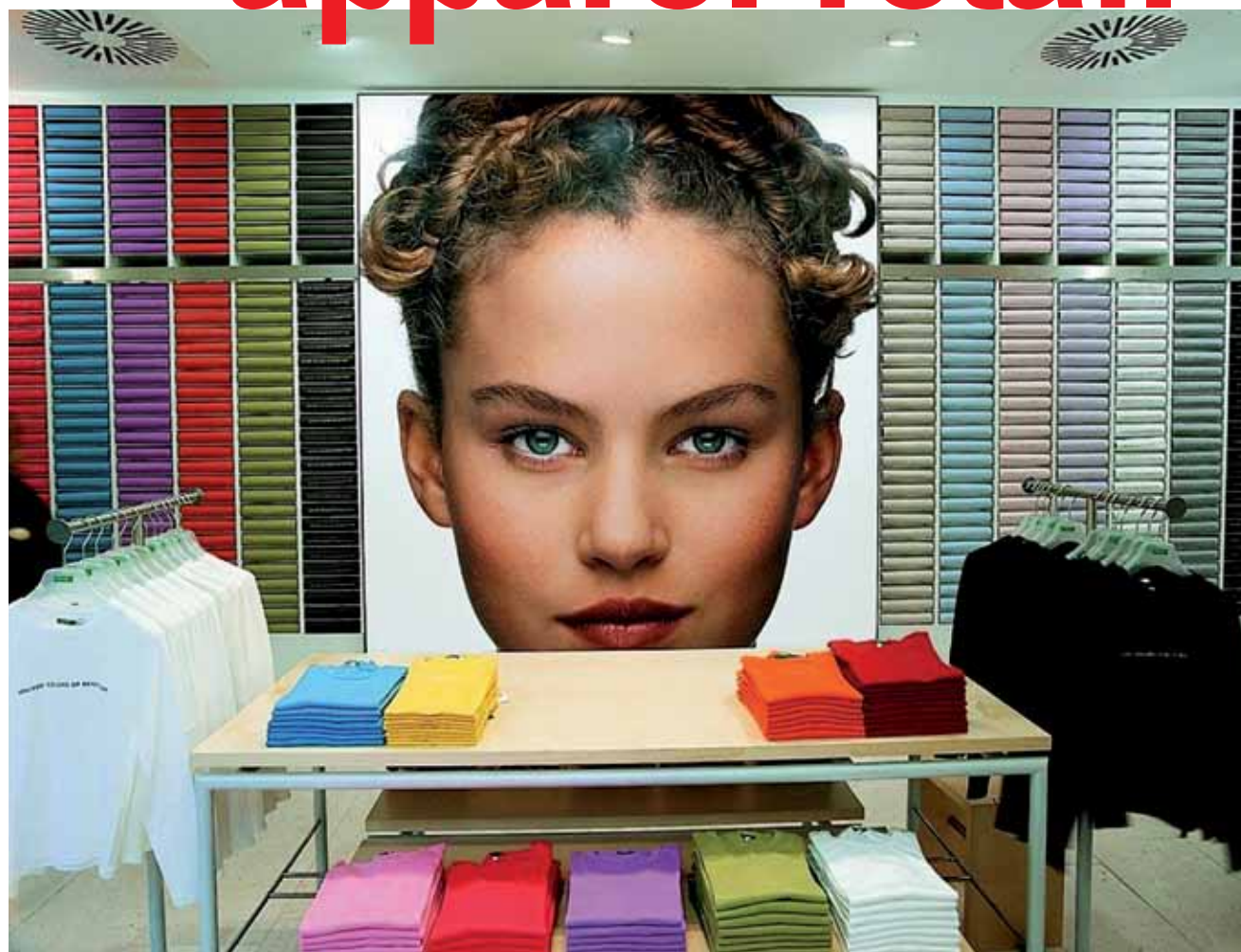


The science of apparel retail



By Stefaan Le Clair

MANAGING MILLIONS OF PRODUCTS IN MULTI-COUNTRY MARKETS OVER MULTI-CHANNEL DISTRIBUTIONS REQUIRE NOT ONLY LOGISTICS, BUT ALSO A PROFOUND MERCHANDISE PLANNING AND ALLOCATION KNOW-HOW. IN THIS ENVIRONMENT, APPAREL RETAILING HAS EVOLVED FROM AN INTUITIVE OR “GUT FEELING” BUSINESS APPROACH INTO A REAL SCIENCE.

→ The fashion retail world has gone through major changes in the aftermath of the world economic crisis. Inventory management and sourcing policy review are the buzz words in boardrooms of many global as well as regional retail powers.

What happened? Retail business flourished in the mid-2000s: double-digit growth figures in their home markets, be it Europe, India, Asia or the US, pushed global retail groups to expansion in overdrive. Sportswear brands invested in garment fashion,

while garment brands invested in sportswear, both heavily spending money on the acquisition of prime locations on high streets across the world. Puma and Adidas competed for A1 retail locations, visualising their marketing-driven brands at the forefront of consumer traffic. Inditex – with flagship fashion brands like Zara, Massimo Dutti and Pull & Bear – was keen to remain leader in space management, ahead of its biggest competitor H&M.

This fast-speed drive for space had



a clear impact on assortment build-up, resulting in a massive demand for garment production. The Chinese and Indian manufacturing environment had to cope with exploding volumes as well as with the newest trend of adding value onto garments, obliging them to major investments in new machinery and quality control systems.

The years 2007 and early 2008 saw a peak with consumer confidence worldwide at an absolute high and retail spending in great shape. World brands like Esprit delivered top performances in turnover and profit. Assortment diversification, horizontal brand development, from wholesale to managing own retail space and widening price architecture in the

product offer, have all contributed to a major change in supply chain execution. Managing millions of products in multi-country markets over multi-channel distributions require not only logistics, but also a profound merchandise planning and allocation knowhow.

In such an environment, apparel retailing has evolved from an intuitive business approach into a real science. Indeed, in today's retail world, the “consumer-product-emotion” approach has given way to an analytic study of fast-moving fashion products through layers of shelf possibilities. The entrepreneurial attitude in retailing – typical of the 90s – was replaced by mathematical risk analytics. However, for all the changes in retail management, one could not avoid the shockwave of serious

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SOURCING THE RIGHT PRODUCT IN THE RIGHT ENVIRONMENT, BASED ON A DEEP MARKET AND CUSTOMER KNOWLEDGE, WILL BE KEY TO SUCCESS.

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issues that unfolded during the fourth quarter of 2008, followed by consumer confidence plunging into a deep canyon in 2009. Suddenly, retail traffic on high streets around the globe had come to a stop. Priority spending now guided the consumer, leaving retailers on top of their success with massive volumes of unsold merchandise on their shelves. Even the most advanced ERP systems could not send off a warning signal in time. So, what lessons are to be learned from this?

One of India's most eminent retailers, Kishore Biyani, was heard at a Mumbai conference suggesting a simple remedy – go back to the fundamentals of retailing and bring to customers only what they want. While this is certainly true, it is equally important to know one's business model and one's consumer demand thoroughly and organise a flexible supply chain structure allowing quick adaptation to every change in the market. A management dashboard can only be used to its full when the manager truly understands the customer dynamics.

Flexibility also means an adaptive sourcing strategy: the globalised market place, combined with the

force of the internet, has increased the information flow on both primary material price evolutions and ever-moving manufacturing possibilities. Buying offices can simply not afford to source single dimension: risk management in the buying function at global retailers obliges buying directors to proactively source a single product in multiple areas and diverse formats. Stores can simply not run out of merchandise when customers are on the road.

any contact between them.

Knowing both the customer and the business environment will enable to correctly predict (forecast) the volume of demand. The function of merchandise planners and allocators (MP&A) has only recently gained the right credits. Instead of managing the inventory flow from an obscure back office, the modern MP&A manager spends more time in the field observing, verifying and steering the masses of products. The relationship

screens flashing real time information on merchandise flows, customer feedback (e-tailing information) and margin movements, enabling at the same time visual communication with flagship store managers who indicate exactly what they want and how they want it.

This sounds futuristic, but we must not forget that 'Generation Y' (read J Van den Bergh and Mattias Behrer in *How cool brands stay hot. Branding to Generation Y*) is already used to

think and work in a high-speed information environment and is demanding fast-paced business dynamics.

Also new are the roles of 'coordinator retail dynamics' and 'channel mix managers'. They are focused on getting the maximum profit out of wholesale, retail, franchise, licence and e-tailing at the very same



THE OLD 'IVORY TOWER' DEPARTMENTS WORKING ON THEIR OWN PACE, ACCORDING TO THEIR OWN SET OF RULES, WILL COMPLETELY DISAPPEAR AND THE BUYING-MERCHANDISE-SUPPLY-SALES-MARKETING ROLES WILL BE TRANSFORMED INTO MULTI-DISCIPLINARY TEAMS HAVING THE LATEST SUPPORT TOOLS, COMBINED WITH A DEEP KNOWLEDGE OF THE MARKET AND THE CUSTOMER.

Vendor management is a new way of describing the relationship between the buyer and the manufacturer: a new set of measurement tools in the form of SA 8000 is changing the behaviour of both parties towards each other. Product features, price and delivery speed are losing ground in favour of ethical standards, social compliance and reliability. In many vendor discussions, compliance with these important standards has to be demonstrated even before talking products at all.

Retailers are forced by their empowered customers to make sure what they say they are selling is in accordance with what customers believe retailers must be selling. Talking about a marketing paradox! This, too, brings the buying function closer to the marketing function, whereas in the past there was hardly

between the sales manager and the MP&A manager today is built on close cooperation, whereas only some time ago there was neither communication nor coordination.

WHAT SHOULD WE EXPECT?

Like a jigsaw, where an image unfolds when the pieces come together, fashion retail organisations will need to integrate their internal expertise to the maximum degree. The old 'ivory tower' departments working on their own pace, according to their own set of rules, will completely disappear and the buying-merchandise-supply-sales-marketing roles will be transformed into multi-disciplinary teams having the latest support tools, combined with a deep knowledge of the market and the customer. One will see open floors with massive, Wall Street-like LCD

instance by 'cross supervising' the mix of flows in the distribution channels and using synergies throughout the chain.

To conclude, sourcing the right product in the right environment, based on a deep market and customer knowledge, will be key to success. It will determine whether inventory will do its work and deliver a profit level which allows the brand or retail concept to go global. And global, retailers will need to be! ☒

ABOUT THE AUTHOR



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