

# **Steve & Barry' University Sportswear**

## **Low Cost, Still Low Cost**

--As each Good-Brand seller knows the key of low price is obviously low costing. Each of them wants to achieve the target but there is few of companies who can simply it depending on smooth supply chain as Steve& Barry's can.

## **The Background of the Case**

Steve and Barry, one pair of pal in the childhood opened a small store selling college-style garments in Pennsylvania University. People can get the same quality of garment sold in other big stores getting much lower price. The public praise for lower price with good quality is widely spread quickly. These students introduced this store to their friends and parents. Due to the success made in university they expanded Steve & Barry' stores in university of USA. In 1998 Steve & Barry's set up the first shopping centre in Detroit and started to provide casual wear to consumer with their own brand. There are students and their family members from 15 to 40 years-old among all consumers. Many of them drive their cars to Steve & Barry's stores to buy goods when they realize the price is really attractive in Steve & Barry'. So far Steve& Barry's have had over 130 stores in USA and millions of loyal customers. Steve & Barry' is becoming a well-know name and retail brand. International Council of Shopping Centers selected the top bestseller retail cooperation in 2005 and Steve & Barry' was one of five winners. This reward is to encourage the retail companies who always provide creative products and good services.

## **The Experience of Success**

### **Right Time Right products and Right prices provided.**

When you enter Steve & Barry' retail chain stores you will find hundreds of products including T-shirt, kinds of Jackets, Shirt, Bags, Downs & Coats etc. The key is you will never find one piece more than 10 dollars in these stores. In 2004 the number of Steve& Barry' stores were increased to 65 stores which was 2 times than the last year and in 2005 another 70 chain stores were set up. The whole area of Steve & Barry' is around 60,000 Square Feet now. In 2005, Steve and Barry, two leaders of this company indicated that

turn-over was close to 700 millions dollars and the profit was 50 millions dollars before tax.

Steve & Barry', who attracts customers with low prices, is getting more and more attention from investigators for retail industry and from competitors including large-scale discount stores and shopping mall. The Senior Vice President Ms Lois Huff from the Market Research Company, Retail Forward, expressed that "Limit Retail" adopted by Steve & Barry' was leading the trend of retail industry. Target & Old Navy have the same strategy as Steve & Barry' which is low pricing with high quality. But Steve& Barry's "Limit Retail" already reached better level which composes of two points—the strategy of relative promotions & the operation of "Tariff Project".

At the time of only having first stores of Steve & Barry' Steve Shore and Barry Prevor were manufacturing T-Shirt in their own basement. With the expansion of the business they start to make use of their knowledge of the Tariff System in USA to research the duties from different countries, which is the job of Tariff Engineer. For example, the duty for one imported nylon jacket is 32% but it is only 7% if you use waterproof coating fabric on the same. Once Steve & Barry' costing is decreased the customers get better products. Until now these 2 CEOs are still good at this research. Meanwhile Lois Huff proposed the alarm that the cost control would be very difficult with the expansion of scale of company. It would be most difficult when the number of stores reach 200 to 300.

## **The Establishment of Global Sourcing Centre**

What is the method of cost control by Steve& Barry'? The vendor week for fall'06 held in India from 24<sup>th</sup> to 25<sup>th</sup> Jan this year could be a good reference for the answer. Steve & Barry' established 4004 Incorporated in India in 2001 as the global sourcing centre and their Strategic basement. Considering this company is located nearby most of garment-manufacturer basements Mumbai was selected to hold this Vendor Week. The General Manager of 4004 Incorporated Mr. Avirat Sonpal indicated that we held Vendor Week every season as we think much of the good relationship with vendors. This vendor week was held very successfully as the vendors from more countries attended this

Vendor Week to share more quantities with the development of Steve & Barry'. They were from Jordan, Kenya, Egypt, Eastern Africa, Central America & Bengal.

## **The Management System of Supply Chain**

The management system of supply chain designed by 4004 provides all suppliers for Supplier Profile From. After accessing into the system the supplier can fill in and update products range and capacity. Vendors of different level would be categorized and then the data collected by SPF can help 4004 Incorporated to choose different suppliers in the period of bulk production. With the fast development of Steve & Barry' 4004 Incorporated experienced fast growth which contains the promotion of sourcing capacity and human resources. As the support offices around the world collectively give support of the sourcing and flow of management for supply chain of 4004 Incorporated their sourcing ability is rising by 60% to 90% every year. Due to this speed of growth the combination of products become more complicated.

## **Logistic Management**

The basic procedure of Steve Barry's Logistic Management is as below,

- S&B Logistic management team makes up one complete internal procedure and policy to regulate the criterion during the shipment and after shipment.
- Make up the plan of transportation and loading
- Coordinate with third party to take charge of shipping and organize goods to distribution center.
- Follow up the order
- Check necessary documents with vendors
- Procedure for applying to customs
- Prepare for MIS Report
- Check the delivery, documents and other criterions of S&B

Since there are hundreds of suppliers of Steve & Barry' coming from different countries as India, China, Pakistan, South Africa & Sri Lanka one set of new sourcing procedure is starting to be used from 2006. The procedure includes the clause of loading, compensation, the obligation of delay, the regulation before shipment, the regulation of

packing, the regulation of carton label, necessary documents & the obligation after shipment. These clauses certainly assure that the suppliers have a long-termed cooperation with Steve & Barry', and they make the relation between USA & India office closer. Even the high-rank managers can command of the information of sourcing as well.

The Stat. of problems from suppliers in 2005 demonstrates that the most serious problem is the delay of delivery and the second one is the discrepancy of documents. Of course there are some other problems like inaccuracy of quantity and mistake on packing & carton. These problems caused a loss of Steve & Barry' sourcing. The reputation of supplier influences the preferential consideration from S&B in the period of future sourcing.

### **The development of suppliers & Sourcing**

“Our target is to provide perfect goods for our stores in USA. We need to exceed our competitors in the aspect of quality, price & service in order to ensure the smooth running of our supply chain”

At this time customers concern about quality much and pay attention to price as well. Steve& Barry' is providing these products combining the quality with price so it is a great challenge for sourcing. The president of Steve& Barry' said the only secret of their success was low cost.

With the fast growth of the company Steve& Barry' is planning to expand their retail stores to 200 by 2006. So 4004 Incorporate selected 200 candidates from 7000 resumes to get 60 vacant positions. Two CEOs in USA expressed their expectation of conversion from family enterprise to global retail company. They employed some excellent graduated students from Ivy University as administrator. They are very confident of the development in USA.