

Chapter 52

Matching Manufacturing and Retailing Models in Fashion

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ABSTRACT

The aim of this chapter is to examine the interdependencies that have been established with reference to the manufacturer-retailer interaction in textile and apparel (TA). Retailers' strategies seek to reduce the risk of losses from unsold stock, mark-down policies, and stock-outs. These strategies call for manufacturing suppliers to adopt new practices for fulfilling orders flexibility, rapidly, and efficiently. The practices of "lean retailing" imply new manufacturers' strategies, mainly in term of "lean manufacturing." We examine the implications of these processes on the evolution of the relationships between industry and distribution. The chapter addresses the repercussions of the development of lean methods on the development of other formulas having a significant impact on the relationships between industry and distribution, specifically in TA. We then discuss further developments that may be proposed in TA and its channel relationships by shifting from a perspective of supply to one of demand.

INTRODUCTION

This chapter examines the evolution of the relationships between manufacturers and retailers in the fashion system and its implications over time. More precisely, we focus on the manufacturer-retailer interdependencies (Ailawadi et al., 2010) in the textile and apparel (TA) supply chain and distribution channel, which are analyzed as a retail-

apparel-textile system (Abernathy et al., 1995). The aim is to provide a picture of these changes and possible future developments¹.

The chapter is divided into two sections followed by conclusions. In the following section we address the repercussions of the development of lean methods on the development of other 'formulas' having a significant impact on the relationships between industry and distribution, specifically in TA. The ability of retail actors to reduce risk and achieve low response times from

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their manufacturing suppliers has been a powerful driver of change in manufacturer-retailer relationships. In TA the retail strategies of seeking to reduce the risk of unsold stock and losses from breakage call for manufacturing suppliers to adopt new practices for fulfilling orders flexibly, rapidly and efficiently. It is in this context that the concept of 'lean retail' emerged, and hence the practices of 'lean retailing'. Lean retailing is a process that calls for adopting a whole interrelated series of channel practices, beginning at the retail level, with the goal of matching supply and demand, and minimizing the inherent forecasting errors associated with the management of product mixes (Hammond, 1990; Forza & Vinelli, 2000). The introduction of lean retailing began in TA where lead-times were dictated by the two seasonal change-overs (*a-w* autumn winter; *s-s* spring summer), whose importance lay essentially in operational aspects, that is, the lag times between the forwarding of an order and response-delivery (Hunter, 1990). Subsequently, the spread of lean retailing was to place significant stress on all aspects of company programming, including research, production and marketing of the chain-channel. This had effects on decision-making regarding not only product assortments, but also fashion trend offerings and the presentation of collections even at the level of manufacturers, including those in textiles (Agins, 1999). In fact, the adoption of lean retailing operations puts immediate pressure on manufacturers, who find themselves faced with the choice of either holding greater amounts of finished merchandise in reserve in order to meet potential customer demand, with the risk however of winding up with large surplus stock, or innovating production processes to meet the new demands of retailers and thereby reduce their own exposure to the risk of surpluses at the same time.

In the second section we then discuss the implications of adopting lean manufacturing strategies not only in clothing supplier production processes but also at other levels. The requirements of lean retailing process concern not only

apparel producers, but textiles manufactures as well. At the same time, lean retailing put pressure on fashion-oriented businesses to adjust the organization of their creative cycle itself in order to satisfy the final demand.

Overall, the chapter highlights the ways in which retailers are able to reduce risk and propose more attractive offerings to consumers. Advances in IT have brought about significant reductions in the cost of information collection, processing and distribution. Already during the 1980s and 1990s, such innovations set the stage for the implementation of distribution strategies aimed at reducing retailers' exposure to the risks associated to the disparate, constantly changing nature of market demands. The ability to use real-time information from points of sales allowed for adjusting product offerings on a daily basis to best meet the level and profile of the effective demand (Stabell & Fjeldstad, 1998). Such strategies aim to reduce inventory levels as a whole. Trends in this direction were already cited in the literature of the 1980s and were destined to increase considerably over the following decade (Tyler, 2008).

It should however be noted that the information gap remains the weak point in both retailers and manufacturers' relationships with the market. Given the current state of affairs, struggling manufacturing companies need to take a more active role in dealing with their demand-chain, especially by anticipating demand, while retail companies has been able to take an active role in the supply chain. A number of success stories may serve as examples: some manufacturers have managed to thrive by establishing tight relationships with retailers who have developed the capacity to give them a competitive edge in this rapidly evolving sector.

An outline of this evolution and some conjectures about future trends are presented in the concluding section. The relevant issues are addressed through a review of the literature and discussion of the author's own research.

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