New Year, container movement is down around 25% in the key ports of Shanghai, Ningbo, Shenzhen, and Guangzhou” (Evans). When those valued shipments arrive from China, there is the all-important next step: quality assurance. With the lack of employees manning manufacturing plants leading up to Chinese New Year, quality issues may be a major factor that disrupts company supply chains. Supplier relationship management becomes a key role in the event that your shipment doesn’t meet standards and you need to find other ways to get the supply and products necessary.

Although Chinese New Year might not shut down business here in the United States, in China, there are multiple obstacles that supply chain managers must overcome in order to continue the smooth flow of goods from one location to another. Chinese New year is an example of one of the many cultural celebrations around the world that the supply chain is affected by.

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IKEA SPECIALIZES IN PACKAGING POSTPONENT

By Emily Hsiao

Ikea Foods is looking to modernize its supply chain. The rapidly expanding food division accounted for 5% of Ikea's retail sales last year, bringing in a whopping 2.37 billion dollars (Smith). To sustain growth, cut waste, and increase efficiency, they've partnered up with JDA Software Inc; a supply-chain software provider. Ikea's finely tuned supply chain has been instrumental to their success in home furnishing, and they are eager to expand that success to all parts of their business.

Ikea has been a success story since 17-year-old Ingvar Kamprad founded it in 1943. Today they operate 433 stores, and last year, raked in \$46 billion. But it's not that Ikea's furniture is revolutionary- customers are drawn to the quality and affordable prices. How have they set themselves apart? By perfecting their supply chain. Fewer suppliers and 'flat-packed' furniture that customers assemble themselves allow the company to reduce both transportation and service costs. Basically, "Ikea is not a product innovator- it's a supply chain innovator" ("What tech founders can learn," 2020). By optimizing it, they drive profits and fulfill their credo of 'offering well-designed products at prices so low that as many people as possible can afford them'.

Due to their size and location, stores often lack nearby restaurants so Ikea added in-house-cafes to keep their patrons shopping (and contemplating purchases) through lunch (Maynard). Combined with supervised child-care areas, the delicious and affordable meals help make Ikea a truly one-stop-shop. The cafes were an unexpected hit, with 30% of shoppers visiting to eat. As the potential for Ikea Food becomes clear, so does the need to

"Fewer suppliers and 'flat-packed' furniture that customers assemble themselves allow the company to reduce both transportation and service costs"



digitize it and move past its reliance on ‘paper and spreadsheets’ (Smith).

At the helm of this mission is Lars Gunnarsson, deputy business manager, and supply chain manager. He is working with JDA software to develop a digital platform that will “enable it to ditch the paper-based goods receiving processes it currently uses, and centralize operations” (Sillitoe). A key feature of the new platform is the “forecasting and planning component” that compiles data to predict demand, track deliveries, and schedule staff. It also allows workers to send photos of spoiled ingredients to the chef and immediately alerts the staff to excessive waste or approaching expiration dates. Gunnarsson expects that the data compiled from these changes will enable Ikea to apply JDA software’s artificial intelligence and machine learning technology (Smith, Sillitoe).

Ikea is a perfect example of how many companies could benefit from optimizing their supply chain. Rather than churning out new products or coordinating ad campaigns, entrepreneurs might find it worthwhile to look within their operations to search for cost-cutting and efficiency-boosting measures. Lowering costs will ultimately get their products into more people’s hands. After all, higher quality and lower costs are a win for both producer, and consumer.

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ABOUT RUSCA:

We are a student organization dedicated to inspiring our RBS students to learn more about Supply Chain Management and its opportunities, as well as to serve as an intermediary organization on behalf of the RBS student and support the student in the pursuit of a successful internship, co-op, or full time offer, especially for our Supply Chain majors.

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