

Benchmarking fast fashion supply chains: Identifying enablers of operational excellence

Christina Schabasser
University of Applied Sciences Burgenland
christina.schabasser@live.at

Abstract

Businesses regard benchmarking as a systematic method to develop strength and learn from the best. In supply chain management, benchmarking is crucial for evaluating its operations and improvement. This article explores the fast fashion supply chain and argues that it is the best practice across different industries. It identifies critical success factors of a fast fashion supply chain business model and its enablers through a comprehensive analysis. For example, sophisticated information systems enable the short lead times in the fast fashion business model, likewise how performance measures enable fast fashion brands to meet their customer requirements.

Key words: Benchmarking, Supply Chains, fast fashion, supply chain benchmarking



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1. Supply chain benchmarking

Benchmarking is the practice by companies to measure and assess their products and services against the “best in class” to create significant competitive advantages. Some elements of this practice are measurement, comparison, identification of best practices, implementation and improvement are key elements of the technique (Attiany, 2014). It facilitates companies to build an effective supply chain system. Such a system is crucial for meeting customer requirements (Khare et al., 2012). It also enables businesses to improve product specifications, operational performance, and management practice. Benchmarking may help them build resilient operations and cost competitiveness so they could identify potential areas of improvement (Suri, 2010). The following facts and statistics justify the significance of benchmarking in supply chain management (Anand et al., 2008):

- In the early 1990s, 65% of the Fortune 1000 organizations used benchmarking as a management tool to gain competitive advantage.
- 50% of the French 1000 companies use benchmarking on a regular basis, and 80% of them consider it as an effective tool of change.
- The competitor-focused Benchmarking tool is still widely used and is in the list of the 10 top management tools based on usage and one of the 5 tools that remain from 1993 (Rigby et al., 2018).
- In 2017, managers used the following top 5 management tools in descending order of use: Strategic Planning, Customer Relationship Management, Benchmarking, Advanced Analytics, Supply Chain Management (Rigby et al., 2018).
- Benchmarking has relevance in most sectors of industry (e.g. manufacturing, healthcare services, insurance, financial services, construction, banking, government, airport services, and education).

2. Operational excellence in fast fashion

The fast fashion retail market has undergone significant improvement over the past decade. As figure 1 shows, stores like Hennes and Mauritz and Zara have become the most prominent apparel retailers worldwide (Caro et al., 2014).

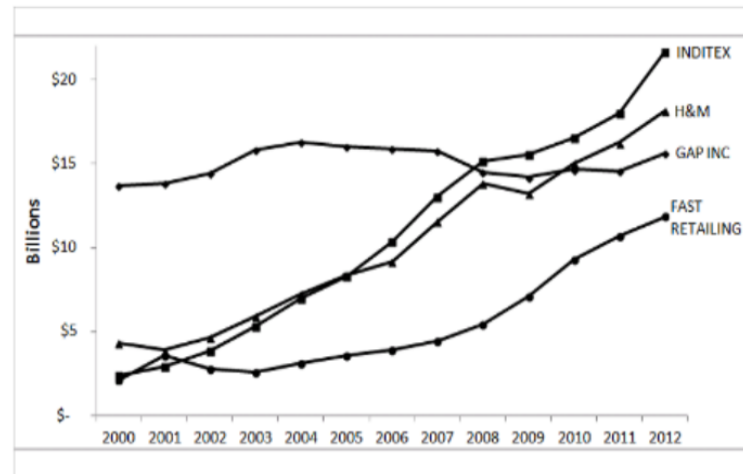


Figure 1: apparel retailer revenue 2000-2012

Source: Caro et al. (2015).

Inditex which owns eight fast fashion brands like Zara, Pull & Bear, and Inditex.com makes it into the Gartner Supply Chain Top 25 list due to its unprecedented levels of agility and flexibility. It also understands customer value alongside efficient logistics, invests in technology to foster resilience, produces innovations, and performs well at environmental, social, and corporate governance (Gartner, 2021).

Three elements shape the fast fashion business model (Caro et al., 2015):

- quick response (short lead times: the amount of time spent between a customer order and its delivery)
- frequent assortment changes
- fashionable designs at affordable prices

These elements show that fast fashion retailers rely on highly responsive supply chains (Caro et al., 2015). These chains focus on strategies that allow for responsiveness and flexibility to the changing needs of customers (Camargo et al., 2020).

3. Potential areas of benchmarking

The Fast fashion business model offers many lessons to learn, such as its speed it relies upon, its flexibility in meeting customer's expectations, and the capability of its retailers to keep up-to-date. This study identifies the critical factors that contribute to the success of fast fashion retailers to offer a comprehensive understanding on how other apparel companies can be as successful.

a. Information systems

Fast fashion retailers use sophisticated information systems that enable short lead times. Such systems allow for frequent inventory monitoring and replenishment and facilitate distribution. For example, Zara continuously monitors its inventory levels to balance supply and demand. The information systems also support in-depth market research (Cachon et al., 2011). The company's information system can link the entire procurement, design, production, distribution, and sales data. It also performs various tasks, from monitoring inventory of raw materials to managing lists of design, fabrics, and resource allocation. The system enables Zara to respond quickly to market changes and manage its entire operations, production, and distribution (Chunling, 2020). In this regard, a preferable information system strategy helps businesses monitor their day-to-day operations to ensure their efficiency. A flexible system would enable businesses to monitor their products and flexibly adapt to sudden market changes (Qrunfleh et al., 2012).

b. Performance measures

Suitable performance indexes become another component of a fast fashion supply chain's success. Fast fashion retailers prefer time-based performance measures such as reducing production cycles and time-to-market or perfect order fulfilment (Moretta Tartaglione et al., 2013). Zara has designed its performance measurements and operational procedures to facilitate and encourage the transfer of information (Klammer, 2009). Some examples of its critical performance measures would be their sales forecast accuracy, sales growth rate, and year-over-year improvement rate in daily tasks. For instance, they would compare the sales volume on the third Thursday in June 2022 and the volume on the third Thursday in June 2021 (Ferdows et al., 2003).

c. Collaborative Relationships

Collaboration between parts of a supply chain system has become something prevalent nowadays. Retailers may work with fewer partners to ensure rapid responsiveness. They may also opt to partner with many suppliers to meet various demands. Some relationships between suppliers are stronger because they aim to avoid delays within their supply chain system (Barnes et al., 2006). Such relationships may benefit all supply chain members. Furthermore, ethics in collaboration among suppliers have gained more significance during the global pandemic. A study shows that fast fashion retail chains have invested a lot of effort in building supplier relationships during the pandemic and have, so to speak, switched more strongly from pure transaction to cooperation strategies (Dewalska-Opitek et al., 2021).

The Quick Response (QR) technique has maintained a central role in the apparel industry over the past couple of decades (MacCarthy et al., 2009). Fast fashion retailers commonly use the technique to adapt to new trends within a limited timeframe. Thus, it is safe to say that QR has been synonymous with the apparel industry chain (Aggour et al., 2018). A partnership or cooperation is essential in the technique implementation (Corbishley et al., 2021). This technique relies on prominent implementation of integrated relationships between supply chain members and appropriate information technology systems. The QR technique implementation requires the cooperation from all supply chain members and the trust among themselves (Aggour et al., 2018).

4. Conclusion

This study identifies as the best practice due to the success of its business model implementation. Three factors determine the success of the model: information systems, performance measures, and collaborative relationships. These three critical success factors apply not only in the fast fashion industry but also other industries.

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