

STAYING AHEAD OF FAST FASHION

Quick-response inventory requires supply chain shifts

by FIONA SOLTES

Fast fashion is a term laden with challenge and complexity. And yet the demand for ever-faster fashion continues.

We'll call the latest wave — fueled by advances in technology, automation and the ability to convert real-time data into strategic decisions — quick response. At its core is the desire to shorten lead times, more accurately forecast demand and answer the increasingly louder “see it now, buy it now!” consumer cry.

In September, numerous designers at New York Fashion Week — including Tom Ford, Michael Kors and Rebecca Minkoff — offered attendees instant gratification, enabling the purchase of some items. Burberry did the same at London Fashion Week; several items from the collection quickly sold out on the company's e-commerce site. Topshop Unique also sold out several pieces from its “Runway to Retail” initiative.

Burberry moved processes back by several months, allowing some wholesale buyers and members of the press to see the collection in July, rather than revealing them at the runway show. But changes like that require more than a different calendar; for many, they necessitate a major supply chain shift.

Fast fashion has influenced retail in numerous ways, but it's in the supply chain that the differences are most profound. Conversations about data, nearsourcing and onshoring, robotics, constant monitoring and adjustment, tracking of goods and transportation have never been more complex — or more important.

“More and more retailers are jumping on the bandwagon,” says Bob Ferrari, a supply chain technology market consultant and independent industry analyst. “They're beginning to understand that it is all about the supply chain, and they're doing some great things about it.”



SHORTER LEAD TIMES, CONNECTED DATA

Five years ago, many thought Robert D'Loren and his ilk were crazy. Three years ago, they started to listen.

And now? “Other retailers are looking at this and saying, ‘Wow, you really did make it work,’” says D'Loren, chairman and CEO of Xcel Brands. The company, which owns and manages the Isaac Mizrahi, Judith Ripka, H Halston and C. Wonder brands, has fostered a ubiquitous sales and promotion strategy through direct-response television, bricks-and-mortar and e-commerce.

It wasn't just that the company created design and production capabilities to dramatically speed up lead times to department stores such as Lord & Taylor and Hudson's Bay. “We built the IT infrastructure to handle it, the logistics planning department, the merchandising teams,



the financial planning teams, because it's a new frontier for retailers," D'Loren says. "It's not just about buying things. It's a whole system, a way of doing business that we set up."

The system is now offered to other retailers as a platform called Quick Time Response.

Xcel Brands hired fast fashion giant Zara's former chief production officer a couple of years ago, and spent a good part of the following year mapping out a plan. It involves quick access to stockpiled fabric, eliminating intermediaries to buy direct from factories and more efficient communication between store buyers and technical designers. Each brand is also linked to an authentic personality to engage with customers on social media.

"We thought long and hard about social media," D'Loren says. "We felt that, without an entertainment engine connected to it, it would be very costly like any other form of

media. We also recognized ... if it was all going to be about this new form of media, which happens in real time, then we would have to figure out how to connect production."

Faster production and shorter lead time is also about the ability to keep up with demand — and reduce the amount of inventory that ends up on a sale rack.

"Visibility to the actual demand has always been the primary challenge here," Ferrari says. "We all know that we go to the sale rack when we're buying apparel. Those are goods that have been hanging around for a long, long time.

"The reason is that the general apparel industry is forecast-based Generally, those forecasts are based on best assumptions. How did these products sell before? What has been their particular history? What do we think is going to happen? It's a best guess. And we all know that in the supply chain, when it comes to forecasting accuracy ... you're doing pretty good if you hit 50 percent."

Social media helps change the game. "You literally tap into the immediate response of consumers," Ferrari says. Advances in technology allow for more real-time data from point-of-sale systems and e-commerce sites to be added into the mix, creating an even clearer picture.

At Xcel Brands, this plays out through Isaac Mizrahi's latest IMNYC lifestyle collection. The line debuted in October, taking on the quick-response mindset of an accessible price point as well as weekly deliveries to stores.

"Any good retailer or merchant knows it's about the product at the end of the day," D'Loren says. "But today, it's not just about the product. It's about delivering the product when people want it. Good has to be a given. Fast has to be obtained."

Measuring qualitative information from the sales floor is critical.

"That gets down to just being a good merchant and listening to your customers," D'Loren says. "Today, with technology, people



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can really communicate with us. If you have the ability to react quickly, you can adjust to that feedback."

It used to be that fashion trends were envisioned through a close look at art, architecture, automobiles and the like. Today, "the best indicator of what's likely to be hot for a season is to look at what people are searching for on Google," D'Loren says.

"If women are searching for off-the-shoulder tops more than anything else, then that's what you want to get into. But if you have a nine- or 12-month-long lead supply chain, by the time you get it on the floor it's over."

Xcel Brands has a team of "conceptors" who keep a close eye on social media, run relevant analytics and figure out ways to look at those trends through the lens of the brand.

ONSHORING, NEARSOURCING AND EDI

There are many more components to the apparel supply chain; each has been impacted — or could be soon — by quick-response fashion.

Goods have traditionally been handled through electronic data interchange transactions, historically not much more than messaging that denoted items had moved from one mode of transportation to the next.

More recently, these EDI networks have been exploring the addition of

analytics, including more planning-related information. Ferrari sees that as still a few years away, but it's coming — as are further investments in labeling technology. The cost of using RFID may have been prohibitive for some, but Ferrari says apparel labels can be printed with embedded electronics that allow item size, style or other identifiers to be read — and tracked — by mobile technology.

Transportation costs continue to increase to the point that most apparel is now moved

through surface transportation. That includes container ships, rail and trucks, and means it takes weeks for a product to get from an Asian factory to a U.S. store. This year's bankruptcy of Hanjin Shipping has proven that the unexpected can cause even further delays in the process.

That expands the discussion of onshoring and nearsourcing benefits and challenges. Years ago, Ferrari says, when much sourcing for the apparel supply chain went to Asia, the supply chain infrastructure and supplier base for items like thread, fabric and equipment went with it.

"All of that is based in those low-cost manufacturing regions," he says. "When you hear about firms that have done onshoring on a pilot basis — or even the ones that have become more successful at it — in my mind, those are the ones that have understood the fact that they've had to look at the total supply chain. You've got to look at what you can onshore successfully and what you cannot. You may still need to import some things."

"It's why Zara had so much scale in Europe," D'Loren says. "It's nothing compared to what's happening in the U.S. There is no nearshoring capability here. If our product times from sketch to shore are six weeks, if we were able to nearsource it, it would only be two weeks. And that changes things dramatically.

"How far away are we from that? It would require the whole process, the weaving, the dyeing, the printing, etc., to be fully automated through robotics. We're probably three years away."

Forward-thinking Xcel Brands has begun investigating that option with a group of MIT engineers. Machinery and equipment yet to be developed could end up giving the U.S. a labor advantage.

With fashion — and technology — continuing to move at more rapid pace, the future of the related supply chain will likely look much different than it does today.

One thing is certain: Consumers continue to want what they want, when they want it — and they're not likely to just sit around, waiting for long-lead supply chains to catch up. **STORES**

Fiona Soltes, a freelancer based near Nashville, Tenn., loves a good bargain almost as much as she loves a good story.

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