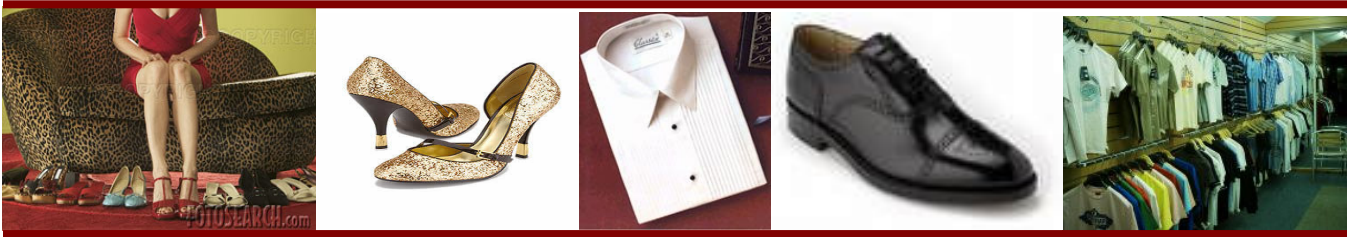


Enhancing Responsiveness of Third Party Order (TPO) Processing in Apparel & Footwear Industry using Wipro's iTPO Composite Application

Sriprada KS



1. Trends in Apparel & Foot wear Industry

Over 98% of footwear sold in US each year are imports, states a research article. (*plunkettresearch.com*)

Globally, the World Trade Organization reports that international trade in apparel totaled US \$ 311.4 billion during 2006 and global apparel industry's revenue in 2007 was US \$ 1, 252.8 billion

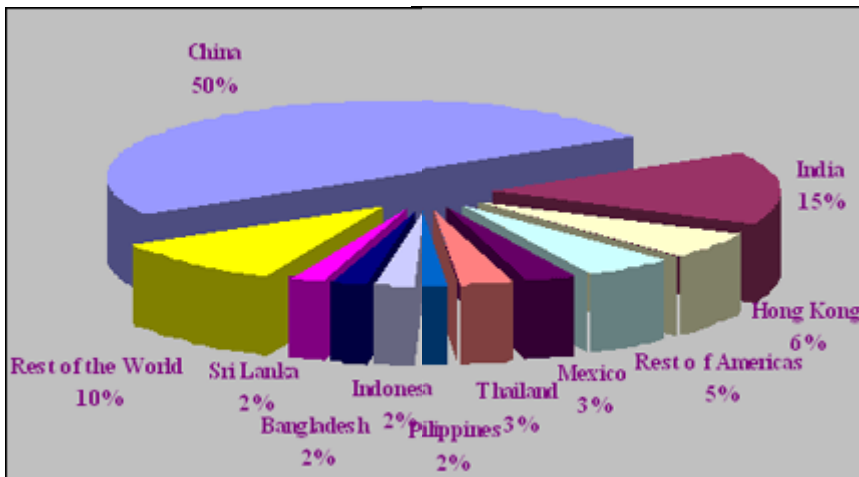


Fig 1: Market Share by Country for Apparel Manufacturing Companies

The present environment of a global economic slowdown combined with rising prices has put tremendous pressure to improve margins on the apparel and footwear industry. Companies that positioned themselves for the upper-middle market with 'affordable luxury' are scrambling to restructure product lines to make them more affordable.

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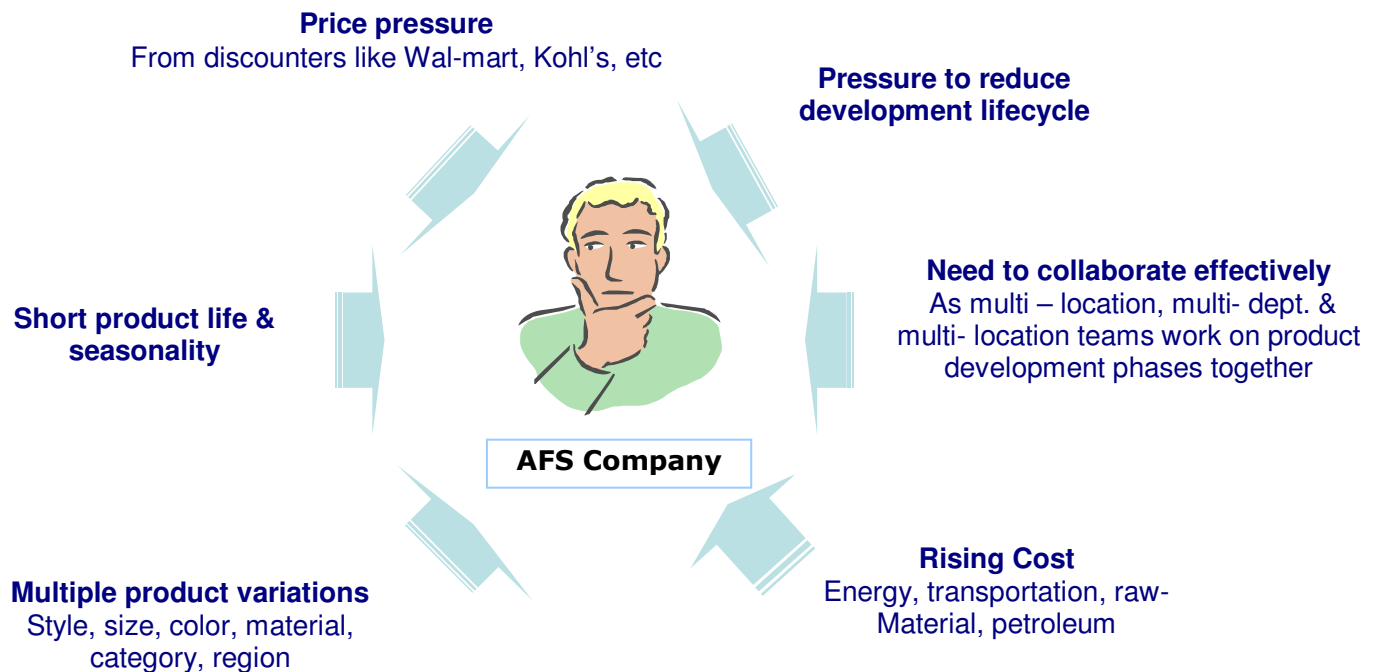
At the same time there is a distinct inclination towards brand and fashion labels.

Traditional Apparel & Footwear (A&F) fashion companies have driven the design & manufacturing processes offshore with increased **focus on direct delivery**.

- ✚ Reducing product **costs** to improve margins
- ✚ Reducing **lead times** for new product launch
- ✚ Providing the ability to **custom** order a product
- ✚ Increasing **supply chain visibility** of a product status

..Are some business imperatives of the apparel and footwear company, which cannot be ignored today. (Source: AMR Research report, 2007)

2. Challenges in the Industry



3. Key Success Factors for Apparel & Footwear Industry

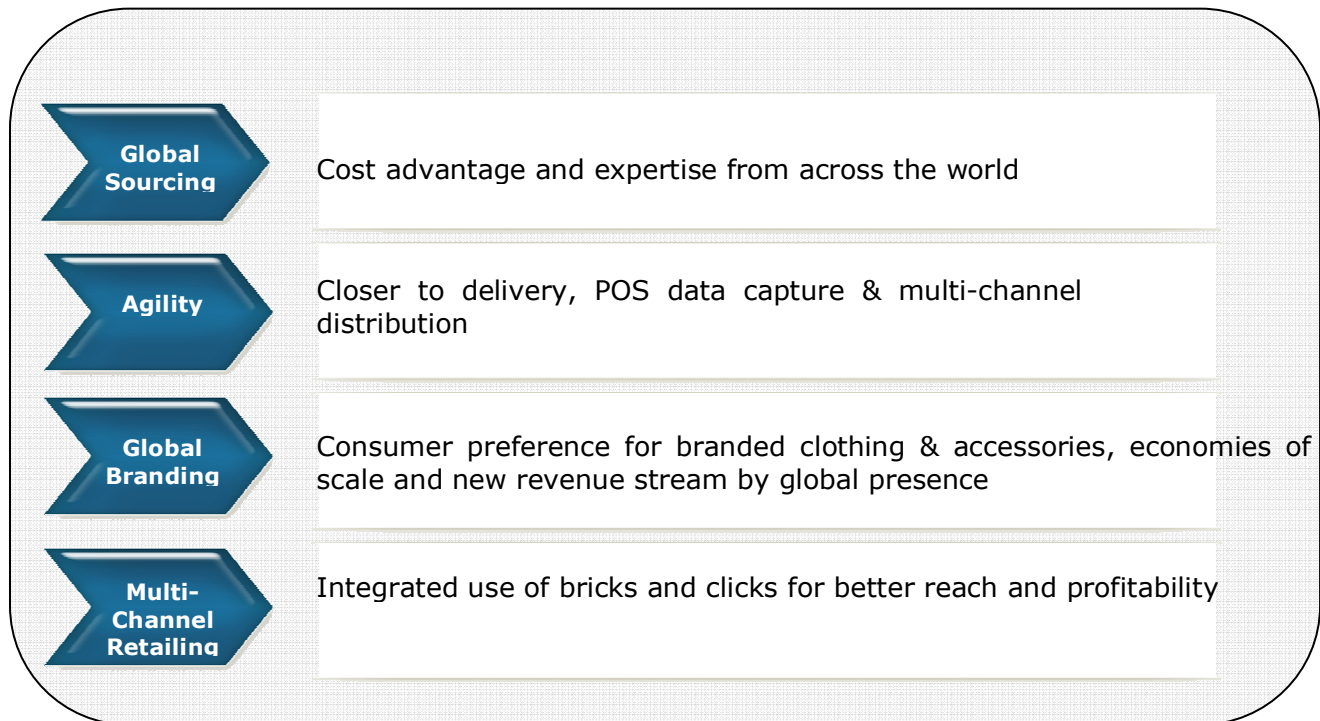


Fig 3: Key Success Factors

4. Typical Third Party Order Processing Scenario in A&F Industry:

Third Party Order (TPO) Processing contributes to roughly 70% of orders in many major A&F companies, and at times even more. A typical TPO process works as below:

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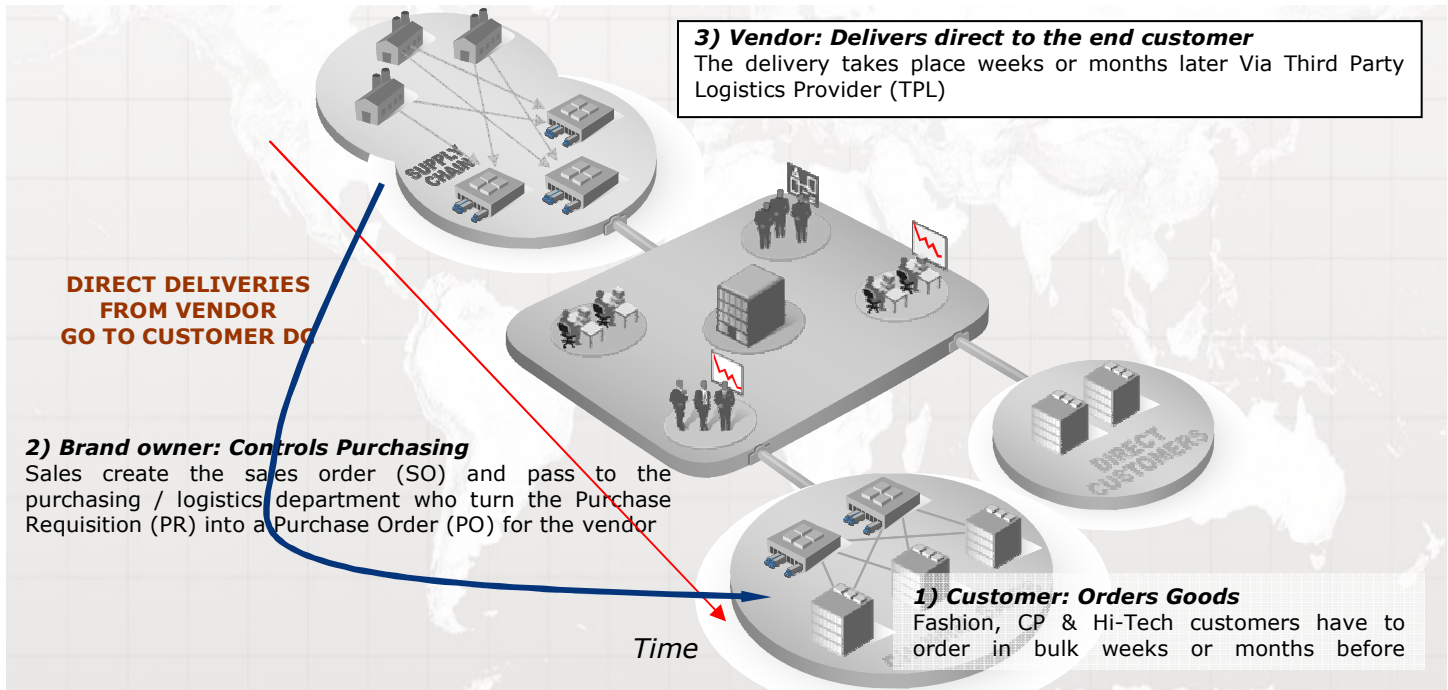


Fig 4: Typical Third Party Ordering Scenario

However this process is not poised to handle the responsiveness demanded by today's network.

Key Pain Points

- ✚ Retailer cannot make last minute POS based deployment changes as this delays delivery and shoots up costs.
- ✚ Within the A&F Company, sales and purchasing departments are in silos. Sales receive retailer requests for changes and manually hand over customer requests to purchasing - resulting in late, incomplete and inaccurate deliveries.
- ✚ Vendor who is part of this disconnected network also reacts late to the changes.
- ✚ A&F Company incurs high costs by incorporating customer changes.
 - Cost of manually managing and synchronizing multiple changes across sales orders and purchase orders
 - Costs and delays of turning cancellations into sales
 - Costs and delays of getting stock delivered into own storage warehouse
 - Increased costs of vendor penalties from poorly managed PO changes
 - Costs incurred on finding alternate vendors due to last minute changes to committed deliveries.



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5. How Third Party Order Processing Composite Addresses Challenges

In the Apparel & Footwear Industry Supply Chain:

Third party Order processing (iTPO) solution is a product of the close partnership of Wipro and SAP AG and addresses AFS industry-specific limitations in handling changes to third party orders from retailer; complexities in cancellation & creation of subsequent documents requirements.

Wipro has partnered with SAP AG under the aegis of its CP Industry Value Network (IVN) for this initiative.

Today:

A series of manual postings are required to change corresponding Purchase Requisitions (PR) and Purchase Orders (PO) once an SO is altered.

With iTPO:

Automatic posting happens in the background via modeled workflow, following a single data entry for SO changes. The changes are not directly made in SAP R/3 but stored in a composite database, so necessary approvals are obtained and all parties can agree before making the commitment.

The changes to third party sales orders can be initiated by the customer/retailer through the sales order (SO) route. Similarly, changes to purchase orders created for third party sales could be changed by vendor through the purchase order (PO) route

Wipro's Third Party Order Processing composite application for SAP AFS is aligned with Enterprise Service Oriented Architecture (eSOA).

Some **key functionalities** of the composite are:

- ✚ Parking changes/ PO postponement
- ✚ Converting a direct shipment to non direct shipment and vice versa
- ✚ Ability to change sales and purchase orders after advanced shipment notifications are delivered
- ✚ Ability to split POs
- ✚ Ability to make mass changes to third party sales orders
- ✚ Changing item quantity, ship to party and other such details on the SO

Functionality common to all individual process flows is performing subsequent operations (e.g. updating corresponding documents. i.e. updating PR and PO in case of changes to SO) and approval process.

6. Business Benefits

- ✚ Ability to grow TPO business
- ✚ Higher profitability:
- ✚ Higher service levels and better inventory turns.
- ✚ Reduced transportation and warehousing costs
- ✚ Flexibility to AFS branding company.
- ✚ FTE deployment savings
- ✚ Increased Speed and improved accuracy in the TPO process



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About the Author

Sriprada KS serves as a Business Analyst for the Consumer Packaged Goods vertical within Wipro Technologies. In this role, she is responsible for bringing thought leadership and innovative solutions for Wipro's global CPG clients. She is actively involved in projects executed by Wipro in the CPG space.

Sriprada holds a Masters degree in Business Administration and has been involved in the requirement analysis and development phase of Third Party Order Processing Composite.

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