



23E57000 - FASHION MARKETING

# SUPPLY CHAINS AND RETAILING IN FASHION

# **AGENDA**

- Supply chains in fashion
- The importance of retailing in fashion
- Some new trends in retailing

## **Primer:**

What would you call the three main takeaways from today's readings?

## Functional versus innovative products: differences in demand

	Functional (Predictable demand)	Innovative (Unpredictable demand)
<b>Aspects of demand</b>		
<b>Product life cycle</b>	more than 2 years	3 months to 1 year
<b>Contribution margin*</b>	5% to 20%	20% to 60%
<b>Product variety</b>	low (10 to 20 variants per category)	high (often millions of variants per category)
<b>Average margin of error in the forecast at the time production is committed</b>	10%	40% to 100%
<b>Average stockout rate</b>	1% to 2%	10% to 40%
<b>Average forced end-of-season markdown as percentage of full price</b>	0%	10% to 25%
<b>Lead time required for made-to-order products</b>	6 months to 1 year	1 day to 2 weeks

\* The contribution margin equals price minus variable cost divided by price and is expressed as a percentage.

## Matching supply chains with products

	Functional products	Innovative products
<b>Efficient supply chain</b>	match	mismatch
<b>Responsive supply chain</b>	mismatch	match

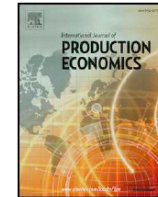
Fischer (1997)



Contents lists available at [ScienceDirect](#)

## International Journal of Production Economics

journal homepage: [www.elsevier.com/locate/ijpe](http://www.elsevier.com/locate/ijpe)



Review

### Fashion retail supply chain management: A review of operational models<sup>☆</sup>

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#### ARTICLE INFO

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Review

#### ABSTRACT

Over the past decades, we have witnessed the rapid development of giant fashion brands in the retail market which inspires a lot of operational research (OR) studies in fashion retail supply chains (FRSCs). In fact, FRSCs are highly consumer-demand driven and face many operational challenges coming from high demand and supply side uncertainties. Realizing the significance of fashion retail supply chain management (FRSCM) and a lack of comprehensive review on the topic, we develop this paper which examines the operational models on FRSCM in the mainstream OR literature. We organize this review systematically with respect to the core functional areas of FRSCs, namely the manufacturer, retailer, consumer, and fashion retail supply chain system. In each functional area, insights regarding the related studies as well as the specific OR model features and assumptions are generated. Finally, we conclude the review by summarizing the major findings and proposing promising future research areas (from both OR modeling and practical perspectives).

*Assume that all of these can be outsourced to some degree!*

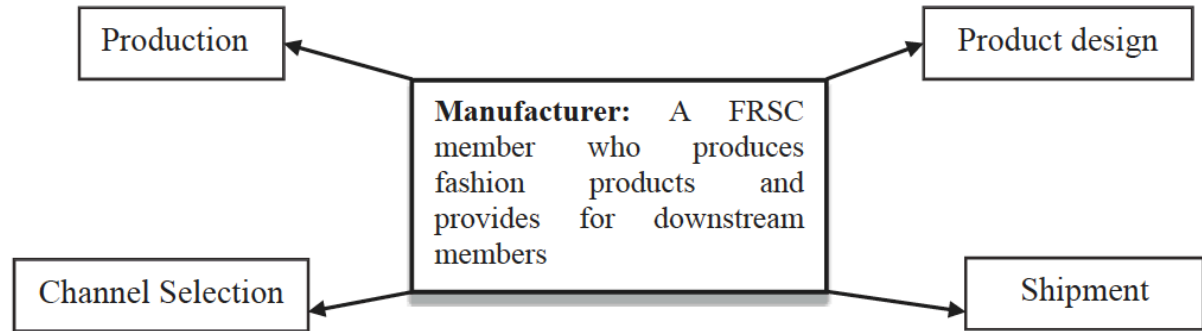


Fig. 3. Important issues considered by fashion manufacturers.

### 1. Optimization of production costs vs. design integrity

1. Fabric usage in design patterns
2. The amount of details and variety of materials
3. Quality and availability of raw materials
4. Production quality and labor skills
5. Ease and cost of shipping
6. Collaboration between production and design

### 2. Optimization of “from design-to-market” speed

1. Ability, speed and cost of retooling production after design changes (with channel partners)
2. Ability and cost of up- or downscaling production based on customer demand
3. Scale, speed, and responsiveness of shipment partners or availability of shipment options





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# marie claire

HOME NEWS FASHION HAIR & BEAUTY SHOP LIFE ENTERTAINMENT VIDEO FABLED

Home / Fashion / Shopping

## The best designer handbags to invest in right now

Penny Goldstone  
March 22, 2019 11:53 am



### Latest stories

#### From super-sized totes, bumbags and micro-pouches to timeless classics, shop our pick of the best new season designer handbags

The latest [designer handbags](#) ticking all the SS19 trends have dropped, and there's no better time than the present to invest in one. Now I appreciate it's a big purchase, so to save you time and effort, I've rounded-up the best designer handbags from the new season that suit all tastes, styles, daily needs and budgets (yes, really).

If there is one piece worthy of investment each season, it has to be a designer handbag (and if you don't believe me, some brands like Chanel are literally a better [financial investment than gold](#)). And while many designers are on-trend with their offering, there are also some classic styles that never go out of fashion out there too.

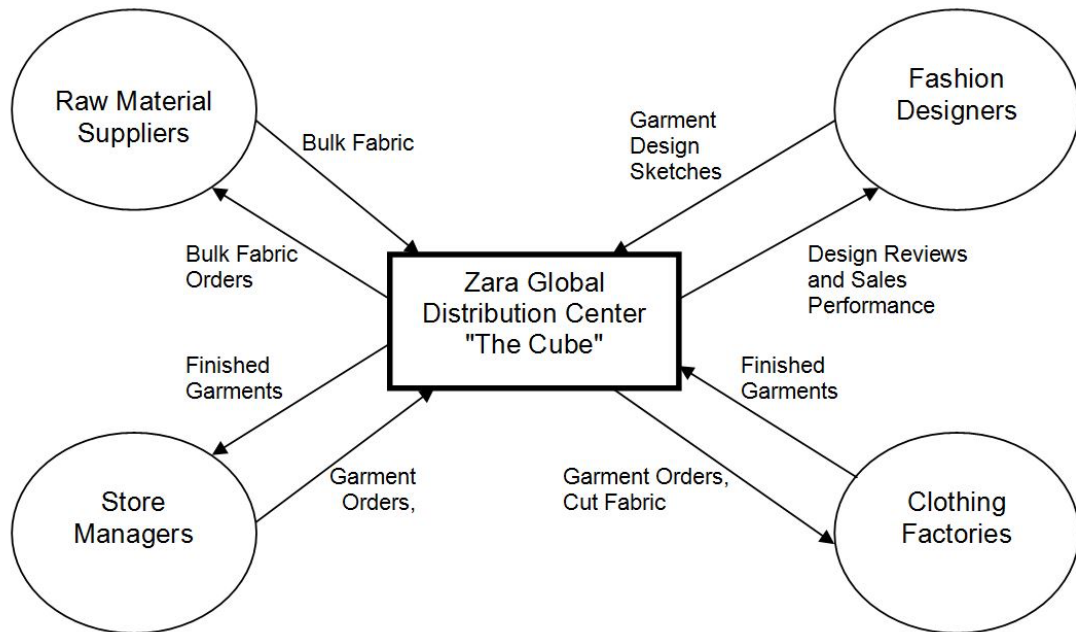


1 / 29

Tod's D-Styling Mini, £1,190

Buy it now!





Zara's secret to success lies in big data and an agile supply chain



## **Question:**

What are the different risks for retailers and brands producing clothing?

How do you think these are negotiated or prepared for in advance?

## 1. Inventory risk management

1. Is it worse to turn customers away or having overstock?
2. Intervals of inventory renewal?
3. Revenue and risk sharing?
4. “Retainer deals” and scale policies?
5. Keeping tabs on stock?

## 2. Policies for clearing inventory

1. Heavy discounts?
2. Returning stock to supplier?
3. Sharing with other retailers?
4. Destroying or recycling stock?

## 3. Channel policies

1. Who leads promotional efforts?
2. Service quality and product knowledge
3. Negotiating store visibility of products
4. What kinds of prices and campaigns are allowed or encouraged?
5. Use and ownership of data?

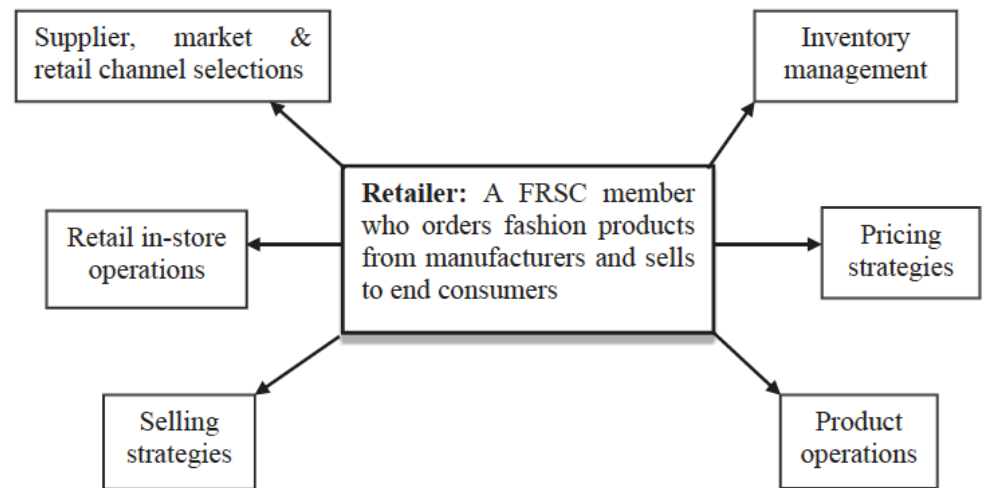
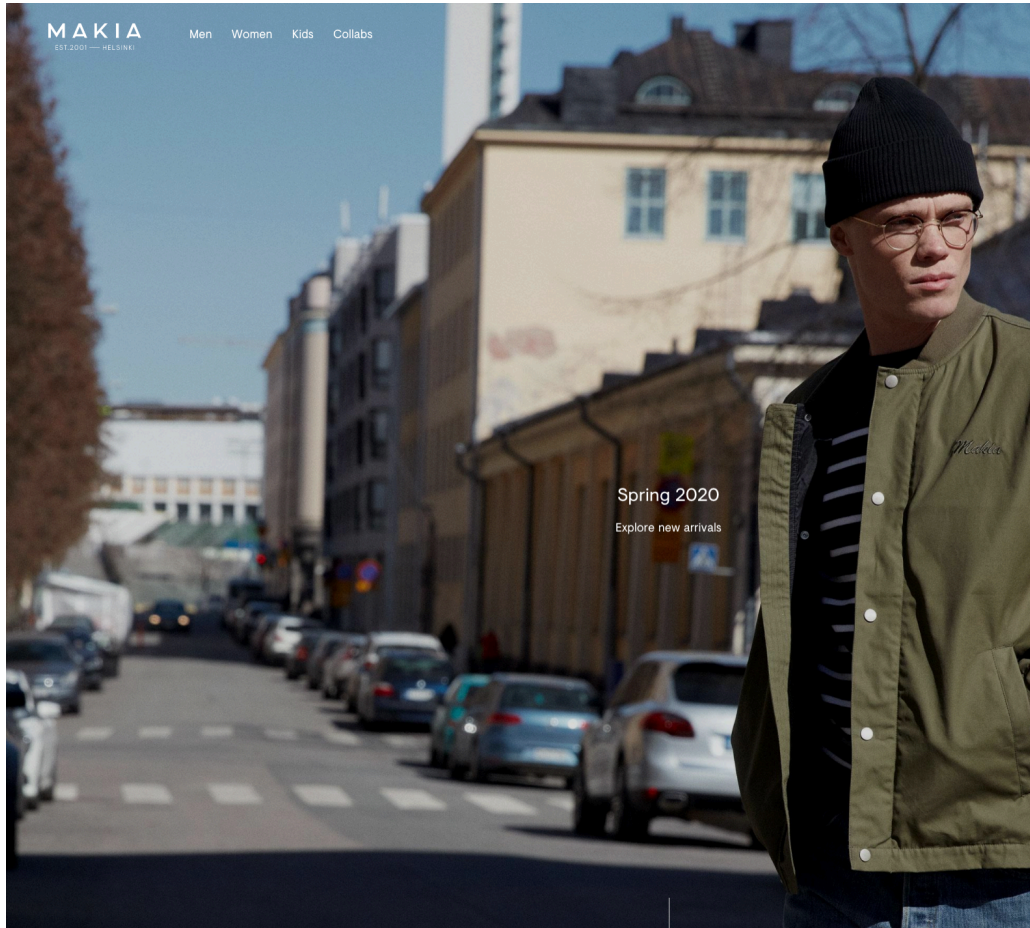


Fig. 4. Important topics for the fashion retailer.



MAKIA MAKIA

ACQUISTA ONLINE



**MAKIA FALL/WINTER 2018**

streetwear

Da Spectrum, cerchiamo sempre di alternare i soliti brand con qualche proposta più fresca, label emergenti che hanno qualcosa da dire e cercano un palco ...



**MAKIA S/S 2018**

abbigliamento

Dopo un 2017 che ha premiato il suo apparel basic ma facile da riconoscere, Makia prosegue la scalata verso i piani alti della street culture ...



**MAKIA SPRING/SUMMER 2017 COLLECTION**

abbigliamento

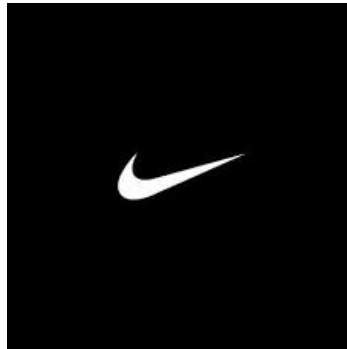
Dopo il grande successo dell'esordio Spectrum non si è lasciato scappare il nuovo carico di Makia: il marchio finnico ritorna per la stagione Spring/Summer 2017 come la ...



**MAKIA FALL 2016**

abbigliamento

Through the rough seas direttamente nei nostri armadi: il brand finnico Makia si presenta da Spectrum con un assortimento di T-shirt, felpe, camicie e giacche ...



**Foot Locker**

Turn of the millennium, Foot Locker cut Nike orders by about \$200 million to protest the terms Nike had placed on prices and selection

Nike responded by cutting its allocation of shoes to Foot Locker by \$400 million.

Consumers, frustrated because they couldn't find the shoes they wanted, stopped shopping at Foot Locker.

Sales at a competitor, Finish Line, increased.

In the end, Foot Locker acceded to Nike's terms.

The screenshot shows the Harvard Business Review website interface. At the top, there is a search bar and navigation links for 'THE MAGAZINE', 'BLOGS', 'VIDEO', 'BOOKS', 'CASES', 'WEBINARS', and 'COURSES'. Below this, a 'Guest' user is logged in, with a subscription prompt. The main content area displays 'THE MAGAZINE July 2007' and an 'ARTICLE PREVIEW' section for the article 'If Brands Are Built over Years, Why Are They Managed over Quarters?' by Leonard M. Lodish and Carl F. Mela. A 'Comments (0)' section is visible below the article title. On the right side, there is a 'RELATED' section with an 'Executive Summary' and an 'ALSO AVAILABLE Buy PDF' link. At the bottom of the article preview, a short paragraph begins: 'Brands are on the wane. For the many consumer-goods companies struggling against this trend, it's'.

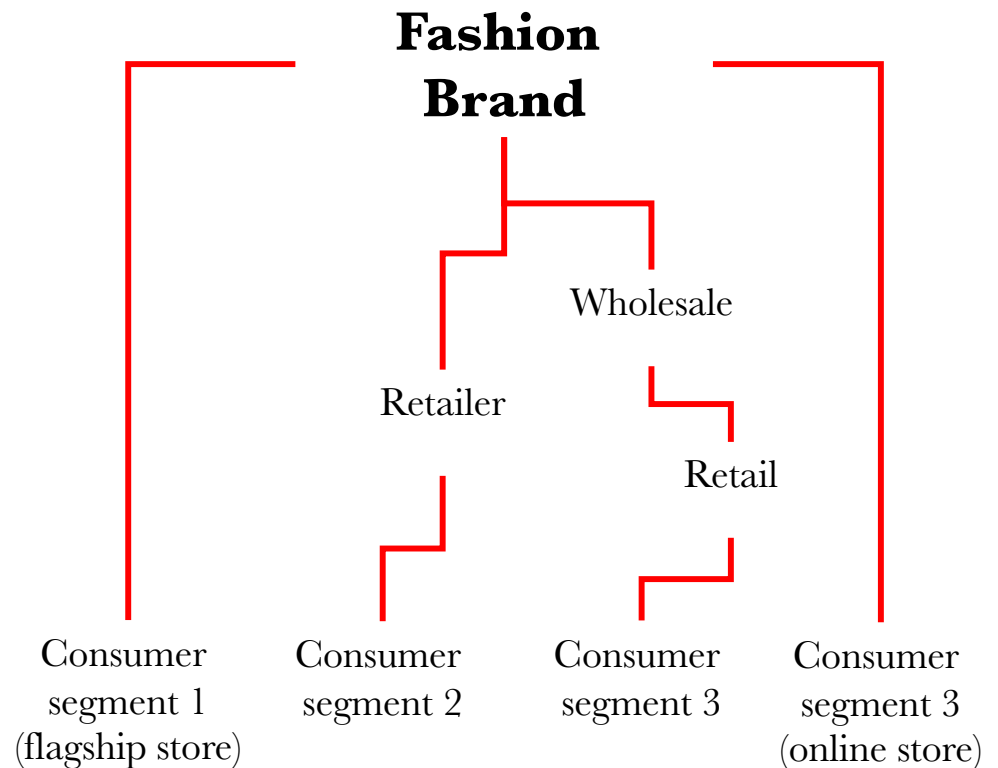
 **PRISMA**  
HYVÄ MUTTA HALPA.

 **Supermarket**



# FROM MULTI-CHANNEL TO OMNI-CHANNEL

- Multi-channel management the retail logic for a long time
  1. Segmentation of consumer populations based on buying behavior / access
  2. Coordinating promotion efforts per channel
    1. E.g. send coupons for people likely to visit brick and mortar stores, emails to online shoppers etc.
  3. Management of channel partners (including disciplining)





Journal of Retailing 91 (2, 2015) 174–181

Journal of  
Retailing

From Multi-Channel Retailing to Omni-Channel Retailing  
Introduction to the Special Issue on Multi-Channel Retailing<sup>☆</sup>

Peter C. Verhoef<sup>a,\*</sup>, P.K. Kannan<sup>b</sup>, J. Jeffrey Inman<sup>c</sup>

<sup>a</sup> University of Groningen, Faculty of Economics and Business, The Netherlands

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<sup>c</sup> University of Pittsburgh, Joseph M. Katz Graduate School of Business, United States

“In the past, brick-and-mortar retail stores were unique in allowing consumers to touch and feel merchandise and provide instant gratification; Internet retailers, meanwhile, tried to woo shoppers with wide product selection, low prices and content such as product reviews and ratings. As the retailing industry evolves toward a seamless **“omni-channel retailing” experience**, the distinctions between physical and online will vanish, turning the world into a showroom without walls”. (Brynjolfsson, Hu, and Rahman 2013, p. 23)





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Table 1  
Multi-channel versus omni-channel management.

	Multi-channel management	Omni-channel Management
Channel focus		
Channel scope		
Separation of channels		
Brand versus channel customer relationship focus		
Channel management		
Objectives		



### From Multi-Channel Retailing to Omni-Channel Retailing Introduction to the Special Issue on Multi-Channel Retailing<sup>☆</sup>

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Table 1  
Multi-channel versus omni-channel management.

	Multi-channel management	Omni-channel Management
Channel focus	Interactive channels only	Interactive and mass-communication channels
Channel scope	Retail channels: store, online website, and direct marketing (catalog)	Retail channels: store, online website, and direct marketing, mobile channels (i.e., smart phones, tablets, apps), social media Customer Touchpoints (incl. mass communication channels: TV, Radio, Print, C2C, etc.).
Separation of channels	Separate channels with no overlap	Integrated channels providing seamless retail experiences.
Brand versus channel customer relationship focus	Customer – Retail channel focus	Customer – Retail channel – Brand focus
Channel management	Per channel	Cross-channel objectives (i.e., overall retail customer experience, total sales over channels)
Objectives	Channel objectives (i.e., sales per channel; experience per channel)	

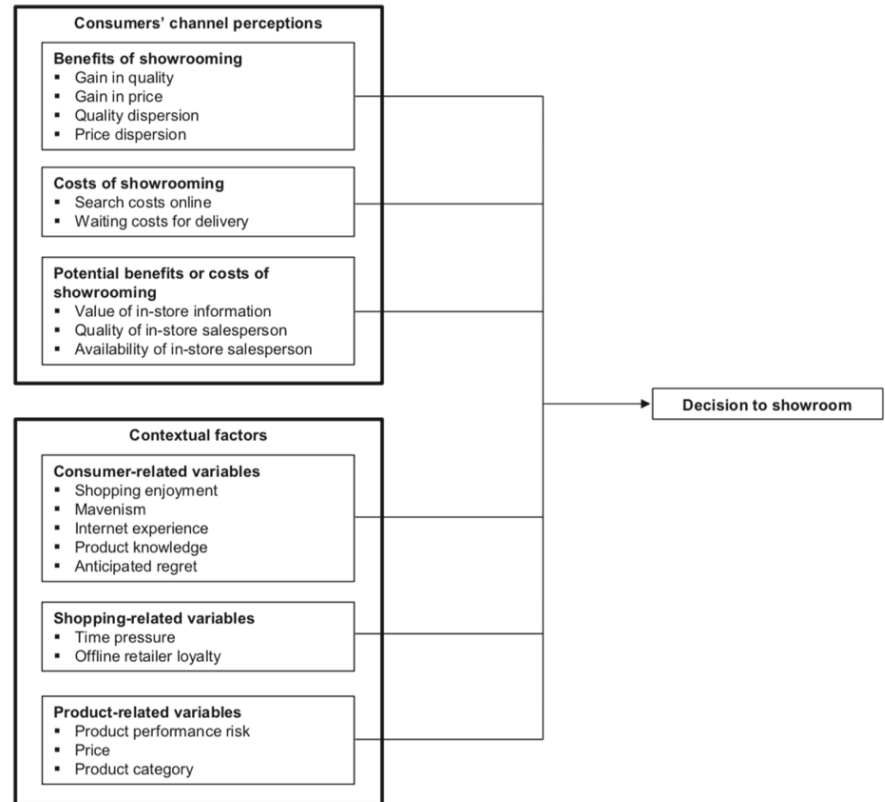
## **Question:**

What have been your experiences with omnichannel retailing (esp. in fashion shopping)?

What have been the most effective/ineffective/interesting experiences?



“Our paper has implications for the tug-of-war between online and offline retailing. **Our findings suggest this tug-of-war is not just about price. Quality, search cost, and service perceptions also drive showrooming, and individually are as important as price.**”



Available online at [www.sciencedirect.com](http://www.sciencedirect.com)

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Journal of Interactive Marketing 38 (2017) 29–43

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INTERACTIVE  
MARKETING  
[www.elsevier.com/locate/jimmar](http://www.elsevier.com/locate/jimmar)

The Showrooming Phenomenon: It's More than Just About Price



Sonja Gensler<sup>a,\*</sup> & Scott A. Neslin<sup>b</sup> & Peter C. Verhoef<sup>c</sup>

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<sup>c</sup> University of Groningen, P.O. Box 800, 9700 AV Groningen, The Netherlands

## **Two clear omnichannel reactions:**

1. Take back control of the online shopping experience through better design and SCM
2. Make your brick and mortar retailing more experiential
3. Reduce risks of retailing commitments

# BRANDS, # BUSINESS MODELS, # FUTURE OF ECOMMERCE, # RETAILERS

## How Amazon is Dismantling Retail and Destroying Brands

WRITTEN BY: JADE JADE ON APRIL 19, 2017



Scott Galloway, Clinical Professor of Marketing at New York University, Stern School of Business & Founder of L2 speaks at L2's Amazon Clinic about how Amazon is disrupting retail and how it's planning to destroy traditional brands. For our eIQ readers, we've summarized the key takeaways as well as transcribed the entire video.

BUSINESS DAY

### *Amazon Leaps Into High End of the Fashion Pool*

By STEPHANIE CLIFFORD MAY 7, 2012



Jeff Bezos, Amazon's chief executive, says the company's new effort is not about selling clothes at deep discounts but at prices that ensure "the designer brands are happy."  
Matthew Ryan Williams for The New York Times

## Retail to runway: what happens when clothes are sold direct from the catwalk?

In a want-it-have-it world, the six-month lag between the shows and the shops feels outdated. But are fashion houses ready for a See Now, Buy Now revolution in the way they work?



▲ 'See now, buy now' is the latest trend to shake the fashion industry illustration: Clym Evernden

## From catwalk to checkout: how Burberry is trying to reinvent retail



▲ Models on Burberry's 'see now, buy now' catwalk during London Fashion Week last week. Photograph: Neil Hall/Reuters

The raincoat maker caused a stir at London fashion week by using its shows to sell to customers immediately - not making them wait for designs to hit stores

Advertisement

FASHION

## Shop the Runway: Buy Directly from the Collections Via Moda Operandi

SEPTEMBER 18, 2012 9:50 PM



Photo: (from left) Monica Feudi/GoRunway.com; Filippo Fior/GoRunway.com; Yannis Viamos/GoRunway.com



You've seen the shows. Now why not be one of the first to own the clothes? Once again this season, Moda Operandi enables Vogue.com readers to purchase their favorite looks directly from the website courtesy of its online trunk shows. The best part? You need only pay 50 percent up front—you can save for the rest until the boxes show up at your door come spring.

Each and every day new trunk shows—from New York to Paris—go live (as indicated by a little red bag next to the collection name on Vogue.com), so don't forget to keep checking back for your favorites. Or sign up on [Moda Operandi](#) to get an e-mail alert that lets you know when the clothes you covet are available for pre-order. What's brand-new now? The [Marc Jacobs](#), [Alexander Wang](#), and [Rag & Bone](#) spring 2013 collections—and that is just the beginning.

**SiBi** See It Buy It

SHOP MERCHANTS

The World's First  
AI-Driven Apparel  
Marketplace

SHOP INSTAGRAM

SHOP BY PHOTO

SHOP BY COLOR

VIDEO DEMO

Shop Instagram

Scroll through trending  
Instagram posts, see fashion  
matches instantly below



# Neiman Marcus



DEEP DIVE

## How Neiman Marcus is turning technology innovation into a 'core value'

From the Memory Mirror to the Fling Wall, the head of Neiman Marcus' iLab opens the vault on its latest experiments, the success stories and failures, and the process that got it there.

## Customer Engagement | 2017 IRT Retailer Innovation Awards

1. Snap, Find, Shop, a Slyce-powered mobile app that enables consumers to take pictures of outfits, then uses visual recognition technology to present similar products available for purchase at Neiman Marcus.
2. A ChargeItSpot secure cell phone charging station rollout to Neiman Stores nationwide. The solution has doubled customer dwell time, lifted user spend by 29 percent, and it captures the email addresses of users.
3. Memory Mirror from MemoMi, which enables customers to see a 360-degree, sharable view of how they look as they try on apparel and eyewear.
4. An associate communication system by Theatro Online live chat platform by Powerfront.

## Try on without taking off

Change clothes, colors and patterns instantly.



RUNS ON ANY PLATFORM



Smartphone



Tablet



Desktop



Digital mirror



Home devices

& More

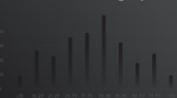
## Get valuable customer insights

What are customers trying? What do they like and dislike? Robust analytics with many data points help brands improve offerings and build relationships with customers.

### Hair Color

Dark brown

### Customer Demographics



### Shopping Preferences



### Skin Type

36%

Combination

## The world's most advanced digital mirror

Memomi is the award-winning smart mirror software transforming the luxury shopping market.



Your personal TryOn starts in

# 3

## Fashion

FINISH LINE *NinetyMuses* REBECCA MINKOFF

Try on and compare clothing virtually. Change the color and patterns in an instant, add accessories and see a 360-degree view with a single gesture.





## Epic Aspects of Retail Encounters: The Iliad of Hollister

Stephen Brown<sup>a,\*</sup>, Lorna Stevens<sup>b</sup>, Pauline Maclaran<sup>c</sup>

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Available online 27 November 2017

Externally too the stores' complete absence of display windows is decidedly unconventional, as is their frontage, which looks more like a ramshackle beach hut than a premium priced fashion emporium. On top of that, its sales associates are under-dressed, not to say half-naked, and seem to be employed less for their customer service acumen as for their good looks, great bodies, gleaming grins. Customer coddling is not high on the CEO's agenda either, since he's inclined to berate consumers who are too big for his slim-fit wares: "A lot of people do not belong in our clothes, and they cannot belong. Are we exclusionary? Absolutely!"



## Epic Aspects of Retail Encounters: The Iliad of Hollister

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Available online 27 November 2017

Time and Place  
Monstrous Gods  
Underworld Encounters

**Implications:**  
Pain Pays  
Opposite Attract  
Times Change  
Peace Accords

“**Pop-up retail** refers to the practice of opening a transitory, short-term, and often unannounced retail sales space. Such a space may be set up in a movable container or in an existing structure to offer consumers experiential shopping and face-to-face interaction with brand representatives.”

1. Combining retail with brand-building
2. Increasing geographical reach
3. Niche markets and matching retail with new product lines
4. Lowering risk with real-estate commitments



# Opportunities for slow fashion retail in temporary stores

Anja Overdiek  
*Business, Finance and Marketing, The Hague University of Applied Sciences,  
The Hague, The Netherlands*

## Appeals and logic of popup retail

- (1) moderate scarcity, restriction in terms of time (six months to one year)
- (2) immersive, multi-sensory and interactive store environment
- (3) aesthetic interstitiality (unusual location and/or exterior store design)
- (4) evental interstitiality ( festival-like programming)
- (5) social media marketing in pre-experience, experience and post-experience phases



## **Question:**

Does a “omnichannel” world mean doing more “in-house” or finding channel partners compared to old “multichannel” ways?

# **Discuss:**

1. What kind of different agreements should the brand you study make with its suppliers? (Carrot vs. stick)
2. How could the brand you study improve its “omnichannel experience”?
3. What data should the brand collect and use throughout its experience?