Fast fashion supply chain management

Distribution network is an issue in the fast fashion supply chain management because supply chain costs are affected by it. Distribution affects cost and customer experience which indirectly affects profitability. If the distribution network is not designed effectively then customer needs would not be met and the cost of meeting those needs would be high. However, the warehouse operations at the distribution centre are also an issue. " Warehouse operations are confronted with a rising complexity tied to nonlinear relationships between performance factors (Faber, 2002) and face rising costs associated with the need for reducing the time-to-market." The growing intricacy and costs are a matter of concern for the fast fashion retail industry, where tremendously short product life-cycles, seasonality, and volatile demand require effective warehouse operations (Bruce and Daly, 2006). The store managers are not aware of the inventory at the distribution centre because of lack of information. A customer might place an order for a particular garment and the store manager might assure him that the ordered garment would arrive in two days but due to the lack of information from the DC it might be possible that the order does not come through. This can be potentially harmful for the retail chain.

2. Location decisions

They are long term decisions which affect both fixed and variable costs. The resource and cost issues are difficult to change once dedicated to a location. There are various factors like labour productivity, costs, proximity to markets and suppliers, which affect fast fashion retailing industry's location decisions.

- Labour productivity: The wage rates are not the only cost. The total cost may be increased by lower production which in turn would increase the cost of the product in fast fashion retailing industry.

- Costs: The tangible costs which are the easily measured costs such as utilities, labour, raw materials and taxes may be higher in a particular location.

- Proximity to markets: because longer the distance, higher the transportation costs involved. The supply chain would not respond quickly.

- Proximity to suppliers of raw materials: because import of fabric would increase.

3. Time to market: The risk of having undesired products is much higher in the fast fashion industry as the demand changes continuously and customer might demand a particular product on a day but the same product might be wrong for him the next day.

4. Long lead times: results in the slow throughput time in the supply chain and increases cost. One of the key issues in the fast fashion business is to react quickly to changes in fashion trends and respond to customer and market demand rapidly.

5. Product Development: As the demand changes continuously, product development becomes an issue. If the product does not meet the consumer’s attitudes and preferences it would not be sold. The cost of maintaining unsold inventory would become high. This is because of lack of information

about the current market trends. Lead times and would have an impact on the supply of the product.

Approaches to managing a fast fashion supply chain

The demand for apparel in fast fashion industry is volatile because of the continuous change in consumer demand in a very short span of time, creating high complexity for the supply chain. A fast fashion retailing company can optimize its performance and remain competitive by creating lean, agile and leagile supply chain. The focus of lean supply chain management involves reduction of inventories, reduction of the supplier base, assessing suppliers based on quality and delivery performance, establishing long-standing contracts with suppliers and reduction in lead times (Treville, 2004). On the other hand, agile supply chain principle is concerned with the responsiveness to match the demand and supply in unstable market. The agile supply chain can be applied to situations where minimal lead times are required to address unstable consumer demand with high levels of availability. Agile supply chain has a number of distinguishing features, it is demand driven rather than forecast driven, it is market sensitive with the ability to respond to changes in demand. Expansion efforts in the agile approach is for incorporating the flow of information across the supply chain for building

a market-responsive fast fashion supply chain that reacts quickly to volatile demands to diminish lost sales, forced markdowns and obsolete inventory (Jones and Towill, 1999; Hoek, 2000). Retailers must acquire capacity capability to be able to react to this volatile fluctuation. Also an advanced form of information technology should be used to share data between buyers and suppliers for agile supply as it will improve visibility of requirements and reduces the amount of stock. Although lean and agile approaches are discussed as conflicting paradigms, they share a common objective which is to meet customer demands at the least cost (Goldsby, 2006). However to overcome this problem of lean and agile supply chain management, researchers have arrived to an approach to form ' leagile' supply chain by incorporating lean and agile. Leagile enables cost effectiveness of the upstream chain and high service levels in a volatile marketplace in the downstream chain. This combination of lean and agile supply chain management helps the retailers to respond to changing markets in order to provide fast replacement.

Competitor Analysis

Zara's fast fashion supply model demonstrates six key interaction stages from creation through to the customer. This supply model helps Zara in managing inventory and associated costs and also ensuring that products are in demand when they are in store. The basic concept which enables Zara to react fast to shifts in consumer demands is its ability to maintain design, production and distribution processes. The timely delivery and

service is ensured by the strategic agreements that they have with local manufacturers. Zara's distribution of garments are basically near its outlets which enables it to match and balance stock with store orders within quick interval of time as compared to other retailers. This advantage becomes clearer when Zara is compared against the industry averages as shown in the figure.

From the table, it can be seen that Zara does not order in advance like other conventional retailers. Zara operates more flexibly even in different seasons because of its in house production facilities and proximity to its suppliers. This enables it to postpone production until close to manufacture, giving it the ability to produce products depending on market trends and consumer behaviour. It also reduces the cost of holding inventory and minimizes the need to clear unsold inventories. Zara's main focus is on consumer demands, its small and medium size consumer demands are identified by store data. The store managers are given major independence to determine which products to display in their stores and which to place on sale, and they communicate the market trends back to their headquarters. The procedure of gaining market information and communicating it to design and production teams accelerates product development by reducing the throughput time of a product to 3-4 weeks from design to distribution. Zara's swiftness to market in product development surpasses the potential of its competitors. The Zara stores are visited often by customers because innovative garments are accessible weekly and are often not restocked. While, Zara also produces fabric in its own production centre and many of the raw materials order are placed before hand to match its manufacturing demand. Even the lead time taken by Zara from designing to place a garment in retail store is less than 15 days. This vertical integration strategy helps Zara to manage closely the different supply chain operation from design through to store.

In view of the research conducted and evaluation of a key competitor the following recommendations are put forward:

Recommendations

The distribution network structure should be able to influence customer service by offering a variety of products, having a quick response time, product availability, meeting customer needs and demands, order visibility and return ability. The warehouse policies at the distribution centre should enable increased efficiency, cost savings, reduced inventory, and shorter lead-times. Warehouses should focus on incorporating the production effort with the market as there is a growing need to develop fast fashion supply chain performance (Frazelle, 2002; Baker, 2007). The warehouse operations such as receiving, transferring, handling, storage, packing and expediting directly affect the efficiency of a company as a whole as well as its class and logistic service level (Rafele, 2004). In case of fast fashion, a proper warehouse management process helps in gaining competitive advantage through better customer service and shorter lead times as the customer demand would be met at the right time. They should be distributed as fast as possible so that they are readily available to be served on store shelves in adequate quantities to guarantee sales and replacement (Christopher et al., 2004). The store managers should be kept informed about the garment availability by proper flow of information from the production facilities and the distribution centre. This would enable them to adjust the orders placed by the customer by passing the information to them and thereby match demand and supply.

This fast fashion industry should choose a location where labour productivity is high. The ideal location for this industry is where there is cheap labour, raw materials are available at a cheaper rate and taxes are low because these would indirectly have an impact on the cost of the product. The proximity to markets is essential for quick delivery of goods to meet the consumer demand rather than holding expensive inventory (JIT). However, the quick response and JIT system would be helpful in increasing the supply chain efficiency and contribute to its success. The production facilities should be located where the fabric and the trend resources are easily available. The right type of raw material should be available in sufficient quantities for current trends demanded by consumer. However, competitive advantage could be attained in this industry if all these location factors are kept in mind because appropriate products would satisfy the end customer faster and at competitive cost.

One of the key components which the fast fashion retailing company should keep in mind in order to be successful in business is a short and faster supply chain. In other words, short lead times are recommended.

In case of fast fashion, quick response contributes to success. It is recommended that the supply chain should be flexible and have as low a time to market as possible. It should be able to adapt itself to the rapid changes in demand and create competitive advantage.

The company should try to be proactive in the product development process. The design department should be provided with sufficient information regarding how a product should be designed because the main factor which helps in understanding the change in demand is information. In that way, the company would become responsive to customer’s needs.

Conclusion

It can be concluded from the research conducted that a fast fashion retailing business must be able to meet the supply chain objectives which are cost, quality, speed, dependability and flexibility in order to be successful and gain competitive advantage.