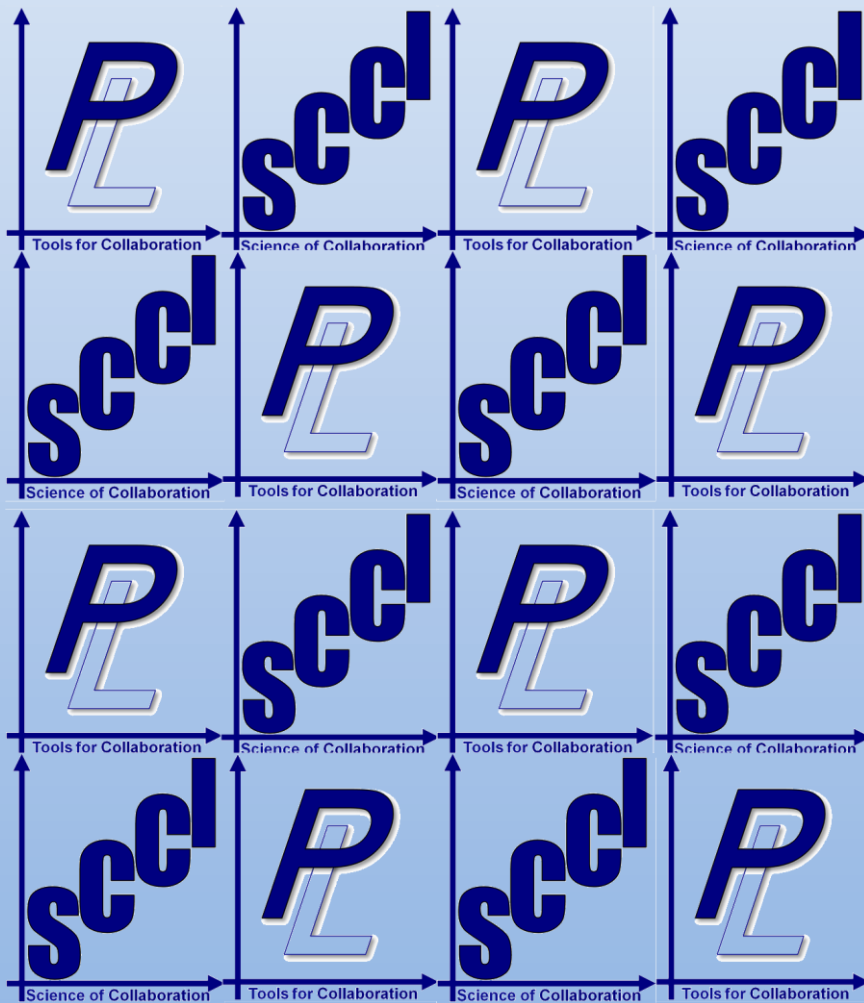


# Case Study:

# Retail Fashion Supply Chain Portfolio

# 'Strategy Re-Think'



Andrew Humphries & Linda McComie



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## Case Study – Strategy Re-Think

*By Andrew Humphries & Linda McComie*

### Established Retail Fashion Supply Chain – value £46.98m pa:

- Customer – High Street Fashion Retailer
- Suppliers – Nine key Knitwear, Jersey and Accessory suppliers in the UK, Europe and Far East

### Objectives:

- To facilitate a strategy re-think in the face of falling market share
- To strengthen mutually beneficial partnerships with the top suppliers

### Issues Revealed:

- Due to the diversity of the portfolio maintaining strong, effective, trusting communications with all relationships was a problem
- The Customer and Suppliers don't always consider issues as joint problems to be resolved
- There was a perception that some Suppliers were not fully committed

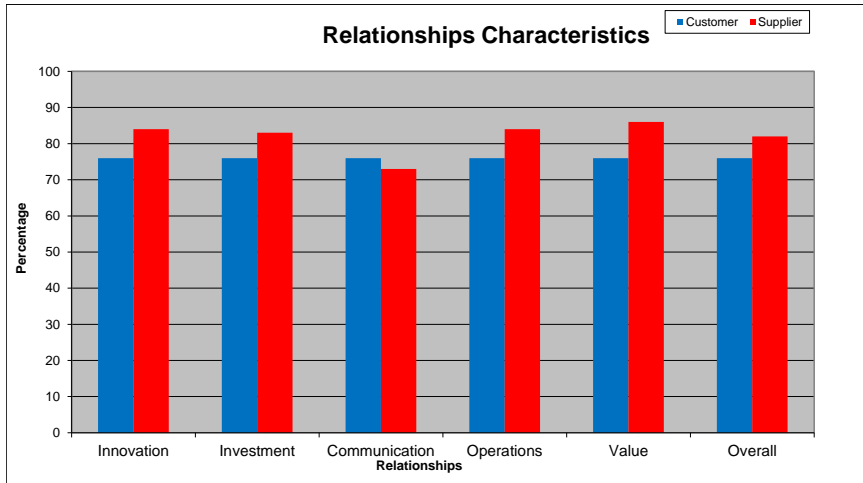
**“Do not underestimate the value of their culture with its reputation for loyalty, honesty and fairness. Its value is to be found in the ‘extra mile’ we are prepared to go to support the relationship”**

### Notes

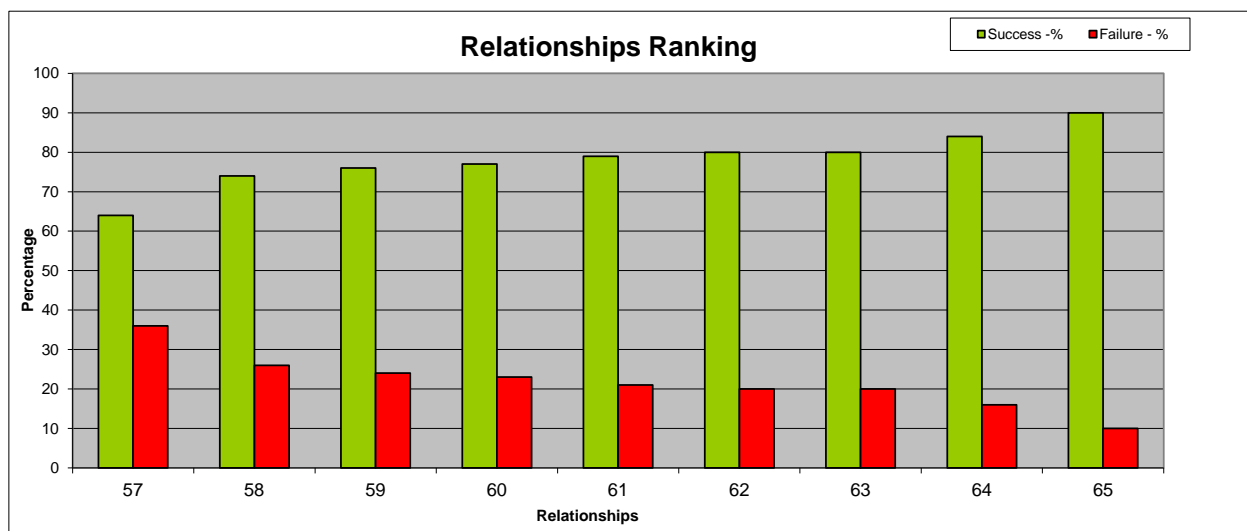
The retailer is a woman's wear high street fashion retailer aimed at the highly competitive 18 to 35 age group, turnover £190m from 273 outlets. A 'Following Fashion' strategy around price and speed to market resulted in loss of market share so they decided to return to a 'Brand Differentiation' strategy.

The relationships between the Buyers and Suppliers are fundamental to the successful implementation of the marketing proposition. 24.99% of turnover is generated from departments that constitute 53% of the overall volumes. The case study departments examined thus equated to 47.15% of their turnover.

## Performance at a glance



- **Innovation** – the leap of faith, being creative, flexible and resilient
- **Investment** – Alignment of objectives, investment in people, know-how, infrastructure and management effort and, long-term vision
- **Communication** – open and transparent, frequent and extensive, learning, planning and anticipating
- **Operations** – focusing on service and product delivery, lowering joint costs and risks, building trust
- **Value** – perceived and actual benefits, satisfaction



The upper chart shows the portfolio relationship characteristics scores with Communications being the area for management attention. It is noticeable that generally the Suppliers are more optimistic, this is a normal pattern. The lower chart shows the nine relationships in performance order. The majority are successful collaborators but there are some issues that need to be addressed particularly with some Suppliers.

**“Sometimes I feel we are in a dog eat dog situation. I can see their handwriting in other competitor’s products. I’m told we are their number one customer yet it feels like it’s just who sees the samples first. When challenged all I get are embarrassed looks”**

## Findings

- Due to performance based trust many decisions are confirmed by a handshake rather than a contract
- A few Suppliers can provide insightful designs and consequently it is perceived that they exploit this in order to gain a good margin
- Additionally tension is created because some Suppliers also provide stock to a direct competitor and this leads to questions of who gets priority in terms of production capacity and design ideas
- There are strong personal relationships between some Buyers and Suppliers based upon open and honest dialogue and good communication which resulted in mutual trust and respect
- There is a distinct difference in the responsiveness of Suppliers in the portfolio, some are small and dynamic and others larger and less responsive
- One particular relationship was proving difficult and this seemed to be due to a breakdown in communications and the use of re-phasing orders to manage cash flow. The Supplier was also pressurising the Customer with ideas and as a result was viewed as 'troublesome'
- The responsiveness of the Buying team to make decisions in a non-bureaucratic and timely manner must be maintained as the company grows. This is seen clearly by the Suppliers as giving the Customer a competitive edge

## Outcomes

- The Customer became aware of the 'extra mile' the suppliers were prepared to go to support the relationship and it could make better use of their capabilities
- The Customer increased the level of responsiveness of its buying team in order to make decisions in a less bureaucratic and more timely manner
- Joint face to face communications and problem solving procedures were established which enabled both sides to demonstrate trust and fairness and increase empathy.
- Regular contact gave jointly understood performance measures and overcame geographical and cultural differences
- Improved management of supply chain issues reduced selfish practices such as the re-phasing of orders to manage cash flow
- Subsequently it was publicly recorded that the Customer's market position improved and several years later they remain a force on the High Street

**“We now tend to see ourselves as an extension of the buying team, for example with small leather goods we will hold stock at our risk if we think the product is right”**

### **Notes**

This case demonstrates the difficulty of managing a diverse portfolio that is geographically spread and the key importance of two-way communications. Given the pressures of competition the Customer was actually doing quite a good job of creating and managing collaborative relationships.

It also proves the benefit of relationship appraisal because it enabled the Customer to visualise for the first time the relative strengths and weaknesses of the portfolio and to highlight the areas where effective management action could improve performance.

**“The thing is I cannot put a note on the swing ticket saying sorry this top is expensive but the supplier is a really great guy. So price at the end of the day is key”**



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