

Fashion

by Kara Kurylłowicz

The fast-moving and fickle world of fashion is proving both a boon and a challenge for the third-party logistics firms that specialize in keeping the rag trade moving.

Cautious optimism reigns as the fashion logistics industry grows and becomes unpredictable thanks to the constant increase in consumer demand for infinite options and immediate satisfaction in the consumer-centric fashion space. Thanks to e-commerce and quick turns in style, consumers have become spoiled by choice. When they say, “I want it now!”, they fully expect they’ll get it.

To deliver on these expectations, brands and vendors are turning to third-party logistics specialists that rely on a specific expertise and technology to get the product where it needs to be on time.

“The outsourcing upsurge is good news for firms like ours,” says Jeff Cullen, CEO of Rodair, based in Mississauga, Ontario, which specializes in handling fashion. “In the last 12 to 16 months, we’ve increased our work force about 35 percent and although we more than doubled our warehouse from 140,000 to 335,000 square feet, we already need more space.”

While formerly traditional brands such as Calvin Klein, Ann Taylor, Under Armour and Ralph Lauren now reach consumers so quickly they could be considered fast fashion, retailers like Joe Fresh, H&M and Old Navy are offering what is often termed “disposable” fashion due to the rapid turnover.

“Fashion is one of the most perishable items next to food, with consumers seeking a steady stream of new releases,” says Peter McKenna, president and CEO of NRI Distribution based in Kamloops, BC, which handles apparel, footwear, accessories and sports equipment.

But these trends pose some significant hurdles for logistics providers, who must keep pace while ensuring their customers are able to move the product fast enough to keep up with demand and customer taste.

Many, small orders

In just three years, e-commerce has taken off and the pace only continues to increase, particularly for lower-end to mid-range fashion, where it accounts for an ever-greater percentage of overall sales. Yet brands and merchants are still struggling to make money with it. Massive numbers of small orders might mean gold

for the logistics provider, but it’s the retailer that will ultimately pay for the perfect customer experience delivered.

E-commerce orders are already small, averaging just 1.5 items, and in December 2015, NRI saw orders increase a whopping 52 percent while the number of items shipped out decreased 18 percent. Whether a retailer or a consumer is the ultimate recipient, contracts are generally structured to include an order or waybill fee as well as a per-unit charge. If the order and unit fees have been well and accurately priced, 3PLs should find e-commerce orders as lucrative as retail orders.

“A pick is a pick but the more physical picks are involved, the higher the fee because it requires more time, and there is an inherent inefficiency when stopping and starting to pick and pack pants, shoes, t-shirts, and more, for a single e-commerce order versus picking and packing hundreds of t-shirts for a retail order,” says Matthews.

The returns challenge

No-hassle, no-charge returns are expected by consumers who e-merchants realize will shop elsewhere rather than risk a shipping fee or exchange/return limits. They are, however, incredibly costly to the merchants and brands. One of Rodair’s high-end retail customers now offers full refunds on e-shipsments, but only if customers return their purchases to the nearest store. The retailer is finding that up to 70 percent of the time, whether the customer returns or exchanges, they also walk back out with other merchandise—a win-win for the retailer and consumer.

“We handle high-end men’s footwear and if I’m shipping two pairs, a 10.5 and an 11, it’s virtually guaranteed that one of the two sizes will be returned,” says Matthews.

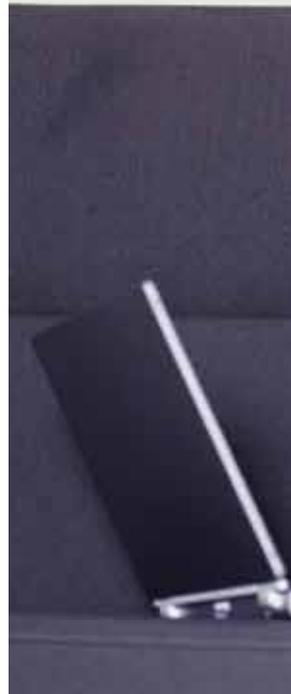
Supply chain complexities and challenges are further heightened by cycle times that now average just four weeks, eliminating the six- to eight- and even the traditional 16-week seasons. As well, unseasonal weather resulting from climate change and weather patterns such as El Nino might have a national retailer managing three seasons simultaneously, coast to coast.

“To give consumers what they want, we have exponentially wider SKU bases, and replenish stores twice daily and at times in a shelf-ready manner to reduce backroom burden,” says Peter Reaume, the president of National Logistics Services in Toronto, Ontario.

Sophisticated solutions and higher-touch, value-added service deliver the ultimate convenience of one-stop shopping but are also required to develop the kind of “sticky”, long-lasting relationships that ensure logistics providers get first crack at new opportunities.

“We’re getting bigger wallet share from these customers when they can consolidate their requirements with one provider that provides just-in-time delivery to a store that’s shut down for a two-week rebuild and has a fixed date for the grand reopening,” says Cullen.

To help move merchandise—the winter boots and coats that



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will be unsold in the regions with an unusually balmy, snow-free winter this year, for example—there is greater interest in outlet malls and even pop-up shops that typically set up in vacant mall or street-level space for six to 12 weeks. Rodair, which recently handled Kit & Ace's first retail shop in Japan, which happened to be a pop-up, handles everything from shipping and installing materials such as flooring, to fixtures and furnishings, as well as ticketing, pricing and preparing the goods, then moving out whatever doesn't sell.

"Pop-ups give us the opportunity to make money and grow our business, particularly when the pop-up is such a hit the retailer opens a permanent location," says Chris Matthews, Rodair's COO. "Kit & Ace's Japan pop-up generated the hoped-for buzz and led to us handling the materials, fixtures and furnishings for a permanent retail location and finally the clothing itself, which is cyclical and repeatable. We take on the materials and fixtures if we think it will lead to the product contract."

It can also mean tackling more of the tasks that ensure the SKUs go straight from the carton to the retail shelf. It might include manually signing "Packed by..." or "Thank You" cards and inserting them with goods that have been carefully wrapped in coloured tissue with precisely placed, logoed stickers.

"There is only so much you can charge for these services so the margins may be thin," says Matthews. "Our packing department is exclusively women because our experience is that women are much more attentive to that kind of detail and take far more care. At Christmas, our luxury, low-volume customers want the hand-signed, thank-you notes so we have to find an employee whose handwriting is consistently legible and attractive because these volumes we work with don't justify automation."

Digging deeper

Adding value can even extend to leveraging industry connections and an understanding of related trade data. For instance, one 3PL helped a retailer figure out how a competitor managed to consistently offer consumer pricing that was about 18 percent less than comparable garments in their own stores. Analysis subsequently revealed it all came down to the duties due depending on the garment's country of origin. To match those retail prices, the 3PL's customer simply had to source garments from a country that was exempt or subject to lower duties.

"Customers turn to us for market intelligence because we position ourselves as a business partner that's also a Customs broker and a freight forwarder," says Dave Pentland, vice-president at Carson International in Vancouver.

Creatively leveraging existing resources, including real estate, by assessing and revamping or fine-tuning processes also supports the bottom line. Rather than

carry duplicate retail and e-commerce inventory, retailers are also using the closest store to fulfill orders instead of shipping from the warehouse.

"Fully utilize your real estate because given the cost, empty real estate is ridiculous," says Pentland.

Creative staffing

People still play a huge role in picking, packing and transporting product in warehouses, but to manage labour costs, investments in automation and technology like conveyors and picking/packing are required.

At Rodair, order volumes are up so significantly over the past 16 months, the firm increased its workforce 35 percent and more than doubled its warehouse space. However, thanks to staggered eight-hour shifts whose three to four shift starts extend the day from 6 am to 10 pm, the firm has also maximized its ability to attract reliable, consistent and careful employees in an industry that's known to attract a more transient workforce. Employees who want to get the kids off to school or miss the worst of the rush hour appreciate the flexibility.

"In the 24/6, six-week lead-up to Christmas, the midnight shift was the easiest to staff, so you can't make assumptions about what will work," says Cullen.

"Working with high-end fashion products, the quality of our employees is critical to our success," Matthews adds. "We're selective when deciding who will pack that \$1,500 dress or purse because presentation and damage are more of an issue than with an \$8 t-shirt."

While the expertise required to pick and pack fashion versus a screwdriver is similar, the t-shirt, shoes or the handbags may require more skill and care if they're to look their best upon arrival. As Matthews points out, employees who pack hundreds to thousands of t-shirts daily quickly become remarkably good at it.

The tech advantage

Technology is another area where 3PLs need to have immense flexibility.

NRI, whose in-house technology team developed a proprietary warehouse management system, still has to convert data printed on paper into electronic formats. The firm hoped repeat visits to Asia would help factories embrace a simplified scan and pack module to create advanced shipping notifications in an electronic format but suppliers said "No thanks."

"Up to 70 percent of our incoming shipments have unreadable labels and packing lists, which means manually re-entering the data in our WMS so that we can receive it and provide the shipment detail in a format required by retail," says McKenna. "To ease the barrier to entry for small producers, we have developed a smart phone app that costs a few hundred versus the several thousand dollars they'd pay for RF scanning guns and servers."

At National Logistics the objective is to have new customers embrace the 3PL's Tier 1 WMS immediately. As Reaume sees it, "If you don't have a Tier 1 WMS that can manage omni-channel order processing you can't do business, and in a perfect world, you want a single WMS because multiple systems can be unwieldy for training staff and consolidating critical data to run the supply chain effectively."

Rodair, however, currently works with three WMS systems to accommodate its customers, although the 3PL is seeking a tool that will seamlessly integrate them by the end of 2016. Employees are currently dedicated to specific customers—and their WMS systems—to minimize cross-training.

Ultimately, success for the fashion logistics specialist comes down to anticipating and meeting clients needs in an incredibly fast-paced market.

"Fashion is becoming almost 'artisanal' with a near infinite selection of styles being made available to every individual consumer, but on a massive scale, at warp speed. As the relationship between the consumer and the brand continues to become more individualized and customized, it creates a very complex supply chain," Reaume says.

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