Case Study: Todd Shelton's Decision to Bring Manufacturing Home

COMPANY: Todd Shelton

INDUSTRY:
Fashion, Men's Clothing
YEAR RESHORING EFFORT BEGAN:
2010
NEW LOCATION:
East Rutherford, New Jersey

Reshoring Institute

University of San Diego
SCHOOL OF BUSINESS ADMINISTRATION
Supply Chain Management Institute

“HAVING A PRODUCT MADE IS NOT NECESSARILY HARD. HAVING A PHENOMENAL PRODUCT MADE EXACTLY THE WAY YOU WANT IT, CONSISTENTLY, AND DELIVERABLE ON SCALE, IS EXTREMELY HARD. I WENT FROM OFF-SHORING PRODUCTION, TO RESHORING, TO BUILDING MY OWN FACTORY. THE FACTORY CREATED A SUSTAINABLE SOLUTION BECAUSE I CONTROL THE SUPPLY CHAIN.”

Todd Shelton
Americanologist 2014

BACKGROUND:

In 2002, Shelton released his first product, a t-shirt. Between 2002-2009, Shelton continued to develop his brand in a “beta-type” form. This allowed him to keep operations small and to mitigate the risk of a full-launch. However, by 2009 he realized that the time was right to begin producing his products full-time.

From 2010 to 2011 Shelton sales increased, and with that came increased demand for production. However, Shelton’s unique, tailor made designs and unyielding dedication to quality were difficult for Asian suppliers to achieve. It became clear that Todd’s unique business strategy and need for adaptability suited itself better to domestic, in-house production. In 2012, Shelton decided to reshore his product manufacturing to the US. Location considerations were between Los Angeles and New Jersey; in the end it was Shelton’s connection to New Jersey that won out.

PRODUCT:

What makes Todd Shelton’s business unique is his dedication to customizability, or the ability to make an article of clothing that fits each of his customers perfectly, as well as the “low stress” way in which he provides this service. He says he doesn’t care if it costs him extra money to get a customer the perfect fit up front “because once a man has found his perfect garment, he’ll become a repeat buyer”.

To guarantee the customer orders the correct size, Shelton employs a unique system in which a “fit-kit”, or a range of sizes of the item the customer believes will fit, is mailed to the potential user. This allows the customer to make sure that he is ordering the perfect size. The customer then has seven days to use the kit and then mail the items back to the factory. The entire process is completely free of charge. The ability to try different sizes at one’s leisure in the comfort of one’s own home adds to and enhances the consumer’s buying experience.

BUSINESS MODEL:

Value proposition

Shelton offers the direct delivery of a high-end, tailor fit product at the peak of current fashion, coupled with excellent customer service. This requires a business with low lead-times and the ability to be agile and adaptable to catch consumer trends in the rapidly changing fashion industry. These needs make offshore manufacturing almost impossible, and domestic production the reasonable choice.

Target Market

Todd Shelton is targeting the niche market of the fashion conscious, high-end customer who has a need for specific clothing sizes not traditionally offered at large outlet stores. These consumers expect excellent customer service, short delivery time, and the ability of the manufacturer to create the unique item he or she requests.

Distribution

Shelton has elected to conduct all sales online to reduce costs and the factory also serves as a showroom. Shelton outsources his distribution to America's extensive, advanced, and cost effective pre-established distribution system. This allows him to employ fewer people and focus more time on production and innovation. It also creates a personal touch with the customer, something Shelton believes can be lost in retail sales.

Sourcing

Shelton has gone to extreme lengths to keep his product 100% sourced and manufactured in the US. For example, he struggled for almost a decade during the early stage of his production working with America's denim mills, but issues such as extremely large purchase requirements made working with such suppliers unfeasible for a small business.[1] Ultimately, he made the decision in 2014 to use a Japanese denim producer.

THE RESHORING PROCESS:

Shelton's decision to take his product from offshore, to reshoring and contract manufacturing, to in-house production, was a more difficult and resource intensive process than initially imagined. He believes that only ambitious companies with the following 3 traits can make this transition:

1. Leadership that does not fear the challenge of internal manufacturing.
2. A commitment to product quality and innovation.
3. A long-term vision and commitment for their company.

Also, a company needs to be "scrappy", as he puts it, meaning resourceful. He also employs cost saving techniques such as "lean manufacturing," i.e., eliminating any waste that does not add value to production or the supply chain.

THE PROS:

- Product quality and product innovation have dramatically increased.
- Product development has become faster and easier.
- Inventory costs and obsolete product have decreased dramatically and will continue to do so.
- Now that the internal manufacturing is stable, more resources are being used on the product, service, and content initiatives instead of on managing the supply chain.
- Lead times for product have decreased by months.
- Positive country of origin effects have been experienced through free media exposure by publications and trade industries who believe in domestic manufacturing

THE CONS:

- Increased labor costs has caused production costs to rise considerably.
- Shelton has cited workforce sourcing and training as one of the largest complications of his in-house production.
- The costs of establishing and maintaining a factory in the US are very high as well. Prices for industrial properties range from \$49-\$103[2] per square foot in the East Rutherford area.

SUMMARY:

Todd Shelton has experienced enhanced product quality, increased innovation, and greatly reduced lead times since he began manufacturing in-house. Negatives such as higher labor and fixed costs, as well as the challenge of sourcing qualified labor, have been encountered as well. The increase in cost also forced a rise in the price of the garment ranging between 25-40% for certain items[3]. However, Shelton's business model, which employs very high quality materials, rapid delivery, extreme customizability, and excellent customer service, helps to mitigate this high price point. Scaling up production without domestic industry support will remain a challenge to Shelton in the future, but for now he is completely dedicated to his current plan. Relocating manufacturing back to the United States is a daunting proposition, with 97.5% of all apparel now being imported from abroad, however, Shelton's niche market strategy and the value he adds to the product and buying experience may prove to be a winning combination.[4]

ABOUT THE AUTHOR

Eric Pardee is a Student Researcher for the Reshoring Institute. He is currently a full-time student at the University of San Diego. He is pursuing a MBA with a focus in finance and managerial leadership and has an expected graduation date of May 2016.

ABOUT THE RESHORING INSTITUTE

Our Mission

In collaboration with the University of San Diego Supply Chain Management Institute, we provide information, research and support for companies trying to Reshore manufacturing. This includes topics such as site selection, tax incentives, science and math education, marketing, public relations, cost comparison development and case studies.

www.ReshoringInstitute.org

[1] http://www.americanologist.com/2014/10/meet-the-fit-fanatic-menswear-designer-todd-shelton/
[2] http://www.cityfeet.com/cont/nj/east-rutherford-industrial-property-for-sale
[3] http://www.modernfellows.com/todd-shelton-american-manufacturing/
[4] http://www.latimes.com/business/la-fi-american-apparel-made-in-usa-20140810-story.html#page=1

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