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 developments.

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
their manufacturing suppliers has been a powerful
driver of change in manufacturer-retailer relation-
ships. 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 oper-
ations 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 require-
ments of lean retailing process concern not only
apparel producers, but textiles manufactures as
well. At the same time, lean retailing put pres-
sure 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 implementa-
tion 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 informa-
tion gap remains the weak point in both retailers
and manufacturers’ relationships with the mar-
et. 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 man-
gaged 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 con-
jectures 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.