



The launch of Ecco's new tannery at its footwear factory in Xiamen, China. CREDIT: ECCO

Ecco expands integrated supply chain concept to China

Danish footwear manufacturer Ecco does things its own way. Yes, it, too, has moved much of its shoe production to lower-cost economies in Asia but, in doing so, it has set up its own factories, preferring to make the people who make its shoes—in Indonesia, Thailand and China—its own employees as quickly as it can. It even uses leather it has tanned itself, which is unusual for any European footwear brand these days.

Even less usual is the company's preference to co-locate its tanneries with its footwear production plants, an initiative that it has taken from supply chain superstars across all areas of business, including Toyota and Inditex.

The latest location in which this has taken place is at the footwear factory Ecco established four years ago in Xiamen, a city in the Chinese province of Fujian, just across the sea from Taiwan. The company held a formal launch party for the tannery on September 6, but the footwear operation has been running there since April 1, 2005.

Jane Wu, now a senior member of the quality control department, was there that first day and still sounds full of enthusiasm. She had been working locally for a partner manufacturer, making shoes on Ecco's behalf, but says she much prefers to be on the inside; she feels that she now has a

much more complete picture of what is going on in the business. "I don't like my job," she says. "I love it. I loved it from the first day."

Four buildings make up the footwear production operation at the moment. In three of them, the team manufactures uppers that go to Ecco factories in Thailand, Portugal and Slovakia for final assembly, but in one of the four, people are making complete shoes, all for export.

Across the footwear part of the site there are 3,000 workers operating in three shifts, six days a week, with Sunday as a day of rest. The factory operates through the night, to make the most of the installed technology, but employees work only a basic 40-hour week, with a fixed rate of extra pay for overtime. The average age is 25.

Skill levels are high in Xiamen; in one of the four production halls, some of the uppers the workers make are out of the ordinary. Some are from tanned salmon skins from Iceland, a footwear option that is now available at retail in some of China's major cities for a price equivalent to €200.

Yak background

A pair fitted with a Gore-Tex membrane and made from yak leather also catches the eye. The company's vice-president for



Profile



Traditional dancers welcome guests from 30 countries.

CREDIT: ECCO

global marketing, Claus Kjærsgaard, says the offering with yak has an interesting background story.

A few years ago, the Danish Chamber of Commerce in China sent Ecco an invitation to visit Tibet, with a view to looking at the situation of farmers there and, perhaps, suggest ways in which they might make better use of the hides of the yaks that graze on the Himalayan Plateau. As we know, invitations to visit Tibet don't come along every day, so the head of the company's leather division, Panos Mytaros, went to the roof of the world.

Mr Kjærsgaard explains what happened next: "I think it's fair to say that Panos was underwhelmed by what he saw there. There were some leathers, but the people were clearly struggling to do anything smart with the leather. Pretty soon, Panos felt he'd seen enough and, as a parting gesture, asked them to send a pallet of raw yak hides to Dongen in the Netherlands—where our leather division is based—just to see if it was possible to do anything."

Because yaks live in such harsh conditions—outside all the year round on rough terrain at an altitude of 3,000 metres—their hides have many blemishes. This is the main reason why Chinese tanners have shown little interest in them. However, what Mr Mytaros found upon subjecting the hides to more detailed analysis was that the living conditions of these animals also offer advantages. The temperature and the bleakness they have to endure mean their blood has to have an exceptionally efficient capacity for carrying oxygen around the body. "Because of this, when you tan a yak hide, the leather is incredibly strong," Claus Kjærsgaard continues. "It's difficult to manage supply because it's a seasonal kill, but the strength and the rugged look of the leather makes it ideal for footwear products such as outdoor hiking boots."

Heart in the right place

He explains that the strategy of controlling the entire value

The Xiamen tannery at a glance

The new tannery consists of three buildings: a production building, a wastewater treatment unit and a utilities and warehouse building.

The production building covers 18,000 square-metres of production space. It consists of "a number of large boxes interconnected by glass windows", which provides high levels of natural light. The office area is positioned centrally and a bridge connects it to the production area. Ecco insisted on the following parameters for the new tannery

- Scandinavian design
- for the production area to support 'lean' principles and provide a good environment for employees
- for materials to be natural wherever possible
- for the buildings to be light and airy
- for them to be easy to maintain, clean inside, and flexible enough to accommodate further expansion
- for the lay-out to be futuristic.

Construction started end October 2007. Final design was made by DHV (a Dutch company with a Shanghai branch) and the building work carried out by Xiamen Jian'an Group, a local construction company.

The current forecast is to be in full production within the original one-year timescale planned, before the end of October 2008.

The capacity in Phase I will be 20 million square-feet of finished leather. Later phases allow for this to increase up to 50 million square-feet in total. Staff numbers in Phase I will reach 175 and when in full production rise to 300. Most of the employees will be highly educated and skilled specialists.

Ecco says the wastewater treatment unit is a state-of-the-art facility incorporating the latest technology, cleaning the wastewater to the highest environmental standards. It includes physical and biological processes. The water coming out of the unit will be clean with no further treatment required.

The utility and warehouse building is 145 metres long, 40 metres wide and six metres high. The first part of it is a wet blue storage area, with a capacity for three months' work. There is also a preparation area for wet blue production and a specially designed chemical storage area. The utilities area also houses equipment for the production of hot water, the air compressors and water mixing units.

chain—through having its own production facilities, its own retail outlets (3,000 of them worldwide), 15,000 of its own employees and its own tanneries—is part of the Ecco culture and part of a desire to be in control of its own destiny. "We feel this is the best way for us to stay faithful to our values," he says. "We want to be genuine, authentic, to continue to have our heart in the right place and never to compromise on what we believe to be right."

As many companies have found to their cost, outsource partners can, sometimes, be the ones who compromise a brand's hard-earned reputation, which can take years to build up and hours to turn to rubble if an environmental or social responsibility controversy blows up. From Ecco's point of view, the best way to avoid this is to keep a tight hold of ownership; it's the best way to ensure "quality and ethics", Mr Kjærsgaard says.

That's why the Xiamen plant now has its own tannery, bringing it into line with the integrated supply chain model that is in place at its sister factories in Ayutthaya, Thailand, and Surabaya, Indonesia.

But, because it's newer, the Xiamen facility is much more than an ordinary tannery. Panos Mytaros, a serious, seasoned and



Green gauge

These are the main factors representing the green credentials of the new Ecco tannery in Xiamen.

- By using polypropylene drums, rather than the usual wood or stainless steel, it is possible to reduce water consumption by 25%. The drums are easy to clean and maintain and use 20% less electricity than standard drums.
- By installing a conveyor system for unloading the drums, this process becomes automatic. No forklifts will operate inside the building because they constitute a risk to safety and to air quality.
- Up-to-date drying equipment will also contribute to efforts in Xiamen to reduce energy consumption. An estimated 20% energy saving is planned.
- In the finishing area, Ecco has developed, with tannery mechanisation specialist Feltre, a new system which does away with the usual tables and use of forklifts. Instead, the new loading system will make lean production, planning and control easier.
- Chemicals will be injected automatically. This will eliminate handling by employees, reducing the risk of accidents and the overall consumption of chemicals.
- To create energy, the company has chosen liquid gas; there will be no use of diesel oil. This, too, will make a contribution to a cleaner environment.

respected figure in the global leather industry, claims that it's the top tannery in the world today. He explains: "It has the most innovative building design, has used the best construction materials, offers the best working environment and working conditions for employees, the most advanced machinery and IT set-up and has a top-class waste management plant. This is the best place in the leather industry for young, motivated employees to develop their careers."

Some industry commentators have quizzed Ecco on the thinking behind opening such a facility in China at this particular time. Here is Ecco launching a facility that will, initially, take high-quality wet blue hides (mostly calf, a first batch is on the ocean, bound for Xiamen as we go to press) and produce high-performance aniline leathers for the adjacent footwear factory. In a second phase, the company will build its own beamhouse—with capacity to convert 1.5 million raw hides a year to wet blue—and raw hides warehouse, on the site. The first phase of the project will give Ecco the capacity to produce 20 million square-feet of leather a year, with the second phase adding a further 30 million square-feet to that total. All this comes at a time when, Mr Mytaros says, the Chinese leather industry is facing "turbulent times", with many businesses holding back investment and some even closing down tanning operations.

In contrast, Ecco is making its "largest single investment ever" in the Xiamen tannery. Mr Mytaros points to the wood on the building's façade, echoing Ecco's Scandinavian heritage, and an unusual feature in Xiamen. At the same time, the walls are concrete combined with white or grey pebbledash. Glass and stainless steel have also been used extensively, and in the office, the flooring is of bamboo and natural stone. Attention to detail also includes high levels of natural light inside the different sections of the tannery building. There is an automated conveyor

system, supplied by Feltre in Italy, that can transport hides all over the facility, removing the need for forklift trucks on the shop floor, reducing fumes and making the environment safer.

Tannery tour

A brief look at the tannery (in this case, on the evening of the formal opening) shows a facility that is still waiting to begin production, but almost every piece of equipment is in place, awaiting the arrival of that first batch of wet blue hides from the Netherlands. There is rack-space for eight weeks of production and, from one container of (mostly calf) hides, the production team hopes to make between 40,000 and 60,000 square-feet of leather.

In the next hall is a wet blue preparation area, with drumming, then splitting, then shaving. "We've taken the decision to keep this part of the tannery separate from the production area," explains Bala Hari Krishnan, who has come to Xiamen from the

The Ecco Leather Group

The Ecco Leather Group is a formal and fully owned division of the footwear company. It is managed by Panos Mytaros from Dongen in the Netherlands.

The Leather Group owns four tanneries, including the new Xiamen facility, and also runs a research and development centre in Dongen. The breakdown is as follows:

Research and Development Centre

Location: Dongen, the Netherlands
Employees: 40
Role: Headquarters of the Ecco Leather Group and its centre for research and development

Ecco Tannery Holland BV

Location: Dongen, the Netherlands
Employees: 110
Role: Production of wet blue
Capacity: 900,000 hides per year

Ecco Tannery Indonesia

Location: Surabaya, Indonesia
Employees: 375
Role: Production of finished leather from raw hide
Capacity: 350,000 hides per year and 18 million square-feet of finished leather.

Ecco Tannery Thailand

Location: Ayutthaya, Thailand
Employees: 250
Role: Production from wet blue to finished leather
Capacity: 12 million square-feet of leather.

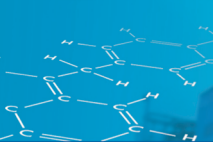
Ecco Tannery Xiamen

Location: Xiamen, China
Employees: 175 to start with
Management: Arthur Jones, chief executive;
 Howard Abbey, chief finance officer;
 Bala Hari Krishnan, production director.

In 2008, the group as a whole will process 1.25 million hides and produce 30 million square-feet of leather. The plan is to grow capacity by 14% a year to 66 million square-feet of leather by 2013.



TANNERY CHEMICALS
ISO 9001




- Research & Development
- Chemistry
- Production
- Sales Force
- Services

TANNERY CHEMICALS
Your Global
**industrial
partner**

Wet End



Finishing



ATC - Tannery Chemicals - 193 Allée de la Croix des Hormes - 69250 Montanay - FRANCE
Tel: +33 (0)4 78 91 66 64 - Fax: +33 (0)4 78 91 79 15 - email: atc@atc.fr - website: www.atc.fr
ATC CHEMICALS INDIA (Chennai - India) - ATC DO BRASIL (Estância Velha - Brasil) - TATC (Bangkok - Thailand)



ECCO EXPANDS INTEGRATED SUPPLY CHAIN CONCEPT TO CHINA



Ecco's formal launch party for the tannery on September 6, 2008.

CREDIT: ECCO

Ecco tannery in Indonesia to be the production manager. He goes on to say that the drums the company has put in place are made of polypropylene rather than wood or stainless steel, breaking new ground for Ecco. The argument is that these drums—supplied by Hüni—will allow the production team to achieve greater volume if it needs. In other words, it feels this technology will give it greater flexibility. There are some stainless steel drums in this area, but they will be used only for sampling.

Mr Bala Hari's projection is that the new tannery will be able to produce 40,000 square-feet of leather per week in phase one. In two or three years' time, he expects phase two—giving the facility its own raw hide storage facility and its own beamhouse, and the capacity to produce up to 80,000 square-feet a week—to be complete. In anticipation of this, there is already space for another eight drums to go in when needed.

He explains that he has been working for one-and-a-half years to bring lean manufacturing principles into Ecco's tanning operation. Because this project is so new and built from zero, it has been possible to apply what he calls a better, more logical, more efficient flow.

Ecco has clearly been building up to this. It's a company that never looks only at the short term, Mr Mytaros says. It wants to be the best footwear company in the world, and if that means investing enough to have a state-of-the-art tannery at the door of its shoe production plant, it is happy to build it, own it and run it as an integral part of the operation. ☉