

## Challenges of global fast fashion supply chains (Part I)

02/21/2014 at 9:50 pm | Marieke

*Written by Dr. John Gattorna (UTS University of Technology, Sydney) & Xavier Farrés (Miebach Consulting)*



### Network design and inventory location

There is no doubt that the fast-changing and glamorous image the fashion industry projects to consumers and the rest of society is very appealing. Nonetheless, it is this very aspect of its nature which poses significant challenges for supply chain professionals. One such challenge is the marking-down of slow-moving items at the end of the season, an example which highlights the rationale behind a number of important decisions made by companies in relation to network design and inventory location.

Interestingly one particular item might shift faster or slower, depending on the store and its location. Generally, slow-moving stock ends up being sold at a significant discount during clearance periods, or shifted through an external, online, or company outlet store. However, if located in the right store at the right time it could have been sold at full-price. Therefore, companies are increasingly opting for simpler supply chain networks, to easily and quickly replenish and rotate stock to stores, in accordance with local market trends.

The ideal situation would be to operate with only one global inventory location. However, this is not a practical option for most businesses. Currently, only one company, Inditex (Zara), has been able to achieve efficient global deliveries from central distribution centres based in Spain, to stores within 40 hours range (1). This is one of the reasons why, Inditex (Zara) frequently arises in conversations. Generally recognised as a world leader in fashion retail, the company is renowned for listening very closely to consumers, making rapid and instinctive product design decisions, and being able to create and place products in stores faster than any competitor. Some outsiders are convinced that their business model places a bigger emphasis on the cost of stock and mark-downs, rather than the process of producing and shipping products, a model with which many companies feel systematically incompatible.

In fact, the volume of product shipped by many companies does not even merit attempting to deliver globally with such speed and efficiency. Paradoxically, size is sometimes an enabler of speed because the very big volumes, 800 million garments a year in the case of Inditex (6), facilitates cheaper airfreight costs, and allows for production to shift between suppliers, an option not generally open to most players in the industry.

Other companies have opted to situate inventories regionally to guarantee rapid deliveries and ensure order lead times to stores do not exceed three days. Companies that have chosen this particular strategy, operate with networks which normally consist of up to three or four globally-positioned inventory locations; typically in Asia, Europe and the US respectively. In some cases, companies use network modelling technology to assess different alternative inventory location scenarios in order to identify the optimal solution.

However, it is also possible to tackle the mark-down issue from another angle. Some companies optimise revenue streams during sales periods using price elasticity optimisation techniques. In this way they can implement discount mechanisms that maximise revenues in accordance to the reaction by customers to different price points based on historical performance.

*This article is the first of four chapters about global fashion retail.*

## Chapters

### **1) Network design and inventory location**

2) Stores replenishment

3) Sourcing and manufacturing lead times

4) Talent development



*Dr. John Gattorna (UTS University of Technology, Sydney)*



*Xavier Farrés (Miebach Consulting)*

—  
Category: Trends | Tags: clearance, costs, fashion, fashion retail, Inditex, inventory, john gattorna, mark-down, Miebach,series, slow-moving stock, stock, store, supply chain networks, University of Sydney, Xavier Farrés, Zara