

IFFTI Conference
Full paper Submission

Sustainable Buyer Seller Relationships in the Dynamic Fast Fashion Industry – A UK – India Perspective

Abstract

Buyer Seller relationships are increasing becoming fragile in today's world of Fast Fashion. The processes that need to be managed to take an idea to shop are complex and require dynamic collaborative efforts to ensure that the demands of sophisticated consumers are met. The competitive pressure and business challenge for the retailer is to provide consistent new fashionable products fast, at an affordable price, and to a good quality. The UK retailer - India apparel manufacturing business relationship has been strong for over 20 years with the UK relying heavily on India for flexibility of manufacturing and India relying on UK for export business of key high street fashion brands.

An exploratory study was undertaken by the faculty and students at the London College of Fashion and the Pearl Academy of Fashion aiming at gathering, analyzing and presenting the data on the buyer-supplier relationships, using the three sourcing strategies as a framework. Data was collected, analyzed and shared by both PAF and LCF students and staff in four stages across both countries.

The findings are presented as a series of suggestions for both industry and education in order to prepare, construct and sustain the relations between buyers and sources of supply in India. The findings indicate that to increase competitiveness it is important that retailers and the manufacturers develop collaborative strategic efforts to manage pressures and challenges. The key benefits of developing and working with in a collaborative manner are related to access to new skills; knowledge and experience of managing complex processes; added value and extra benefits to clients and customers; and increased business models that have sustainable and ethical practices. The relationships between the retailers and suppliers will have to change and become open, transparent and highly professional in terms of sharing information and communicating professionally to lead to a win-win strategy for both.

A sourcing handbook was developed to begin to start raising awareness of some of the capability gaps in the supply chain in particular pre-production, production and postproduction stages. Key indicators and directives were developed on "Preparing for a relationship, developing a relationship and sustaining a relationship" in this complex supply chain. Additionally this paper looks at how industry can find ways to build stronger relationships with academics and students to communicate the complexities of managing fast fashion and agile and flexible supply chains for the global fashion industry.

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1. Introduction

1.1 The context to the research

This research has been funded as part of the UKIERI (UK India Education research Initiative) which aims to improve the educational links between India and UK so foster long term partnerships and contacts. The three main strands of the initiative is the opportunity for high-level dialogue between the two countries in areas of mutual policy interest such as quality assurance, international standards and credit recognition.

1.2 The project partners

London College of Fashion has a rich heritage and responsiveness to changes in design and practice that has positioned it as a leading global provider of fashion education, research and consultancy. The College is centered on the development of ideas: its staff and students use fashion alongside historical and cultural practice to challenge, social, political and ethical agendas. This, combined with its forward-thinking business and management portfolio of courses and its relationship with the global fashion and lifestyle industries, is the underpinning of its mission “Fashion the Future”.

Pearl Academy of Fashion is a pioneering institute of fashion technology imparting quality education in fashion for more than a decade. It was set up by Little People Education Society and promoted by House of Pearl Fashions Ltd, one of India’s largest export houses. The academy’s objective is to train professionals with a comprehensive range of cognitive and intellectual skills, planned to develop across a wide range of learning experiences. The academy enjoys a very high employability amongst reputed organizations and a high status as India’s most prestigious provider of education and training for the fashion and related sectors.

1.3 The Project aims and goals

The research relates to a two-year project that started in May 2009 and was completed in September 2011. The project aims to address the challenges of embedding professional and technical skills into the creative fashion curriculum through staff development and student exchanges. The project explored two key themes underpinning successful employer engagement in work-based learning:

- Development of academic management infrastructures for advanced levels of employer engagement through proactive relationships where employers are involved in the design and delivery of the curriculum
- Development of curriculum tools aligned to international supply chain processes and fast fashion business models.

The rise of the creative industries in both countries and the importance of these industries to economic growth provide the backdrop for this collaborative project. Professional and Technical skills are increasingly important due to the rapid changes in the workplace, with greater

emphasis on cross cultural teams, managing virtual partnerships and collaborative practices to respond to quick response, and fast fashion business models. The sharing of information and closer integration between retailer/manufacturer relationship so to achieve shorter lead times, and contemporary fashion ranges is a critical business objective.

2. Literature Review

The literature review has been undertaken under the following areas: India as an Apparel Global Hub; Global Value Chain Analysis; Fast Fashion Concepts; Speed to Market and Benchmarking. The literature review indicates the growing interest in how Indian is responding to sourcing linked to complex supply chains and how they are competing through improved CSR, and better product development strategies and professional management infrastructures.

2.1 India a Global Hub for Apparels

In view of the rising demand from Western markets, the Indian Government has fixed a target of achieving US\$ 14 billion in garment exports in the current 2011-12 fiscal year according to Rita Menon Textile Secretary. Menon speaking at the three day India International Garment Fair organized by the Apparel Export Promotion Council (AEPC) said that owing to high demand from both the usual as well as the newer markets, the Government looks forward to attaining the US\$ 14billion mark in the apparel exports. During the last fiscal year, India exported apparels worth US\$ 11.1 billion, which was 4.2 percent higher than previous fiscal's year exports worth US\$ 10.7 billion. (Tex Trends report February 2011)

The apparel industry continues to be globalized; opportunities and challenges exist for all companies since the final phase of quota removal on January 1, 2005. While the retail sector continues to be dominated by large players, and trade liberalization has accelerated the race to find low cost global producers. Some industry analysts project that this will lead to further massive supply consolidation, whereby mammoth factories in low wage countries will directly supply retailers, thereby cutting out inefficient, non value-added middlemen. (A Canadian Approach to the Apparel Global Value Chain, March 2008)

2.2 Integration of numerous suppliers in the Global Value Chain

The apparel supply chain can be broken down into three major industrial segments based on the Canadian Apparel Industry Reports. (http://www.ic.gc.ca/eic/site/026.nsf/eng/h_00070.html)



Figure 1: Apparel Supply Chain Segments. (Canada Approach to the Apparel Global Value Chain) March 2008

This integration of numerous suppliers, producers and consumers into one business model in the form of a supply chain can yield significant benefits. However, none of the potential rewards will be achieved without effective supply chain management. This complex form of management requires extensive monitoring of supplies and frequent ordering of new inventory in order to meet customer demand. Further, we can break the value chain of a traditional apparel company into a series of key steps as follows:



Figure 2: Apparel Industry Value Chain Segments (Canada Approach to the Apparel Global Value Chain) March 2008

The global value chain model highlights the many complex elements of the apparel industry (i.e. product development, innovation, market research, trend identification and setting, understanding of niche markets, highly educated workforces, marketing talent, etc.). Whereas, these companies may not be well positioned as cost competitive manufacturers, in many respects, they should be better poised to take advantage of these other opportunities than low wage competitors. As a result, most of the companies currently view the future as outsourcing manufacturing at low wage environments when conditions are appropriate.

2.3 Fast Fashion

A fast fashion system combines quick response production capabilities with enhanced product design capabilities to both design “hot” products that capture the latest consumer trends and exploit minimal production lead times to match supply with uncertain demand. In the fashion

apparel industry Zara, H&M, and Benetton have increasingly embraced the philosophy of “fast fashion” retailing. (Passariello 2008; Rohwedder and Johnson 2008).

According to Cachon and Swinney (2009) a fast fashion system will combine at least two components: 1. Short production and distribution lead times, enabling a close matching of supply with uncertain demand (which we refer to as *quick response* techniques); 2. Highly fashionable (“trendy”) product design (*enhanced design* techniques). Short lead times are enabled through a combination of localized production, sophisticated information systems that facilitate frequent inventory monitoring and replenishment, and expedited distribution methods. For example, Zara, primarily a European retailer, produces the majority of its designs in costly European and North African factories (rather than outsourcing to less expensive Asian facilities), and continuously monitors inventory levels in stores to effectively match supply and demand (Ghemawat & Nueno 2003; Ferdows et al. 2004). The second component (trendy product design) is made possible by carefully monitoring consumer and industry tastes for unexpected fads and reducing design lead times. Benetton, for example, employs a network of “trend spotters” and designers throughout Europe and Asia, and also pays close attention to seasonal fashion shows in Europe. (Meichtry 2007)

2.4 Speed to market and Benchmarking

Speed-to-market is a critical factor in new product success, especially for the apparel industries. Both independent companies and private brands are under pressure from consumers and retail channel demanding the right product at the right location –launched at the right time. The unique challenge for this industry is the sheer volume of style –color-range –size stock –keeping unit variations that they must launch each season to stay competitive.

The speed of new product introduction can make all the difference between success and failure. Organizations now have shorter product life cycle in order to increase market share and maintain margins for longer. This helps extract higher return on development investment and more rapid payback. An organization can establish procedures and policies needed to improve speed to market, but these may prove ineffective without the tools necessary to assist each product function and ensure effective exchange of information between key shareholders. Those that do this successfully capture premium segments and reap larger market share. The temptation for the competition is to adopt the week new product introduction cycle as the desired de-facto standard.

According to Marshall (1997) there are two types of products: functional and innovative. In the apparel industry, this translates to ‘Basic’ and ‘Fast Fashion Products. Basic products have longer lifecycles, requiring a different model for speed to market. Fast fashion products have relatively unprecedented demand, short product lifecycles, but carry product margins that initially appear more attractive than those on basic product. Basic products require more efficient supply chains, which emphasize low cost and minimal inventories. Fast fashion products, on the other hand, require buffered, quick response supply chains. This cost tradeoff needs to be considered during the development of product strategy and positioning. Across both categories, cycle time is under pressure, but sensitivity varies based upon the model. All of these issues combine to increasingly challenge manufacturing and sourcing

- Frequency of style changes typical within factories
- Associated lead time requirements, with its impact on:
- Delivery schedules,
- Sourcing capital costs
- Managements' short and long term strategies

3. Research Methodology

3.1 Industry visits and interview/Survey in India

In order to assess and understand the current market forces in operations, the partnership teams made a number of visits to manufacturers, retailers, design houses and warehouses. An extensive survey was undertaken by 70 PAF students to raise awareness of the problems and challenges facing global sourcing and managing fast fashion supply chain processes.

3.2 Case Studies in India

In order to understand the current ethical supply chain challenges being encountered by India manufacturers, three PG students from LCF undertook a ten-day research visit to New Delhi. They visited 10 companies to explore their Company background, Unique Selling Point and expertise, Buyer-Seller relationships and the future challenges.

3.3 Case Studies in the UK

In order to understand the UK retail/buyer perspective 3 visits were made to UK fashion brands during the first year of the project. The companies visited provide insights into how they work with Indian manufacturers.

3.4 Consumers and Lifestyle Research into Sustainable Fashion in the UK

In order to understand the growing consumer trends for UK retailers to embed better sustainability practices into their company businesses and products, three students from PAF visited retail stores, exhibitions and designers who are championing green fashion movements.

4. Findings and Analysis

4.1.1 Identification of the three key Sourcing Strategies used for UK/India Sourcing and Production

Through the mapping exercise undertaken the findings have resulted in better understanding of the three key stages used in sourcing/manufacturing used by India manufacturers; as well as the three key sourcing strategies used. The apparel industry is identified as a buyer-driven commodity chain containing: retailers & manufacturers. This commodity chain is organized around five main segments: raw material supply, including: natural and synthetic fibers; the provision of components, such as the yarns and fabrics manufactured by textile companies; production networks made up of garment factories.

In order to ensure the concepts developed for the range for the upcoming season the Buyer/Brand offices broadly follow the three stages of sampling and approvals with the manufacturers. There might be an intermediary e.g. the buying office or the liaison office of the buyer/brand to oversee the smooth functioning of the process of sampling & approvals. The three categories are:

4.1.2 Pre-Production

This is broken down into 4 key stages:

Stage 1: Samples made for the range development or the Prototype sample in the right fit and fabric. The designers, merchandisers, buyers and management as part of the finalization of the range concepts review the samples. Once the range is approved the second stage of sampling starts based on finalization of who will be the manufacturer (The major factors to evaluate the eligibility and suitability is based on price, quality and lead time).

Stage 2: The Manufacturer on receipt of the order confirmation will start the first fit sample – i.e. known as Prototype sample. The fabric used in this case will be same as what the production fabric to ensure quality and garment manufacturing is right first time.

Stage 3: Once the first Prototype is developed it is approved for fit that is made in the most saleable size of the brand and the size set request comes in from the buyer. This is to determine and finalize the fit of all the sizes that would be mass manufactured.

Stage 4: On receipt of the approval of fit for the size set the manufacturer proceed into the pre-production sample stage i.e. samples in all colour-ways made with the bulk approved fabric: bulk approved trims and the surface ornamentation/application if any as approved by the buyer. The supplier will not proceed into bulk manufacturing until he has approval of this pre production sample.

Therefore, to expedite and ensure no issues arise at this stage, various approval checks for bulk fabric quality; strike offs; lab dips; desk looms and trims are developed and send for approval with the bulk fabric to be cut by the manufacturer. Once the bulk fabric and trims are in house the fabric and trims are send for testing.

4.1.3 Production Stage

This stage is broken down into six stages:

Stage 1: Order bulk fabric on receipt of approvals strike offs, lab dips, desk looms

Stage 2: Ensure the bulk fabric is received on time, is relaxed and stored correctly as well as segregated lot wise and inspected and lab tested.

Stage 3: Ensure the bulk trims are received on time and inspected and lab tested.

Stage 4: Pre –production meetings are held to plan the production

Stage 5: Fabric is segregated lot wise inspected and issued for bulk cutting, shade lots are made to ensure right matching of cut parts.

Stage 6: To ensure the production lines are designed to meet the efficiency as well as the right quality is maintained for thread, stitching & folders used for various sewing operations.

4.1.4 Post-production stage

This has been broken down into four stages:

Stage 1: Bulk washing of the apparels, if required by the buyer as specified (during the first sample development). To maintain the consistency of the desired effect & match the standards as approved by the buyer is the key area to be followed. All these are based on the standards approved and reflecting in the pre-production sample sent to the buyer in the pre-production

Stage 2: The final finish consists of ironing, folding & packing to be followed as per the direction and approval from the buyer, this may have been approved as in the pre-production sample or instructed in the buyer's hand book for the vendor or might be part of the technical package if any sent by the buyer with the purchase order.

Stage 3: Series of inspections are conducted namely the Initial; the Midway, and the Final. The initial & midway inspection can be carried by the quality assurance of the manufacturing units or the quality assurance personals of the buying office/liaison office whereas, the Final Inspection is conducted by the quality assurance personals of the buying office/liaison office or by a third party service provider that is nominated by the buyer.

Stage 4: Documentation & Shipping – is the final activity that has to be correct in order to ensure the documents comply with the norms of the country of export as well as the country of import. It is imperative to get the right set of documents to avoid delay in clearance of the shipment at both ends.

4.2 Better understanding of the processes need to manage the buyer supplier relationship

One of the key findings of the research has been the information gathered that relates to the processes involved in managing the relationship between the two players in the supply chain. The three key areas relate to preparing, constructing and sustaining the relationship.

4.2.1 Preparing for the relationship

One of the key observations was the need for new retailer buyers to increase their knowledge of the whole supply chain so that they know the right questions to ask. This will lead to better communication and decrease issues related to lead times. For instance, lead times tend to change during the process because manufacturers don't always make room for incidences, especially when they are pressured to deliver on time.

It would be beneficial if buyers could spend more time in the country in which they are manufacturing. Learning the culture will help with communication. For example, an issue that was raised a number of times is the difficulty in Indian culture to say no - which means that you need to approach asking questions in a different manner. When a buyer begins manufacturing in India a local buying office or liaison agency should be used. Or at the very least hire at least one local liaison to work directly with the manufacturers. Buying offices are there to mediate, especially for new buyers – so it is a good route for them. Buyers and vendors need to

understand their relationship is symbiotic. When buyers make demands, they need to be reasonable. They need to understand that the supplier is also trying to run a business, and in it to make a profit. When suppliers know it is a long-term job, they are comfortable and talk about their problems. If a supplier is made to believe it is a one-time job, they will not be as open to compromise. Indian manufacturers are ready and willing to innovate. They are more than just manufacturers; they are developing strong design capabilities, research and innovation, and marketing departments mixed in with manufacturing.

4.2.2 Constructing the relationship

Buyers and manufacturers need to work together in the sampling stage. There needs to be a clear and honest conversation about costs and lead times. For example, if a product is going to take longer and cost more because of a detailed embellishment, that fact should be understood early on by both parties. Buyers need to understand their end customers and convey the understanding to their suppliers. If the bulk buying is a low priced product, then the supplier always knows that price is what matters and sources fabric from small mills. If the buyer is more interested in high priced quality product, the supplier can understand the priority. If the combination is of all three, then the buyer should spend time understanding supply sources and supply chain. From a supplier perspective, buyers should consider how to find the best way forward for both parties, especially in the area of advanced capacity booking to help with future orders. It guarantees the supplier future business, which is good for relationship, and there is none of the pushing and pulling in the supply chain.

4.2.3 Sustaining the relationship

It helps both the buyers and manufacturers to be open in their costing. Manufacturers are willing to work to lower prices if they have an approximate figure of the quantities on order. The most important thing for a manufacturer is to have booked the production capacity. They can work out the option to reduce the cost, such as altering the types of stitches used, embroidery or fabric choice. The system of open costing adopted by some buyers has helped to understand each other. Additionally, the open fabric price from the mill helps both the parties.

Sometimes it works well when working with local agents appointing them as a retainer instead of using a commission-based system. This helps to assure that mistakes are not ignored simply due to the agent not wanting reduced commission. A retainer allows the agent to stop unsatisfactory shipments without the fear of personal commission loss. However, the exclusive agents make additional efforts to increase the presence of the buyers, through working on commission basis, this often has leads to a long term business relationships.

Most of the changes in the current scenario are buyer driven. The end consumer has evolved in their buying behavior and is asking for garments produced in an ethically friendly manner. The concepts of CSR are still slow to be adopted in a developing country, such as India. However, India is now taking a more proactive approach to consider CSR and environmental issues as a primary focus, because they are often faced with more basic issues, such as supply of electricity. However, the fact is the renowned brands cannot work with manufacturer who fails the “Work Place Assessment Audit” therefore; the manufacturers have made efforts to comply with the required standards.

Whenever buyers introduce some new standards the endeavor would be to succeed and share responsibility between the brand and manufacturer to find a new solution. The global brands work with a local buying office or hire third party inspection agencies for audit to achieve sound CSR practices.

4.2.4 The CSR Practices used by the companies in India to respond to UK Buyers

Through analysis of the India manufacturers case studies the findings reveal that the type of sourcing strategy used does determine the CSR practices and compliance approaches. In addition, the research revealed that the majority of CSR is buyer driven, and that there is still a lot of work to be done by Indian Apparel Manufacturers to ensure they become sustainable in their businesses.

The Indian apparel companies who are lagging behind in the CSR process often have a reactive and short-term management perspective. A reactive response on daily business concerns and pressure can lead to violations to social and environmental performances, often caused by factors like:

- Short lead times to keep up with fast moving trends and fashions;
- Last minute changes in specifications of fabrics or colour and delayed sample approval;
- Unreliable delivery of materials and accessories;
- Inefficiencies in production;
- Low skilled workers, leading to high rates of re-working;
- Seasonality leading to excessive hours in some months and lack of work in others;
- Little commercial incentive to reduce hours if overtime premiums are not paid;
- Low costs for discharge of emissions, solid waste and wastewater.

Companies who are able to react on a pro-active way on these factors are ensuring on the long term their 'license to operate' status from government and the brand (customers).

The Ministry of Corporate Affairs in India have released "Voluntary Guideline on CSR" in 2009 as the first step towards mainstreaming the concept of Business responsibility. This was a response from the stakeholders to establish a more comprehensive set of guidelines that encompasses social, environmental and economical responsibility of the business. This National Voluntary Guidelines on Socio-Economic and Environmental Responsibilities has raised these challenges and will help the Corporate sector in their efforts towards inclusive development.

5. Conclusions and Recommendations

5.1 Sourcing Handbook for UK India Apparel Manufacturing

All of the research findings and data has been collated and put into a handbook which might be of use to designers, product development teams, marketers, as well as for students who are preparing to enter the global fashion industry. (<http://issuu.com/lcf-ipd>)

5.2 A set of recommendations and challenges for education

In order to build bridges and attempt to overcome these gaps a set of actions that might be adopted have been explored:

- Enhance understanding of the entire sourcing process from fiber to finished garment for designers and marketers
- Foster UK India Cultural engagement via collaborative live projects in sourcing and marketing
- Develop an awareness of regional expertise in craftsmanship, textile specializations and manufacturing know-how.

5.3 A set of recommendations and challenges for industry

In order to understand the complexities of managing agile and fast fashion supply chains a set of ideas have been explored:

- Develop new curriculum programmes and projects for fashion product development that raise awareness of consumer profiles and lifestyles to ensure designed ranges meet expectations of market levels
- Sharing of ethical, environmental and sustainable challenges from a consumer perspective and supply perspective to create a balanced approach to sourcing that is not just cost driven.
- Encourage internships and industry projects that explore the risks, collaboration and co-operation between the two players in order to avoid adversarial relationships.

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