

19th International Scientific Conference; Economics and Management 2014, ICEM 2014, 23-25
April 2014, Riga, Latvia

Management of contemporary fashion industry: characteristics and challenges

Ramunė Čiarnienė^{a*}, Milita Vienažindienė^b

^{a, b} Kaunas University of Technology, K. Donelaičio g. 73, LT-44029 Kaunas, Lithuania

Abstract

Fashion is one of the most visible media of change. The fashion industry forms part of a larger social and cultural phenomenon known as the “fashion system,” a concept that embraces not only the business of fashion but also the art of fashion, and not only production but also consumption.

The peculiar nature of fashion industry can be characterized in terms of its volatility, velocity, variety, complexity and dynamism. The paper aims to identify the main characteristics of modern fashion industry and to develop a time efficient supply chain model.

© 2014 The Authors. Published by Elsevier Ltd. This is an open access article under the CC BY-NC-ND license (<http://creativecommons.org/licenses/by-nc-nd/3.0/>).

Peer-review under responsibility of the Kaunas University of Technology.

Keywords: fashion industry; characteristics; supply chain; processes management.

1. Introduction

Fashion is a way for an individual to affirm him or herself (Steele, 2005; Godart, 2012). It is a broad term which typically encompasses any product or market where there is an element of style which is likely to be short-lived (Christopher et al. 2004). Fashion is best defined simply as the style or styles of clothing and accessories worn at any given time by groups of people. There may appear to be differences between the expensive designer fashions shown on the runways of Paris or New York and the mass-produced sportswear and street styles sold in malls and markets around the world. However, the fashion industry encompasses the design, manufacturing, distribution, marketing,

* Corresponding author. Tel.: +37068715922.

E-mail address: ramune.ciarniene@ktu.lt

retailing, advertising, and promotion of all types of apparel from the most rarefied and expensive haute couture and designer fashions to ordinary everyday clothing.

Fashion reflects the change in aesthetic, economic, political, cultural, and social life. Individuals and society use fashion to communicate their taste and lifestyle. The common tastes and lifestyle of society collectively form and represent the taste and lifestyle of that society. Those new emerging lifestyles are interpreted by fashion designers into fashion concepts and then translated into fashion commodities (Cholachatpinyo et al., 2002). Although the fashion industry developed first in Europe and America, today it is an international and highly globalized industry, with clothing often designed in one country, manufactured in another, and sold in a third (Burns et al., 2011). The fashion industry has long been one of the largest employers and it remains so in the 21st century and accounts for a significant share of world economic output.

The fundamental problem in fashion industries is that the time it takes to source materials, convert them into products and move them into the market place is invariably longer than the time the customer is prepared to wait.

Contemporary fashion industry is very global and dynamic. The importance of time as a competitive weapon has been recognised for some time. The ability to be able to meet the demands of customers for ever-shorter delivery times and to ensure that supply can be synchronised to meet the peaks and troughs of demand was analyzed by Christopher et al. (2004); Barnes and Lea-Greenwood (2006); Doeringer and Crean (2006); Stone (2008), Sull and Turconi (2008); Nagurney and Yu (2011); Runfola and Guercini (2013).

The purpose of this paper is to identify the main characteristics of fashion industry and to develop a time efficient supply chain model.

2. Method

The paper is based on theory survey that included general interdisciplinary research methods: systematic, comparative and logical – critical scientific literature analysis through findings' summarization and logical conclusions' generalization and analysis of best practice.

The conducted analysis of scientific literature disclosed the essence and complexity of fashion industry. Synthesis of research works allowed finding out the core characteristics and trends of modern fashion industry. As a result of extensive literature review the model illustrating time efficient supply chain management was presented.

The results of this research can be useful for scientists analyzing this topic from theoretical and empirical perspective, and for practicians working in fashion business.

3. Results

The fashion system involves all the factors that are involved in the entire process of fashion change. Some factors are intrinsic to fashion, which involves variation for the sake of novelty. Other factors are external. Individual trendsetters also play a role, as do changes in lifestyle (Carter, 2013). Fashion is a complex social phenomenon, involving sometimes conflicting motives, such as creating an individual identity and being part of a group, emulating fashion leaders and rebelling against conformity.

The fashion industry thrives by being diverse and flexible enough to gratify any consumer's desire to embrace or even to reject fashionability, however that term might be defined. Summarizing research works of Christopher et al. (2004); Doeringer and Crean (2006); Sull and Turconi (2008); Christopher and Towill (2001); Burns et al. (2011) authors of this paper identify the following characteristics of modern fashion industry (see Figure 1).

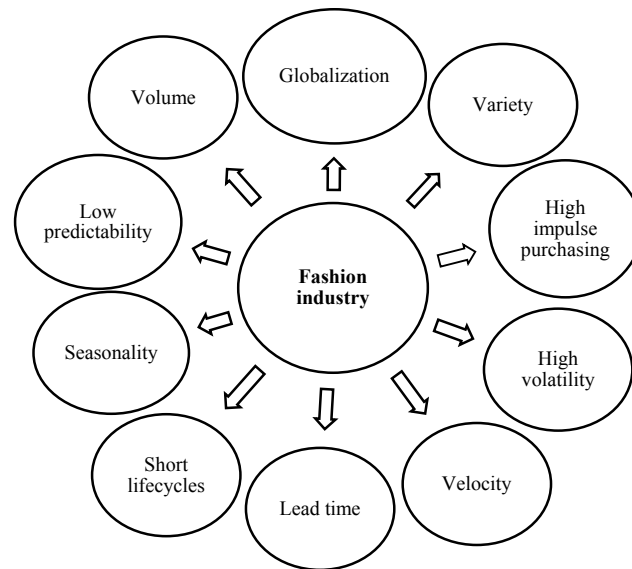


Figure 1. The Main Characteristics of Modern Fashion Industry

Apparel, footwear, home textiles and accessories manufacturers typically produce a mix of style-based and non-style-based products. The colour and size combination within a style tends to create a vast number of end-product, which coupled with reducing batch sizes results in ever higher order volumes. At the same time, customers are demanding shorter and shorter lead times, increasing the pressure to make decisions more quickly.

Demand for these products is rarely stable or linear. It may be influenced by the vagaries of weather, films, or even by pop stars and footballers. If a product is highly fashionable then by its intrinsic nature its demand will be unpredictable (Christopher & Towill, 2001). Because of the volatility of demand it is extremely difficult to forecast with any accuracy even total demand within a period, let alone week-by-week or item-by-item demand.

As the industry has become increasingly global, many companies have acquired or opened production capacity in different countries or outsourced production to contract manufacturers. There is also a trend towards vertical integration. This all introduces greater supply chain complexity, which complicates the process of deciding where to produce different styles over time.

The long lead times for fabric, combined with the often significant distances between the production unit and the retailer, can require that purchasing or production starts against a forecast. Some fashion companies are adopting a business model in which the initial push is sourced at minimum cost from a low-cost country and replenishment orders are sourced in the local region at a cost penalty. This model can provide higher service levels through greater flexibility, and avoids the risk of excessive inventory exposure. However, it further complicates planning.

Fashion trends combined with the seasonal nature of the industry mean that styles often have a short lifecycle or are only produced for a few weeks per year. Production load often needs to be smoothed backwards and/or balanced across a number of sites to meet seasonal peaks.

One more characteristic is high impulse purchasing. The consumer makes a buying decision when he or she is confronted with the product at the point of purchase (Christopher et al., 2004).

When consumers go to a fashion retailer, they will be looking at the different ranges of products and how they are presented. They may also look for quality customer service. However, consumers may not be aware that before products reach them, they must move from being raw materials through a variety of stages to become finished products suitable for sale. In the fashion industry, apparel pipelines have been notoriously long, complex and inflexible (Jones, 2002; Hines, 2004). Their structure resulted in long buying cycles, which became inappropriate for the demands of the modern fashion industry and the increasingly demanding fashion consumers.

Because of the complexity of fashion industry and the main characteristics presented above, management of a supply chain needs significant changes. The issue of the supply chain has become increasingly strategically important, in terms of agility, time factor, organisation and co-ordination with the various entities within the chain.

Summarizing research works of Christopher et al. (2004), Bruce et al. (2004), Barnes and Lea-Greenwood (2006), Sheridan et al. (2006), Burns et al. (2011), Runfola and Guercini (2013) authors of this paper present theoretical model illustrating supply chain management of modern fashion industry (see figure 2).

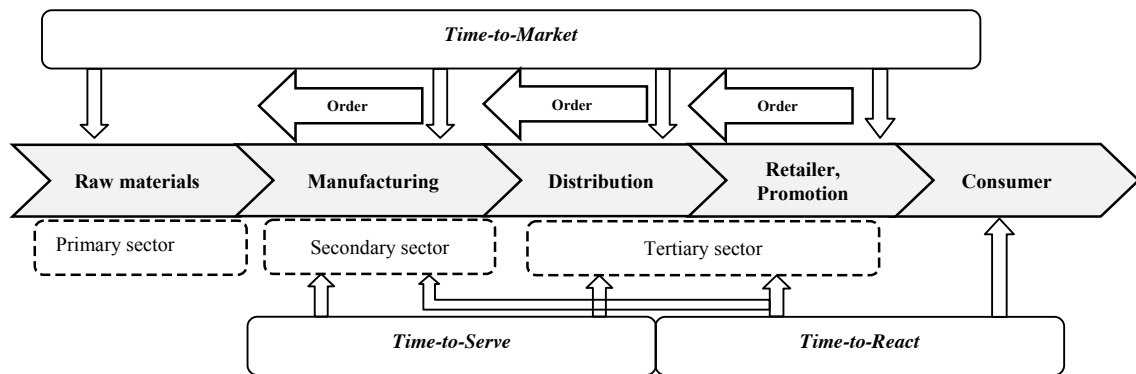


Figure 2. The Fashion Supply Chain Management Model

The fashion industry is fast-moving, trend-driven business involving three sectors of economy and four main stages:

1. The production of raw materials, principally fibres and textiles but also leather and fur.
2. The production of fashion goods by designers, manufacturers, contractors, and others.
3. Retail sales.
4. Various forms of advertising and promotion.

These stages consist of separate but interdependent sectors, all of which are devoted to the goal of satisfying consumer demand for apparel under conditions that enable participants in the industry to operate at a profit. These activities go on and are driven by the demand in the market, the inventory levels at each of the tiers in the chain, and also the rules, which govern production lot sizes.

The fashion firm is involved in the production, storage, and distribution of multiple fashion products and is seeking to determine its optimal multiproduct flows to its demand points (markets) under total cost minimization and total time minimization, with the latter objective function weighted by the fashion firm (Nagurney & Yu, 2011).

The importance of time as a competitive weapon has been recognised for some time. The ability to be able to meet the demands of customers for ever-shorter delivery times and to ensure that supply can be synchronised to meet the peaks and troughs of demand is clearly of critical importance in this era of time-based competition (Christopher, 2000; Doeringer & Crean, 2006; Fernie & Azuma, 2004; Giunipero et al., 2001).

According to Christopher et al. (2004) there are three critical lead-times that must be managed by organisations that seek to compete successfully in fashion markets:

1. Time-to-Market - how long does it take the business to recognise a market opportunity and to translate this into a product or service and to bring it to the market?
2. Time-to-Serve - how long does it take to capture a customer's order and to deliver the product to the retail customer's satisfaction?
3. Time-to-React - how long does it take to adjust the output of the business in response to volatile demand?

The fundamental problem in fashion industries is that the time it takes to bring the product into the market is invariably longer than the time the customer is prepared to wait. Solution of this problem lays in the responsiveness of supply chain. Moves to improve responsiveness of supply chains in the fashion industry can be made with introduction of the following concepts, techniques and strategies:

- Lean manufacturing;
- Just-in-time;
- Agile supply chains;
- Quick response.

Adoption of these strategies and techniques will help to reduce the processes involved in the buying cycle and lead times for getting new fashion product into stores, in order to satisfy consumer demand at its peak.

4. Conclusions

The peculiar nature of fashion industry can be characterized in terms of its volatility, velocity, variety, complexity and dynamism.

Authors of this paper present theoretical model illustrating supply chain management of modern fashion industry. Fashion industry as fast-moving, trend-driven business involves three sectors of economy and four tiers of the supply chain. Fashion supply systems are characterised by three critical lead-times: time-to-market, time-to-serve and time-to-react. All three of these factors stress the importance of agility in fashion supply networks.

Adoption and implementation of lean manufacturing; just-in-time; agile supply chains; and quick response will help to reduce the processes involved in the buying cycle and lead times for new fashion product into stores, in order to meet any customer requirement for the product on offer at the time and place the customer needs.

References

- Barnes, L., & Lea-Greenwood, G. (2006). Fast fashioning the supply chain: shaping the research agenda. *Journal of Fashion Marketing and Management*, 10, 259 – 271.
- Bruce, M., Daly, L., & Towers, N. (2004). Lean or agile: a solution of supply chain management in the textiles and clothing industry? *International Journal of Operations and Production Management*, 24, 151-70.
- Burns, L.V., Mullet, K.K. & Bryant, N.O. (2011). *The Business of Fashion: Designing, Manufacturing, and Marketing* (4th ed). Fairchild Books.
- Carter, R. (2013). Factors Influencing Fashion Movements. Retrieved from Cumming, V. (2004). *Understanding Fashion History*. Costume & Fashion Press.
- Christopher, M. (2000). The Agile Supply Chain: Competing in Volatile Markets. *Industrial Marketing Management*, 29.
- Christopher, M., & Towill, D. (2001). An Integrated Model for the Design of Agile Supply Chains. *International Journal of Physical Distribution and Logistics Management*, 31, 235-246.
- Christopher, M., Lowson, R. & Peck, H. (2004). Creating agile supply chains in the fashion industry. *International Journal of Retail and Distribution Management*, 32, 367-376.
- Cholachatpinyo, A., Fletcher, B., Padgett, I. & Crocker, M. (2002). A conceptual model of the fashion process – part 1: The fashion transformation process model. *Journal of Fashion Marketing and Management*, 6, 11-23.
- Doeringer, P., & Crean, S. (2006). Can fast fashion save the U.S. apparel industry? *Socio-Economic Review*, 4, 353-377.
- Fernie, J., & Azuma, N. (2004). The changing nature of Japanese fashion. Can quick response improve supply chain efficiency? *European Journal of Marketing*, 38, 749-69.
- Giunipero, L.C., Fiorito, S.S., Percy, D.H., & Dandeo, L. (2001). The impact of vendor incentives on quick response. *International Review of Retail, Distribution and Consumer Research*, 11, 359-76.
- Godart, F. (2012). *Unveiling Fashion: Business, Culture, and Identity in the Most Glamorous Industry*. London: Palgrave-Macmillan.
- Hines, T. (2004). The emergence of supply chain management as a critical success factor for retail organisations, in Bruce, M., Moore, C. and Birtwistle, G. (Eds), *International Retail Marketing*, Elsevier Butterworth-Heinemann: Oxford.
- Jones, R.M. (2002). *The Apparel Industry*. Oxford: Blackwell Publishing.
- Nagurney, A., & Yu, M. (2011). Fashion Supply Chain Management through Cost and Time Minimization from a Network Perspective. *Fashion Supply Chain Management: Industry and Business Analysis*. 1-20.
- Runfola, A., & Guercini, S. (2013). Fast fashion companies coping with internationalization: driving the change or changing the model? *Journal of Fashion Marketing and Management*, 17, 190-205.
- Sheridan, M., Moore, C., & Nobbs, K. (2006). Fast fashion requires fast marketing: The role of category management in fast fashion positioning. *Journal of Fashion Marketing and Management*, 10, 301 – 315.

- Steele, V. (2005). *Encyclopedia of Clothing and Fashion, 1 vol.* Charles Scribner's Sons.
- Stone, E. (2008). *The Dynamics of Fashion* (3rd ed). Fairchild Books.
- Sull, D., & Turconi, S. (2008). Fast fashion lessons. *Business Strategy Review*, 19, 5-11.