

# *Supply Chain MGMT and Retail in Fashion*

*Fashion Marketing*

**23E57000**

# *Dimensions in SC MGMT*

- Planning the inventory and manufacturing processes to ensure supply and demand are adequately balanced
  - Manufacturing or sourcing materials needed to create the final product
  - Assembling parts and testing the product
  - Packaging the product for shipment
- 

- *Transporting and delivering the finished product to the distributor, retailer, or consumer*
- Providing customer service support for returned items

## *Upstream SCM*

- The relationship between the company and its raw and other materials (supplier focus)
- The material flow into the company

## *Downstream SCM*

- From raw materials - finished products – customers (customer focus)

**GOAL → EFFICIENCY THROUGH  
COORDINATION OF SC ELEMENTS**

**EFFICIENCY AND COORDINATION →  
COMPETITIVE ADVANTAGE FOR THE WHOLE  
VALUE CHAIN MEMBERS**

How would you  
characterize the  
fashion industry in  
terms of SCs and  
retail?



***CUSTOMER CENTRICITY /  
THE RELATIONSHIP  
MARKETING PARADIGM!***

# **Alignment of retail channels in the fashion supply chain**

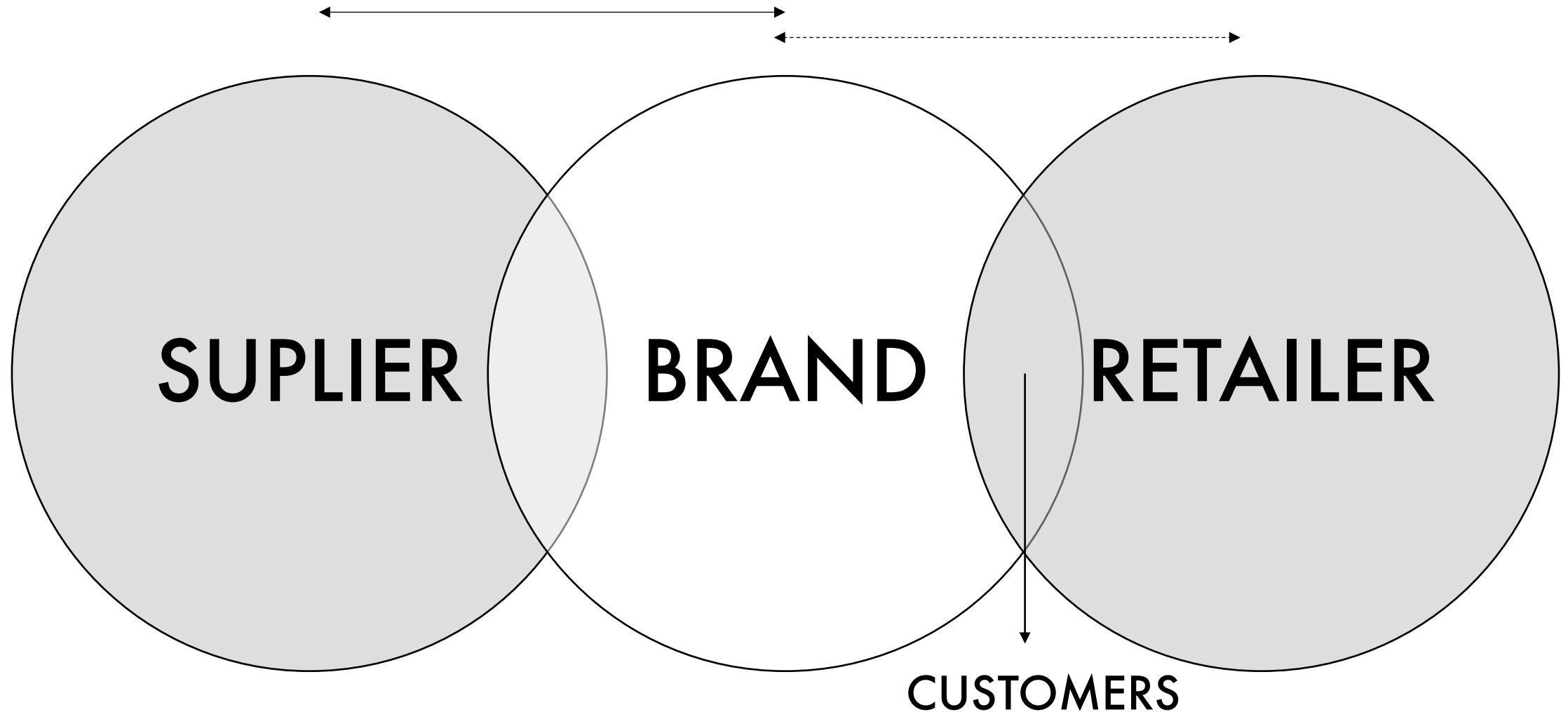
**An empirical study of Italian fashion retailers**

— Cecilia Maria Castelli and Alessandro Brun  
*Department of Management, Economics and Industrial Engineering,  
Milano, Italy*

**COMPETITION BETWEEN SCs RATHER  
THAN INDIVIDUAL COMPANIES**



## ADVANTAGES OF MANUFACTURER – RETAILER COORDINATION?



“Coordination between retailers and manufacturers in the fashion sector means also aligning the efforts to create “value for the end-user”.

In this business, emotions and intangible contents conveyed by the brand are extremely valuable: as a consequence, success often depends on the alignment between brick-and-mortar retail operations and the image perceived by customers, i.e. brand positioning (Pal and Byrom, 2003; Moore and Birtwistle, 2004; Girod, 2005).” (Castelli and Brun 2010:26)

“Traditional marketing-based branding strategies are no longer enough to ensure success (Arnault, 2007). The current competitive scenario requires to align the whole set of SC processes towards the brand values and to the expectations they generate, in order to achieve consumers’ preferences and loyalty, and ultimately sustain revenues. For instance, product availability is often a relevant source of value for the customer and a confirmation of a brand’s reliability (Pedraza and Bonabeu, 2006).

Ensuring availability requires time compression and flexibility throughout the SC; on turn, this would imply retail and delivery alignment based upon “end-user focus” (Doyle et al., 2006).”  
(ibid)

- Different value chain members different goals and views on business matters
- Alignment between value chain members becomes crucial:
  - (1) exchanging information and knowledge freely with vendors and customers;
  - (2) laying down clear roles, tasks and responsibilities for suppliers and customers; and
  - (3) equitably sharing risks, costs and gains of improvement initiatives (Lee, 2004). (ibid: 27)

*What is driving alignment in fashion retail?*

# 1.

*Channel type*

- *Brand owned*
- *Mono-brand franchise boutiques*
- *Department stores*
- *Outlets*
- *Online shops ...*

*All these differ in terms of linkage to the manufacturer and identification with a brand*

## ***Mono-brand owned/franchise boutiques***

- Only the manufacturer brand sold
- Enable a clear brand identity comms (control)
- Helps with differentiating
- Helps foster sustainable competitive advantage by branding not only the products, but also the total store experience





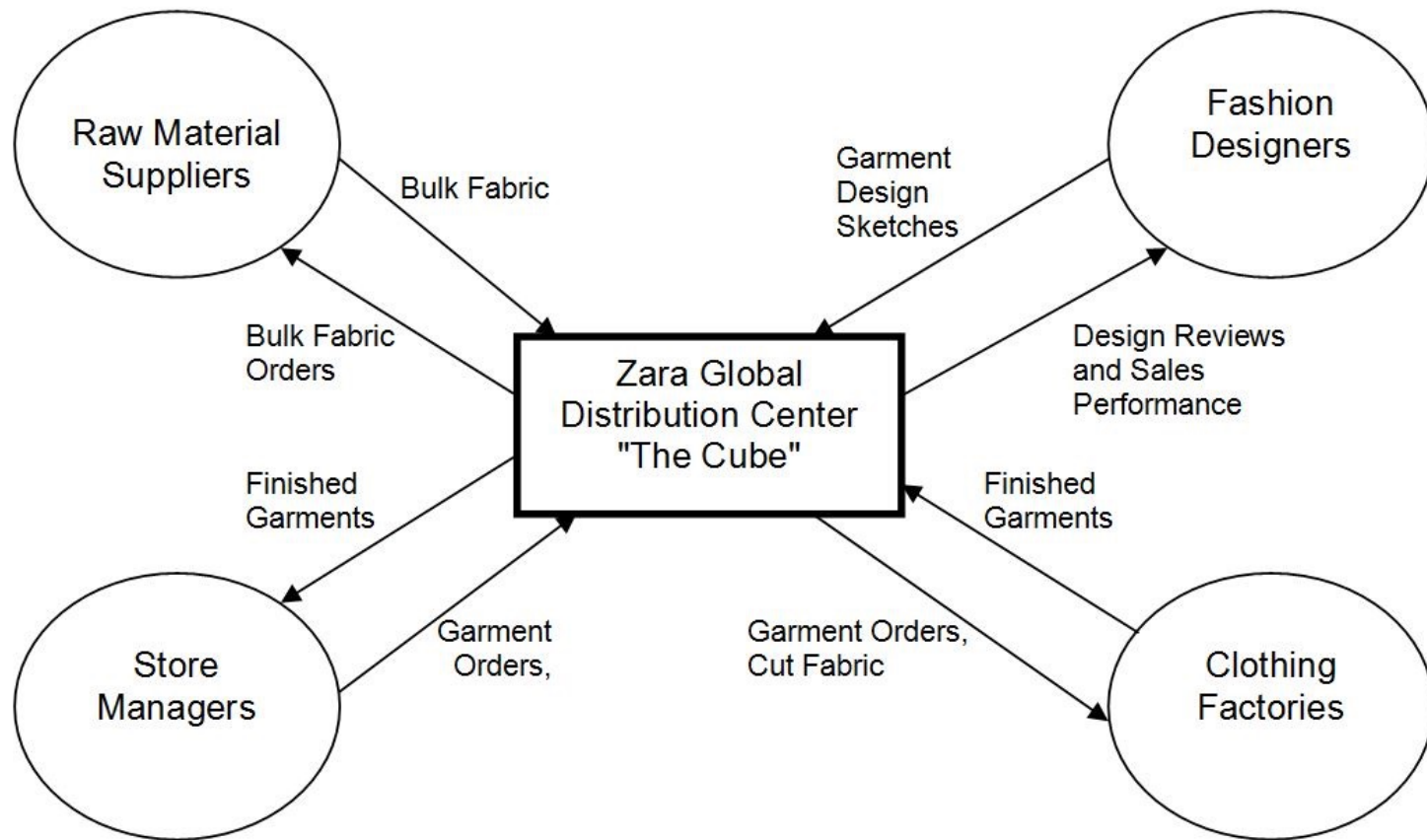
# 2.

## *Product lifecycle duration (fast fashion)*

- Shorter product life cycles and high variety products
- High demand volatility
- Low profits
- Frequent impulse purchase

# ***FAST FASHION BRANDS***

- Risks of excess inventory
- Seasonal products causing increased discounting or write-offs
- The risks of missed sales opportunities

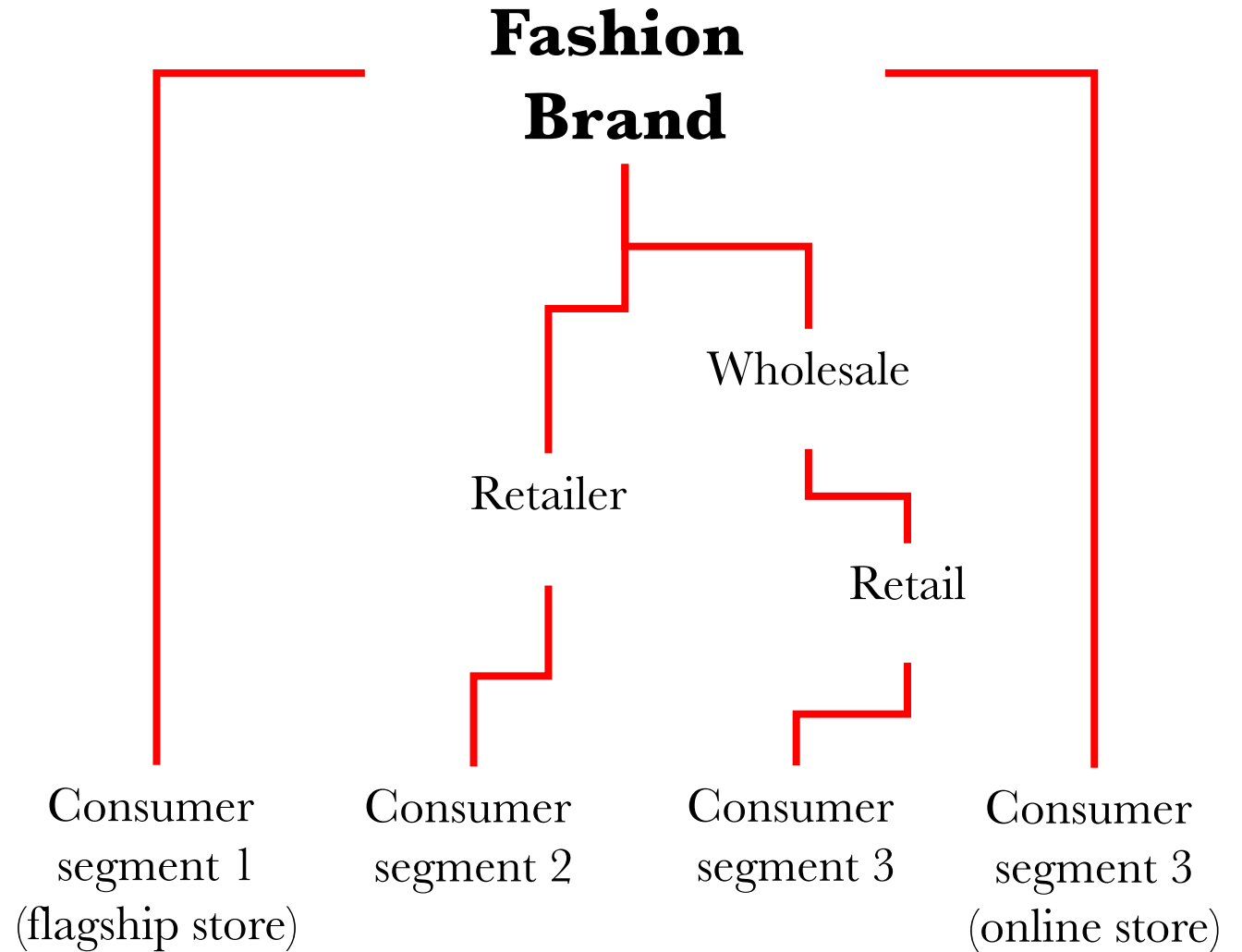


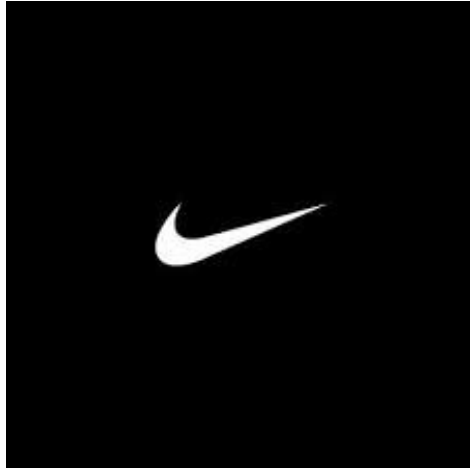
Zara's secret to success lies in big data and an agile supply chain



# 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)






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.


**Harvard Business Review**

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**If Brands Are Built over Years, Why Are They Managed over Quarters?**

by [Leonard M. Lodish](#) and [Carl F. Mela](#)

Comments (0)

The numbers tell a sobering story about the state of branded goods: From 2003 to 2005, global private-label market share grew a staggering 13%. Furthermore, price premiums have eroded, and margins are following suit. Consumers are 50% more price sensitive than they were 25 years ago. In recent surveys of consumer-goods managers, seven out of ten cited pricing pressure and shoppers' declining loyalty as their primary concerns.

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Brands are on the wane. For the many consumer-goods companies struggling against this trend, it's





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

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“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		



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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)?

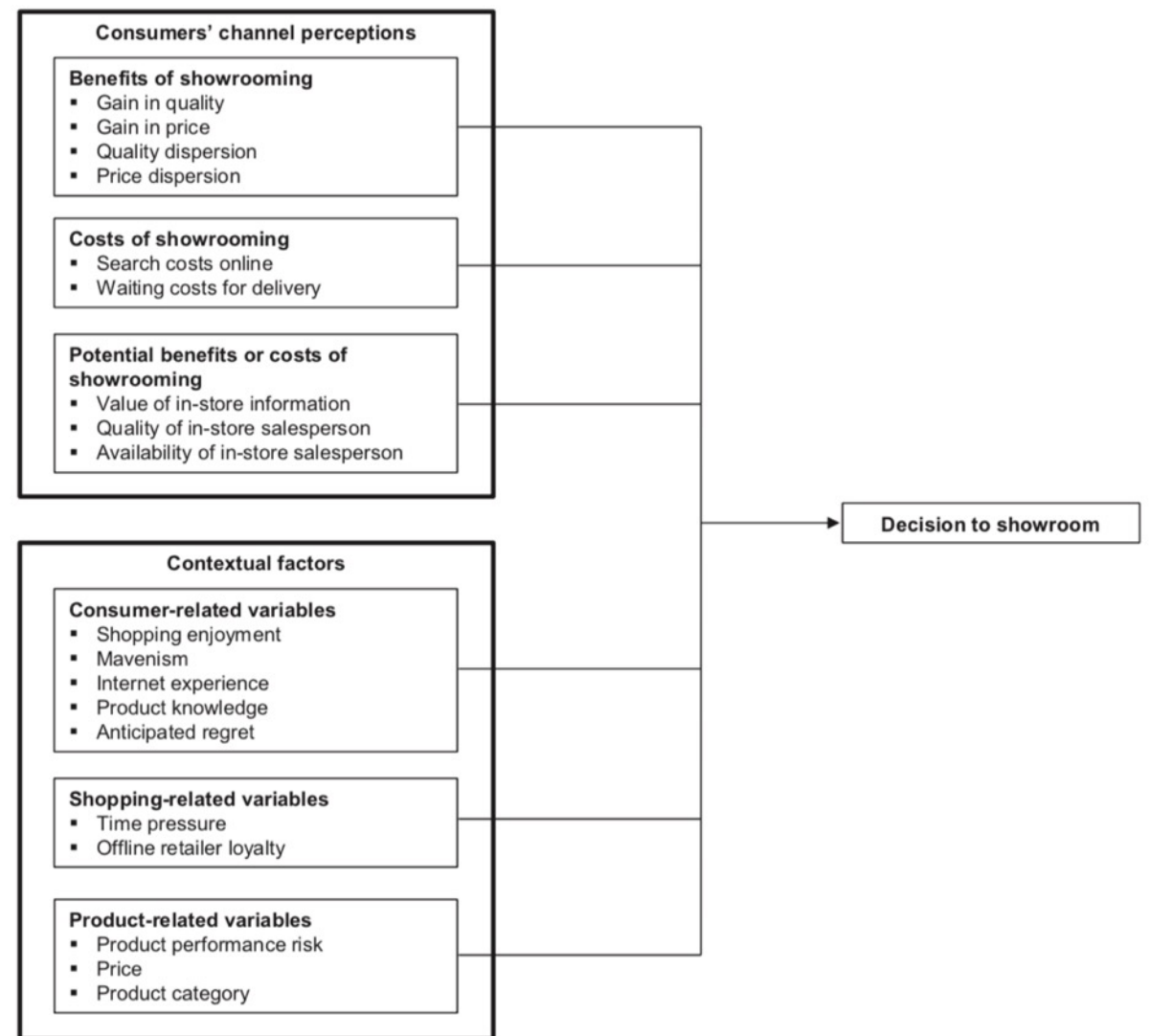
What have been the most effective/ineffective/interesting experiences?

## **Question:**

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



“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.**”



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



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## **Three 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



HOLLISTER





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

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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!"



“**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

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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





# Discuss:

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