

patagonia

Built by a small band of climbers and surfers, Patagonia offers a diverse mix of apparel targeted toward avid outdoor sports enthusiasts.

The company has worked steadily to minimize their environmental footprint and create an efficient and transparent supply chain.

Based in Ventura, CA, Patagonia employs approximately 1,300 people with revenues of upward of \$500 million.

A Clear View of the Supply Chain

The outdoor apparel maker gained visibility into the financial and physical supply chain, improving supplier relations and collaboration in the cloud.

SUMMARY

In 2005, Patagonia was already a world-renowned brand of outdoor apparel. It ran a complex supply chain, but struggled with efficiency in managing the large amount of data from its suppliers and supply chain partners.

The company embraced the GT Nexus platform to gain visibility into its supply chain and automate the order-to-settlement process. The company used Procure-to-Pay to move the entire transaction process to the cloud. It's since migrated 100% of its supplier base to the GT Nexus network, allowing for factory-level collaboration.

"This software allows for a balcony view of the status of shipments and payments," says Doug Freeman, VP of Supply Chain & Product Development at Patagonia. "And payment is executed on time. That's huge. That takes the place of 10-12 emails that aimed to get to the bottom of when they will get paid. Visibility has improved for Patagonia and our suppliers and a byproduct of that is a much better relationship. There's a lot more trust involved, a lot more collaboration because they know what to expect."

Armed with a centralized, cloud-based network of its supply chain partners, Patagonia was able to automate many of its processes. Work in Process was embedded directly into transaction workflow, improving productivity and accuracy while reducing extra costs. Pack & Scan streamlined processes at the factory and shipment levels, and Procure-to-Pay brought the entire financial supply chain into the cloud.

Patagonia's formula for success is a combination of cloud technology, local in-country support, and automated workflow across trading partners. With it, the company is has built an extremely agile supply chain.

RESULTS

Centralized all sourcing and production decisions

- Eliminated costs of manual data entry
- Gained visibility to shipments
- Eliminated letters of credit
- Reduced air freight
- Reduced labor costs

PATAGONIA'S SUPPLY CHAIN CHALLENGES

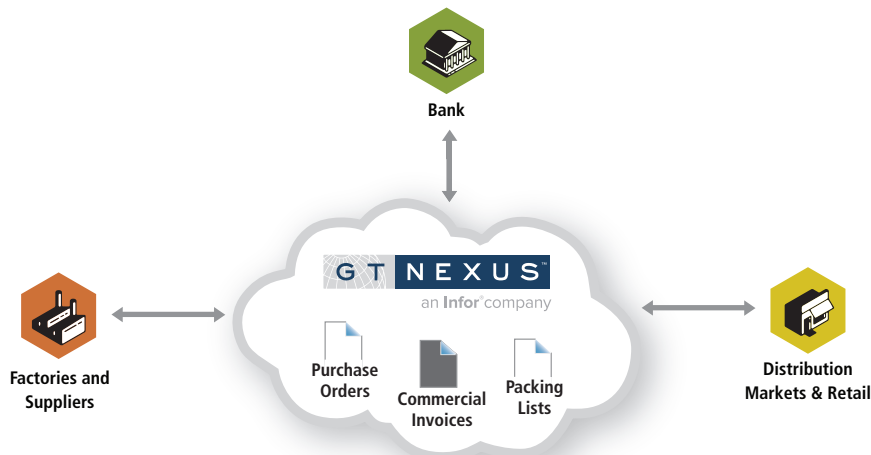
Today, Patagonia manufactures outdoor apparel by working with 45 suppliers and factories. It sources from 14 countries including Vietnam, Thailand, China, Sri Lanka, India, and Bangladesh. The brand runs a complex supply chain. But in 2005, the brand's supply chain was overwhelmed.

In 2005 Patagonia was relying on paper, Excel spreadsheets, and manual processes to execute transactions. Frustration existed at Patagonia and its suppliers. The problem? An inefficient way of managing data and business. Patagonia was working with 108 different suppliers at the time. Documents and processes were quickly getting out of control. Purchase orders, invoices, amendments and other trade documents were piling up.

Patagonia made the decision to consolidate and standardize supply chain activity in order to focus on enriching the business itself. Accomplishing this goal required developing a supply chain that is simple, flexible, and agile. Centralizing all sourcing and production decisions to its headquarters in California was part of this strategy.

IMPROVEMENTS ON THE GT NEXUS PLATFORM

Patagonia began leveraging GT Nexus for Procure-to-Pay in 2005 to make quick payments to suppliers and eliminate letters of credit. Moving to GT Nexus meant moving the whole transaction process to the cloud. Patagonia soon found that both the brand and its suppliers had newfound visibility into transactions. Electronic purchase orders, packing lists, and commercial invoices were all visible. GT Nexus helped automate the whole order-to-settlement process. Patagonia had a better handle on orders, and its suppliers knew when they would be paid.



With its transaction process in the cloud, Patagonia was able to gain new levels of visibility.

Since 2005, Patagonia has migrated 100% of its suppliers to GT Nexus. Suppliers receive purchase orders and submit invoices on the platform. A standardized commercial invoice aids workflow. Work in process tracking and factory-level collaboration including packing, scanning, and shipment building data sharing are enabled through GT Nexus. The cloud has truly changed the way Patagonia and its partners collaborate.

GT Nexus gave the brand complete transparency over the supply chain. Suppliers have immediate access to accurate data they need to execute orders. Using GT Nexus eliminates waste, supports better communication, and provides visibility throughout the entire supply chain.

ENABLING THE SUPPLY CHAIN WITH AUTOMATION

When the project kicked off in 2005, Patagonia utilized GT Nexus's local Hong Kong office to support suppliers. They assured skeptical suppliers of the overall process, explained how it works, and highlighted the speed to payment for each supplier. That's been the combined success formula ever since – cloud technology, local in-country support, and automated workflow across trading partners.

Factory Automation

Today there's transparency in the cloud. The Procure-to-Pay project automated the financial side of transactions, but GT Nexus extended into the physical supply chain to improve visibility and collaboration down to the factory floor. The Patagonia supply chain has access to centralized accurate information for tracking work in process and enabling direct shipments. GT Nexus helps improve relationships with suppliers while improving the performance of the supply chain.

Work in Process

- Automated Work in Process: Eliminated excel spreadsheets by embedding work in process directly into the transaction workflow
- Eliminated manual data entry to improve productivity and accuracy
- Captured visibility into key milestone events in the production lifecycle to know the true status of goods
- Reduced air freight and improved accuracy of customer service commitments

Pack & Scan Automation

- Eliminated manual ASN entry
- Enabled cartons to be labeled at factory
- Reduced amount of temp labor hired for peak season
- Improved accuracy and ability to support direct shipments

Procure-to-Pay

- Eliminated Letters of Credit
- Automated invoice payment process
- Streamlined deductions management
- Removed paper, excel documents and manual processes from the PO, invoice, amendment and settlement process

With this new functionality, Patagonia was able to reach new levels of visibility and greatly improve the efficiency of its supply chain. This leaves the company more time to focus on its core business: designing simple, useful products with the least possible environmental footprint.