

Challenges of global fast fashion supply chains (Part III)

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Sourcing and manufacturing lead times

We have already discussed in this global fashion retail series about network design and inventory location in Chapter 1 and stores replenishment in Chapter 2. In this chapter we want to take a more upstream view to discuss about sourcing and manufacturing lead times. In this particular area, there are two key aspects being debated within the industry. The first is the question of sourcing location.

Sourcing far away ensures cheaper costs but often entails visibility and traceability challenges, whereas, sourcing closer to key markets guarantees a faster response but with higher costs and capacity constraints. The second key debate is whether to buy fabrics in order to react faster to market changes, or buy finished products to avoid the capital and obsolescence costs that holding fabrics in stock often creates. Nonetheless, in the opinion of Berta Escudero, the CSCO of Grupo Cortefiel, the best supply chains in the industry have managed to find the right balance between all the options, in order to more effectively meet the requirements of their respective business models.

In any case, accelerating the responsiveness of key suppliers in order to react faster to market changes is a definite priority for most companies and is seen as a clear competitive advantage. The behavioural supply chain design configuration developed by John Gattorna (2), provides useful insights into how this particular goal might be achieved.

A good example of this kind of thinking could be heard in the words of Nick Cullen, the Group Supply Chain Director of Clarks: "Our business is complex. We have multiple markets, channels and points of supply around the world and we're continually refreshing our range as we're in the fashion business. Whichever way you look at it we need value chains with different characteristics. We attempted to force a one-size-fits-all approach and trim around the edges for different needs. It became clear that we need a small number of different value chains to be

both efficient and effective. Currently we are part way through implementing 4 value chains where each one has a different balance between cost, service, flexibility and agility for particular customer and consumer channels. The key factor that will make this a success is that it is a business wide transformation to create value chains, and it unites the business around a common purpose”

Additionally, it has been acknowledged in conversations that the refinement of certain emotional skills may enable key supply chain personnel to successfully manage their relationships with business partners. The right combination of this factor with the former one explained above, could largely determine whether the pursuit of improved responsiveness and integration of the supplier base will be successful.

Interestingly, the Swiss watch industry offers relevant insights into this particular issue. The precision of machines and high-end design for which the industry is renowned, require very complex supply chains and strong relationships with business partners, i.e., taking both a downstream approach to maintain awareness of market developments and ensure accurate forecasts, and an upstream view to guarantee the supplier base is engaged and agile enough to satisfactorily react as needed. Once more, it is size which can greatly determine agility. Larger companies often have in-house manufacturing capabilities, increasing their ability to react quickly. In addition, their purchasing power gives them more leverage over suppliers.

To increase agility, some companies may need to significantly transform engrained processes, systems and values embedded within their supply chains. Making these modifications will definitely require robust change management and execution capabilities. When pushing for these changes, the implications of mark-downs and the loss of sales opportunities due to inadequate response can play a major role for building a “burning platform” for change

From experience, in order to achieve a successful transformation of this scale, strong support from senior executive leadership is required. All stakeholders will have to alter their *modus operandi* and this will require assistance from the very top.

This article is the third of four chapters about global fashion retail. Chapter 1 of this global fashion retail series was about network design and inventory location. Chapter 2 about stores replenishment.

Chapters

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



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