

## Click-and-mortar : A retail revolution in apparel supply chain

*The retail landscape has metamorphosed with many “brick-and-mortar” retailers adding an Internet shopping-component to their offering says Debasis Daspal*

Sudarsana was elated when she found her favorite brand of fashion item in the shop, and she purchased it. After a fortnight, she was surprised to receive fabulous offers from the same brand at discounted rates, that too on her pet accessory items! She was truly amazed to find how the company knew her tastes and choices.

This not a fantasy. It has become a reality with e-retailing in apparel and accessory supply chain. Wal-Mart, K-Mart, Target, Barnes and Noble, Sears are some of the few “click-and-mortar” giants. For example, if a woman spends a certain amount on her favourite lingerie at Sears, the world-famous retail joint, she will receive notices of any sales on other fashion costumes. The trick is that when a customer shops using a Sears Card, details about the purchase and the customer are stockpiled electronically. This “data warehousing” permits Sears’s marketing people to target promotions to a more receptive group of customers.

True, promotional marketing in the apparel chain has attained a new dimension with e-tailing, the electronic counterpart of retailing. Manufacturers and retailers now target consumers directly with attractive offers. Using credit or charge card to buy clothes triggers a clockwork of activity in retail. These activities range from “automatic stock replenishing,” which refills the store’s shelves, to alerting a distant manufacturer to turn out more clothing. However, as manufacturers and retailers more closely scrutinise individual customer tastes, habits, and buying patterns, they opt for a direct route to consumers. Instead of waiting for consumers to visit their stores, retailers may simply send them target e-mails, offering deals too good to refuse. The rise of “automatic customer replenishing” as retailers begin to restock consumers’ closets, instead of their stores.

Wal-Mart, the world’s largest retailer, successfully incorporates this e-retailing in its supply chain through electronically enabled stock replenishment. The result is dramatic. It offers shoppers more than a 98 per cent chance of finding a complete selection from its diverse collections!

Supply chain strategy is also redefined as a result of going online. ‘Click-and-mortar’ retailers have changed their strategy of stocking in their various warehouses. High volume products, that is, basic apparels whose demand can be accurately matched with supply based on long term forecasts, are stocked in local stores. And low volume fashion items are stocked centrally for online purchasing. The latter products have highly uncertain demand levels and thus require high levels of safety stock. Centralised stocking in this case effectively reduces uncertainties by aggregating demand across geographical location and thus reducing inventory levels. As e-retailing has pushed the boundary of apparel and fashion business in the forward direction to establish direct links with consumers, it also integrates the back-end manufacturing and sourcing operation with real

time information sharing about what consumers are buying. This enables vendors and suppliers to plan proactively in response to real-time demand. The upshot is that orders are filled quickly; stock is made as it is needed, and there is no need to waste revenues, as stockpiling unsold goods in physical warehouses is avoided.

Consider Wal-Mart, who uses Retail Link, a software system that provides vendors with up-to-date access to point-of-sale price and volume information and highlights Wal-Mart's inventory positions and forecast of future needs. As a result, Wal-Mart improves fill-rate and customer satisfaction. Implemented in 1991 as a closed network only for large suppliers, Wal-Mart transferred the system to the Internet in 1997. Retail Link now processes tens of thousands of supplier queries per week. The fact that Wal-Mart is the world's largest retailer brings natural advantages to the job of e-retailing management. Michel Lapierre, president of Claudel Lingerie, a Montreal manufacturer of women's apparel echoed the success of e-retailing "We don't have to wait to find out what's selling... Our designers know what our customers are looking for, and they can create new designs based on his information." No prize for guessing the impact of this innovative approach on Claudel's sales. Within two years its top-line grows by 100 per cent! Nygord International, a manufacturer and retailer of women's fashion lines with global sales well over US\$ 300 million annually, also follows the trend. Nygord runs an automatic reorder sales system. Called ARTS2, it links all Nygord stores and retail accounts, with each sale of pre-selected staple items, such as pants, reorder forms are instantly filed on computer. Once or twice a week, a bundle of these reorders are flashed electronically to the Nygord central plant. A kind of high-tech workshop for women's wear, the center fills new orders for Nygord brand labels in a day. As clothes are shipped out of the plant, replacements are already being manufactured. Same for Sears, the celebrated retailer. In a similar fashion, information about sales are collected daily from all stores through electronic linkages and contained in the sales data warehouse. Using this information, Sears's buying staff can quickly learn if a particular raincoat along with its colour, size, and style is selling well in one store or region. Further, it permits suppliers to compare sales among stores or regions and estimates needs for future buying. Today's apparel customers are significantly reducing their supplier bases, providing the opportunity for the most capable suppliers to seize huge market share. The "win" factor in gaining these new avenues is a new business model built around inter-company supply chain innovation. E-retailing is certainly the new entry to apparel business paradigm, pushing the business frontier closer to actual consumer.

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