

Challenges of global fast fashion supply chains (Part II)

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Stores replenishment

Sourcing and manufacturing lead times within the fashion industry can usually be anything from one to three months. As a consequence, optimizing the process of store replenishment requires accurate forecasts. There are a number of proven factors at different stages of the forecasting process which help improve accuracy. These include, the reaction of potential customers to new collections, specific events held to discuss and determine forecasts, and analysis of first orders from those specific channels which are first in the order decision cycle, for example, wholesale.

In contrast to other industries, this forecasting process is more opinion than statistically based, mainly because the majority of products are new and there is no historical data to rely on. That said, there is definitive evidence that this process is becoming more multi-functional in order for companies to collect the best intelligence from all possible sources. In the opinion of Manel Jiménez, the Supply Chain Director of Desigual, "the process of generating accurate forecasts is critical. We are continuously refining the way we incorporate the intelligence we gather during delivering of a collection. The more multifunctional, the better the results".

Finally, there is no doubt that social media and direct interactions with customers are starting to become a source of intelligence, not only for product design, but also for generating better sales forecasts. When companies operate in different channels (wholesale, franchise, retail and online) interviewees confirmed that the behaviour of those channels alters according to market conditions. As a consequence, they acknowledged that the theory of buying behavioural segmentation, as developed by supply chain thought leader John Gattorna (2) would definitely facilitate a more effective forecasting process.

Most companies' supply chains replenish their stores based on stock levels and company forecasts. However, the Inditex model differs slightly in two ways. Firstly, automatic order replenishment proposals can be amended by store managers who actually have the final word on order quantities. Secondly, lack of product availability in stores might be seen as the consequence of the demands of fashion, with new products continuously brought in to satisfy consumers' need for new styles and trends (1).

In any case, sales in stores tend to build up over the weekend period. The replenishment processes therefore have to be flexible enough to cope with corresponding weekly peaks and troughs, a fact which can pose difficulties, especially when operating Distribution Centres. Stores have to have sound product replenishment procedures to avoid out-of-stock in stores, when the product is available in the back room. For this purpose stock record accuracy is of vital importance, and increasingly companies are at last considering RFID as the ultimate solution to this problem.

This article is the second of four chapters about global fashion retail. Chapter 1 of this global fashion retail series was about network design and inventory location.

Chapters

- 1) Network design and inventory location
- 2) Stores replenishment**
- 3) Sourcing and manufacturing lead times
- 4) Talent development



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