Article – March 2014 - 7 Rules of Fashion Supply Chain Management

7 Rules of Fashion Supply Chain Management

Fashion industry is one of the most primitive form of supply chain management and its practices have been extended, adopted and become best practices that we use today.

This article will show you the development of fashion industry and how one company manages to bring operations into the next level.

Fashion SCM 1.0

In 1984, US Apparel Industry created the task force called "Crafted With Pride in the U.S.A. Council" with the goal to improve overall competitiveness of the industry. One year later "Kurt Salmon Associates" was assigned to investigate the whole apparel supply chain. The result showed that materials were in warehouse or in transit as long as 40 weeks! In order to reduce lead-time, Quick Response (QR) strategy was developed and there are 2 core principles, namely, partnership between retailers and suppliers to improve information sharing and the adoption of technologies such as EDI, UPC Code and point of sales data (POS).

Fashion SCM 2.0

When QR strategy has become saturated, companies have to find ways to differentiate themselves, some adopt ERP system, others adopt Just-in-Time manufacturing concept. However, there is one company that stand out.

Zara who is the fashion retailer in Spain, has managed to get attention from academics and the first case study about its strategies was published by Harvard Business School in 2003. In 2004, Kasra Ferdows, Michael A. Lewis, and Jose A.D. Machuca published the article on Harvard Business Review named "Rapid-Fire Fulfillment". This article was the result of 3-year interviews with senior management of Zara. We've identified 7 rules that we can learn from them as below,

7 Rules of Fashion SCM

1) Produce in small lot: small lot is the unique characteristics of lean manufacturing which is not the case here. The logic behind this is that small lot creates the sense of exclusivity. Customers need to make quick decision otherwise the next day the products they want will be gone. So customers visit Zara's stores to check out for new products more often and this create huge amount of traffic and revenue.

2) Centralize design and product development: the norm in apparel (and some other) industries is to develop new products by both in-house staffs and through merchandisers. In the latter case, suppliers need to send samples (through merchandisers) to buyers many many times. Elimination of this back-and-forth communication reduces time to market drastically.

3) Utilize work cell organization: each new product development team has its own designers, sales, procurement and production planners the same way as in cellular manufacturing. This help Zara to streamline internal communication a lot.

4) Control scheduling strictly: at Zara, store managers can place order 2 times a week, shipments are prepared and delivered within 24 hours (in Europe) and the products will be on displayed at stores the same day they arrived. Since everything runs in a stead pace, they can reduce waiting time at every step of the way.

5) Keep production in-house: Zara tries to stay away from low-cost country sourcing and make investment in in-house manufacturing facilities as much as possible. The reason is that they believe in-house production help them to increase overall flexibility.

6) Automate production and warehouse facilities: since Zara believes in time based competition, automation is the key to help them to increase the speed and the accuracy of the operations.

7) Adhere to all rules: implementing any one of these rules alone is not quite effective. Then, they have to stick to all rules so the whole supply chain is running like the well-oiled machine.

Conclusion

Zara's supply chain is the very good example of strategic alignment because people, processes and practices support time-based strategy perfectly.