

Portwest's future strategy:

Achieving €1Billion Turnover – Portwest and the Global Workwear Market

Case study on Executive level

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Authors

Fiachra Coll (Technological University Dublin)

Damian O'Reilly (Technological University Dublin)

Abstract

Portwest is a global manufacturer and innovator of workwear, safetywear and PPE and one of the fastest growing workwear companies in the world. The company has pursued growth successfully for the last 20 years, successfully employing new market entry strategies along with strategic acquisitions to gain footholds in over 130 countries worldwide. The company has also maintained a vertically integrated supply chain, owning factories and distribution centres.

Growth can come at a cost- increasingly complex operations, a growing product portfolio and an increased exposure to risk in terms of business continuity. Should Portwest continue to aggressively target growth through new territories, or consolidate existing markets and streamline existing operations?

Keywords

Value Chain, Apparel, competitive strategy, critical capabilities, supply chain strategy, risk management, product design, outsourcing

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Background

As Harry Hughes prepared for the board meeting, he caught a glimpse of the "Family Business Award" the company had recently won. Reflecting on the recent tumultuous times in the global workwear industry due to the ongoing COVID-19 pandemic, he wondered whether the company goal of €1 billion turnover by 2025 was still achievable, given a projected global market forecast of almost €40 billion and company sales of €185 million.

Possessing a global sales and distribution network covering 130 countries, Portwest was well-poised to take advantage of the projected ~5% growth rate in the industry. Harry knew that this would never be enough to meet the company's ambitious target. Portwest would have to acquire a significantly increased market-share.

In an industry where quality control was literally a matter of life and death for some product lines, the company had invested significantly in a vertically integrated supply chain for apparel and footwear. The company had full- and part- ownership of footwear and clothing factories where quality control was paramount. These facilities were carefully coordinated with the company-owned distribution centres to ensure a high degree of stock availability for customers. Just as, if not more, important was the ability of the design team in Portwest HQ to incorporate over fifty clothing and footwear standards in the design of more than 13,000 products. These were presented in catalogues tailored to different global regions. Portwest prided itself in its ability to take a product brief, develop a finished good conforming to the required standards in a short time-frame, and manufacture and distribute it quickly get it in requisite volumes to the customer.

While this was a company strength, the sheer number of products in the catalogue (the "one stop shop" principle) made for significant complexity in product design and operations. Would more growth require additional products? They were not the only workwear company to invest in design and manufacturing capabilities. Would additional costs cannibalise additional sales? A greater pressure to design and manufacture more sustainable products might also have repercussions. The company had never shirked from either establishing or acquiring organisations on the quest for supply chain control and growth. Would an investment further upstream achieve the same outcome?

As Harry walked into the boardroom he knew he, his brothers, and the other directors would have much to discuss.

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PortWest

Perched at the edge of Clew Bay on the western Atlantic, the heritage town of Westport is home to the Portwest company. Founded by Charles Hughes in 1904 as a drapers with just twenty machinists, it continued on under the steerage of his nephew Padraig Hughes who took it over in 1936. He moved the company into the wholesale trade. Today three brothers- Cathal, Harry & Owen are involved in this family business that turned over €185 million as of February 2019.



https://issuu.com/portwestltd/docs/portwest_graduate_booklet_finalv2

Current situation

Strategy

No direct competition globally- competition tends to be regional / local. (e.g. Bswift, Arco, Englebert-Strauss in Germany). Snickers (Hultafors Group) “are narrow in what they offer... and wouldn’t have the range that we have”. PW offer a breadth of products in a multitude of markets (2 points of differentiation). Vision statement- “to become the most trusted and requested safety brand in the world.”

Current turnover in the region of 200-250 million euros.

Growth Strategy

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The growth strategy means that there is an emphasis on moving into new countries / markets and consolidating a presence there. PW use the (working?) population of a country with a ratio to estimate how many sales staff they need to cover the country. A smaller number is initially chosen and as sales milestones are reached, more staff are added until the optimal number is reached.

Buy PW clothes in 130 countries throughout the world.

There are Technical Sales Managers- TSMs- who specialise in certain product areas (e.g. footwear, gloves, FR). The aim is to have one TSM in each region (UK, EU, US). They are a liaison between product design and development and Sales staff.

About 200 ASMs / TSMs currently throughout the world. (Assistant sales managers?)

Internal Sales Managers are based in PW HQ and take on the task of developing new markets- e.g. the Caribbean. Once some customers are on board and sales reach a critical level, a local ASM will be recruited.

SE Asia and the Philipines is currently growing. Russia was a target prior to the war with Ukraine. Canada and Mexico are being concentrated on- PW are looking at establishing a bonded warehouse in the US, so that goods bound for Mexico only attract Mexican Duty.



Figure from Portwest UK Promotional flyer.

Distribution

Portwest's first international move was to enter the UK market in 1980 (UK Promo flyer). Greater sales necessitated a UK-based distribution centre, which was subsequently expanded in 2003 as Portwest expanded to Europe. Similar to the UK experience, increasing sales necessitated the establishment of a further distribution centre at Czeladz, Poland.

Evidencing a further transition to being an international force, Portwest soon established presences in North America and the Middle East with associated distribution centres by 2014. The latest market expansion, to Oceania, involved the acquisition of the Prime Mover brand and the use of distribution centres near Melbourne, Perth and Auckland.

Product Design

The current range of Portwest products is driven by a periodic refresh of three catalogues:

- EU catalogue- Ireland the UK and the European mainland
- US catalogue- US (and Mexico / Canada?)
- Aus / NZ catalogue

The catalogues were updated every two years. There were a few reasons for maintaining three catalogues- firstly the standards for workwear were not the same, requiring market-specific products. Secondly, sizing and style preferences were different. Finally, there were products

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that catered to local needs/ tastes only. Portwest estimated that somewhere between 20-30% of the overall product range were catalogue- specific.

The majority of product design work happened in the Portwest HQ. A team of product designers (working on specific product families) developed the product brief on the basis of market / customer feedback, created initial designs and then worked through the iterations of the development cycle to an initial prototype. From there the manufacturer (whether in-house or external) would be engaged to design the product for manufacturing. Upon completion the final product master the product was then ready to be included in the catalogue. Portwest typically prided itself in a “No-nonsense, reliable product” approach to design.

While the catalogues had a biannual refresh, given the breadth and depth of the range the products were not always locked into the cycle. Product updates would be quietly incorporated, and other products which failed to meet sales criteria would be ‘culled’ and delisted once stock had been exhausted. However, significant new product launches / refreshed were reserved to coincide with the cadence of catalogue updates.

Supply Chain

Once the product had been approved for production and in anticipation of orders, Portwest had to decide how much stock to carry in each of the distribution centres. Lead-times varied significantly depending on whether manufacturing was in-house / outsourced, the location of the manufacturer, the order quantity and other factors. A further factor was the anticipated demand, or more importantly demand risk. While the area sales managers would have a knowledge of what was selling well, and Portwest could gauge the response of important customers to product samples, this was of limited use for new products without predecessors. Portwest’s objective of being a ‘one-stop shop’ required that the customer service levels were high, but given the number of SKUs in each warehouse this had to be carefully managed. An important element in balancing supply with demand was access to in-house manufacturing. Portwest had adopted a capacity-led approach with the result that there was always the capacity for rush / high priority orders for a large number of garments, reducing the risks of stockout.

Market Analysis

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Global Workwear Market to Reach \$39.2 Billion by 2027

Amid the COVID-19 crisis, the global market for Workwear estimated at US\$29.1 Billion in the year 2020, is projected to reach a revised size of US\$39.2 Billion by 2027, growing at a CAGR of 4.3% over the period 2020-2027.

Apparel, one of the segments analyzed in the report, is projected to record 4% CAGR and reach US\$29.1 Billion by the end of the analysis period. After an early analysis of the business implications of the pandemic and its induced economic crisis, growth in the Footwear segment is readjusted to a revised 5.5% CAGR for the next 7-year period.

The U.S. Market is Estimated at \$8.6 Billion, While China is Forecast to Grow at 4.1% CAGR

The Workwear market in the U.S. is estimated at US\$8.6 Billion in the year 2020. China, the world's second largest economy, is forecast to reach a projected market size of US\$7 Billion by the year 2027 trailing a CAGR of 4.1% over the analysis period 2020 to 2027. Among the other noteworthy geographic markets are Japan and Canada, each forecast to grow at 4.2% and 3.4% respectively over the 2020-2027 period. Within Europe, Germany is forecast to grow at approximately 3.6% CAGR. We bring years of research experience to this 17th edition of our report. The 257-page report presents concise insights into how the pandemic has impacted production and the buy side for 2020 and 2021. A short-term phased recovery by key geography is also addressed.

Key Competitors

No direct competition globally- competition tends to be regional / local. (e.g. Bswift, Arco, Englebert-Strauss in Germany). Snickers (Hultafors Group) "are narrow in what they offer... and wouldn't have the range that we have". PW offer a breadth of products in a multitude of markets (2 points of differentiation)

Recommendations

For bachelors all needed information for solution should be provided in a case or an appendix.

Postgraduates might search extra information for solution.

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Questions

1. What is PWs current strategy? Has it been effective? Is it consistent with the company and supply chain structure?
2. What capabilities are required for international success in the workwear industry?
3. Are there potential drawbacks to PWs quest for growth- if so, how potentially serious are they, given the current global situation?
4. Should PW continue to target 1 billion turnover as the key strategic goal? If so, suggest how they go about achieving it.

Teaching Notes

(a) Synopsis and type of the case

[Synopsis] This case is about the direction that Portwest takes to achieve its aggressive growth target of 20% year-on-year, with a stretch target of 1 billion euro by 2025. Portwest operates a vertically integrated business-to-business supply chain providing a large range of workwear / work-related wearable products to several markets globally. The case charts its establishment as a single retail store by Charles Hughes in 1904 to its current status as an international organisation providing high quality, rigorously tested workwear employing 4,500 people worldwide. The case discusses the way in which Portwest use a variety of means to achieve significant year-on-year growth, and looks forward to the time when PW are in most countries world-wide. How will growth be achieved when all markets are accessed?

[Type] This case is [a/an incident case, background case, exercise case, situation case, complex case, decision case] ...

{See https://www.fh-dortmund.de/de/fb/9/forschungsprojekte/casem/types_of_cases.php for identification}

Recommendations

1. Complex case

(b) Teaching objectives, target groups and target courses

[Objectives] This case is designed to:

- Require the student to become familiar with and be able to analyse the global workwear market.
- Require the student to be able to assess Portwest's growth strategy, and assess whether it will remain unchanged as the firms accesses most markets globally.
- Require the student to assess how a firm's capabilities are linked to its competitive advantage, and how the external business environment can significantly effect this linkage.

[Target group] The case is written for Executive Education students

[Target courses] The case is beneficial to students studying international firms, and international strategy.

(c) Teaching approach/area and strategy/organisation

[Approach/area] The case is intended to provide an insight into the growth of a company with ambitious growth targets and a significant investment in product design, manufacturing and supply chain capability. On a strategic level the company will be presented for analysis vs the competition). The case will require the student to assess the current competitive strategy, and determine if it should continue to be pursued.

Recommendations

I **competencies** might be developed for bachelors (narrow, function based)

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T competencies might be developed for postgraduates (wide, horizontal managerial and function based)

[Strategy/organization] of the case study has been organised as follows [A TYPICAL STRUCTURE MAY BE THE FOLLOWING]:

1. **Case Briefing:** ... [INSTRUCTION, INCLUDING TIME/DURATION]
2. **Case Coaching:** ... [INSTRUCTION, INCLUDING TIME/DURATION]
3. **Upload of analysis results:** ... [TIME/DURATION]
4. **Case Presentation:** [INSTRUCTION, INCLUDING TIME/DURATION]

(d) Evaluation/Grading

[Evaluation criteria] Evaluation shall take place based on the following criteria:

- a. ...

[Grading/weights criteria] Evaluation shall take place based on the following criteria [A TYPICAL SCHEME MAY BE THE FOLLOWING]:

MAXIMUM NUMBER OF POINTS ACHIEVABLE, thereof for	100
• Case research: max. ?? points	v
• Case presentation: max. ?? points	w
• Class participation: max. ?? points	y
• ...	y
FINAL GRADUATION: $w + x + y =$	Z

Recommendations

Different proportion of points could be delivered for bachelors and postgraduates

(e) Analysis and solution outline

A detailed case analysis and solution outline ...