

WHAT 'SEE NOW, BUY NOW' MEANS FOR THE SUPPLY CHAIN

A mould breaking fashion change, a supply chain disaster, or a bit of marketing publicity puff?

by

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Introduction

This article, the third in a series on supply chain "best practice", explores the phenomenon that is exciting and confusing the fashion world in equal measures; see now, buy now (SNBN).

'See now, buy now' promises consumers that they can have the garments they see on designer catwalk shows instantly. No need to wait from September 2018 until February 2019. But what does it mean for the fashion industry and its supply chain management?

Does it change everything, and create marketing opportunities for brands? Or does it risk everything, by forcing brands to become retailers with all the associated forecasting risks? And does it further complicate and confuse an already very delicately balanced supply chain?

See now, buy now (SNBN). Its history to date

The promotion of brands' collections on social media during and directly after fashion shows has led to a fashion immediacy among millennials. Catering to their need for instant gratification, the consumer-facing 'SNBN' business model reduces the traditional time-to-market from six months to the day after the fashion show. This creates an urgency to buy now.

Consequently, SNBN is a disruptive business model, opposing the traditional fashion business model of "see now, and wait".

The first brand to adopt the SNBN business model was Burberry during the Spring/Summer 2017 fashion show season in September 2016.

Ever since, the application of the model has mostly been seen during New York and London Fashion Weeks by American designers working at accessible-luxury and premium price points.

A few offer instant sales of entire collections; most offer capsule collections or limited pieces only. Table 1 shows some brands that have adopted the SNBN model

Some brands that have adopted the SNBN model

Designers adopting SNBN in their main collection fully or partially	Designers adopting SNBN partially through limited items, capsule collections or fashion show rescheduling
Thakoon – Abandoned it again	Michael Kors – Capsule collection / Limited items
Tommy Hilfiger	Courrèges – Limited items
Tom Ford – Abandoned it again	Prada – Bags only / limited items
Burberry – potentially abandoning it again	Louis Vuitton – Accessories only / limited items
Ralph Lauren	Vetements - out-of-season fashion show
Mulberry	Mansur Gavriel – Women's wear only / Limited items
Top Shop Unique	Christopher Kane – Bag and Sneakers / Limited items
Marlon Breton	Coach – Limited selection of bags
Poreza Schouler	Paco Rabanne – Limited items
Oliver Spencer	LOEWE – Limited items
Rebecca Minkoff	Jil Sander - Limited items
Misha Nonoo	MDGM - Limited items
Massimo Dutti	No.21 - Limited items
Kate Spade – Abandoned it again	Vivienne Westwood – Capsule Collection
H &M Studio	Calvin Klein - Limited items
	Alexander Wang – Capsule Collection
	DSQUARED - Limited items
	Banana Republic – Limited items
	Ralph Lauren – Only ready-to-wear / Limited items
	Moschino - Limited items
	Opening Ceremony – Limited items
	Alice + Olivia – Limited items
	G-Star Raw – Capsule Collection
	Donna Karan – Only 'Urban Zen Line' / Limited items
	Diane von Furstenberg – Capsule Collection
	Tory Burch Capsule Collection
	Dorothee Schumacher – Limited items
	Club Monaco – Limited items
	Hugo Boss – Bad instantly available / Limited items

Source: Malcolm Newbery Consulting Ltd.

Part of the fashion industry believes that this change will result in totally revised production and buying processes. In particular, capsule collections will have to be designed and realised in a very compressed time frame during the sale season, thus increasing responsiveness to customer and market changes.

It is argued that SNBN in the form of capsule collections will draw on consumers' desires for instant gratification, whilst the presentation of the main collection will continue to follow the traditional business model.

It also means that fashion industry brands have to invest into direct to consumer channels. SNBN seems to imply directly targeting influencers and consumers, bypassing the retailer. The responsibility has to be taken on by brands themselves, not by the retailers that buy them.

But, under SNBN, the collection samples seemingly need to be finalised three months before the fashion show for buyers and press to preview the collection in private show rooms or through look-books where non-disclosure agreements are signed. It's a secret society.

Therefore, the order process appears to be similar to the traditional business model, where a collection inspection and order placement once done by buyers after the fashion shows is now shifted ahead in time, well before the shows.

So, the show's main purpose has changed. It is not selling to retailers; it is showing to consumers and developing brand awareness of instant availability. Hence, is it needed any more, or is it completely redundant?

The positive and negative hypotheses

As an overview, "see now, buy now" is the ultimate element of the just-in-time (Toyota) or the original Kurt Salmon Associates 1980s "quick response" view of the apparel supply chain. But at that time, we never envisaged it could be instantaneous

Nevertheless, on the positive side, we have that

- ❖ Consumers get what they want, when they want it, regardless of any fashion seasonality
- ❖ It allows brands to market to international consumers in different climates and in different time zones
- ❖ Therefore they buy now, for instant gratification
- ❖ Therefore, it increases sales, because it enhances the consumers' choices
- ❖ It fits in with today's brand e-commerce offer, and further creates consumer demand
- ❖ It completes the destruction of the traditional two seasons a year brand forward selling model
- ❖ It creates an opportunity to kill off the hopelessly outdated trade show industry
- ❖ It potentially relocates production back to "local" or on-shore regions, which is a plus for any advocates of re-shoring production

On the negative side, we have that

- ❖ The buying has to be done in advance.
- ❖ We do not know what the consumer will desire when she sees it
- ❖ We are guessing the consumer, instead of using the retailer as a middle man hedge

- ❖ The supply chain just cannot work that fast. We cannot react to either winners (we cannot get any more) or losers (we have the stock already)

It effectively turns brands into retailers, with all the forecasting, stock control and markdown loss risks that retailers have to take. But to counter this, most international brands are also retailers already

In practice our research has shown that

- ❖ Brands still have long supply chain lead times, because they use low cost countries to be cost effective. This is now threatened, and margins will be eroded
- ❖ The “see now, buy now” approach is actually based on the suppliers being given the orders months ahead of the catwalk shows. They are sworn to secrecy, but could be “leaky”
- ❖ The end of the “back to back” brand forward ordering system brings with it huge forecasting risks, particularly for high end fashion
- ❖ Forecasting risks lead to substantial stock risks, unless the “see now, buy now” merchandise is done on a very limited scarcity based basis, as in the H&M designer collaborations
- ❖ It may not be possible to do it at all, because fabric lead times remain long

In order to analyse these positives and negatives, we have to look at the research so far.

SNBN in different retail formats

Retailers’ supply chain processes take longer than SNBN allows for. So, the whole system will have to be restructured towards vertical integration, with shorter ways of product and information flow similar to fast fashion.

Therefore, parts of retailers’ processes will need to be done upfront. This will generate process wastage due to changes in the market or customer demand which differ from the plan. Moreover, the SNBN model is expected to empower brands as they can restrict retailers through a strict determination of pre-determined order quantities and items. You get what you are given.

Consequently, multi-brand retailers are expected to lose power under the SNBN model. Decision processes will assume that brand control is preferred over trusting the retailer. It appears that under SNBN no correction possibility is given, because there is no time to react. The SNBN system needs quick production capabilities by brands to ensure product availability.

SNBN in merchandising

Under SNBN, retailers and brands must still plan for customer demand, inventory levels, turnover and budget as well as collections such as capsule collections, limited items or fashion week independent shows where they would have to adjust space and their budget accordingly.

However, a constant monitoring and updating of sales and performance is necessary to foster quick decision-making and plans need to be loose and flexible as they depend on the procurement possibility. Knowledge of styles, fabric and fit around 4-6 months ahead of collection-drop appears necessary to forecast and plan delivery, stock, floor space, budget and merchandise.

This means that, under SNBN the brand merchandisers' tasks of sales and performance analysis are done at the beginning of the process, just like retailers. Budgeting and merchandise planning remains a shared effort between buyers and merchandisers but might additionally include suppliers and should be done almost parallel to sale and performance review.

Stock management, delivery and allocation planning are still applicable but done in closer collaboration between merchandisers, buyers and suppliers in the time between production and order delivery, not after merchandise arrives at the retailer's premises. Under SNBN, retailers have no control. This is a major change which most retail businesses have not yet grasped.

SNBN in the buying process

Under SNBN, information about customer demand no longer reaches buying departments, implying no ability to react at all. So, the collection viewing in advance and in secret, where non-disclosure agreements are signed, serves as the buying appointment. The collection is then ordered directly from the manufacturer. Thus, no separate product sampling, final range selection and final seasonal buying plan are established as all those steps are done within the buying appointment.

A closer contact with the brands, as well as direct orders without agents, and a good internal organisation of both brands and retailers seems necessary to react flexibly. Moreover, a pre-requisite for alignment of customer need and product offer is the purchasing by retailers closer to seasons and in-season product promotion by brands shortly after the products are delivered to store. Therefore, the buying must happen secretly well before the fashion shows. So, product exposure to consumers and commercial availability merge closer together.

However, basic items with a longer lifecycle could still be bought with longer lead-times to reduce delivery costs, whilst short lead-time fashion items would need to be bought on a monthly basis. As fewer collections and smaller order quantities per collection but more frequent collection drops might increase sell-through, buyers would constantly have to buy new products. Therefore, order seasons will change to a fluid model opposing seasonal order periods. This is a drastic change to buying behaviour

SNBN in the supply chain

Under SNBN, a better process adaption through the alignment, agility and adaptability of all steps within the processes as well as quicker product development and a more efficient and small-scale production-oriented, fast-paced supply chain between retailers and brands seems necessary to stay competitive. Goods are then produced, controlled and shipped directly from the brand to the

retailers, where they are received and presented within the store for customers to purchase.

The delivery of merchandise to warehouses for subsequent distribution would take too much time, therefore these steps are removed. However, this affects the analysis and reporting of stock, which would disrupt the whole internal and external communication chain and decrease the value of information exchange between partners. Therefore, constant and close exchange of information between brands and retailers needs to take place.

Thus, it appears that SNBN only increases turnover for short-production and high sell-through items.

A customer-driven supply chain through the collection of customer information and the supplier's understanding of the retailer and its customers would assist retailers and brands in merchandise and demand planning to offer customers an optimal assortment catered to their needs.

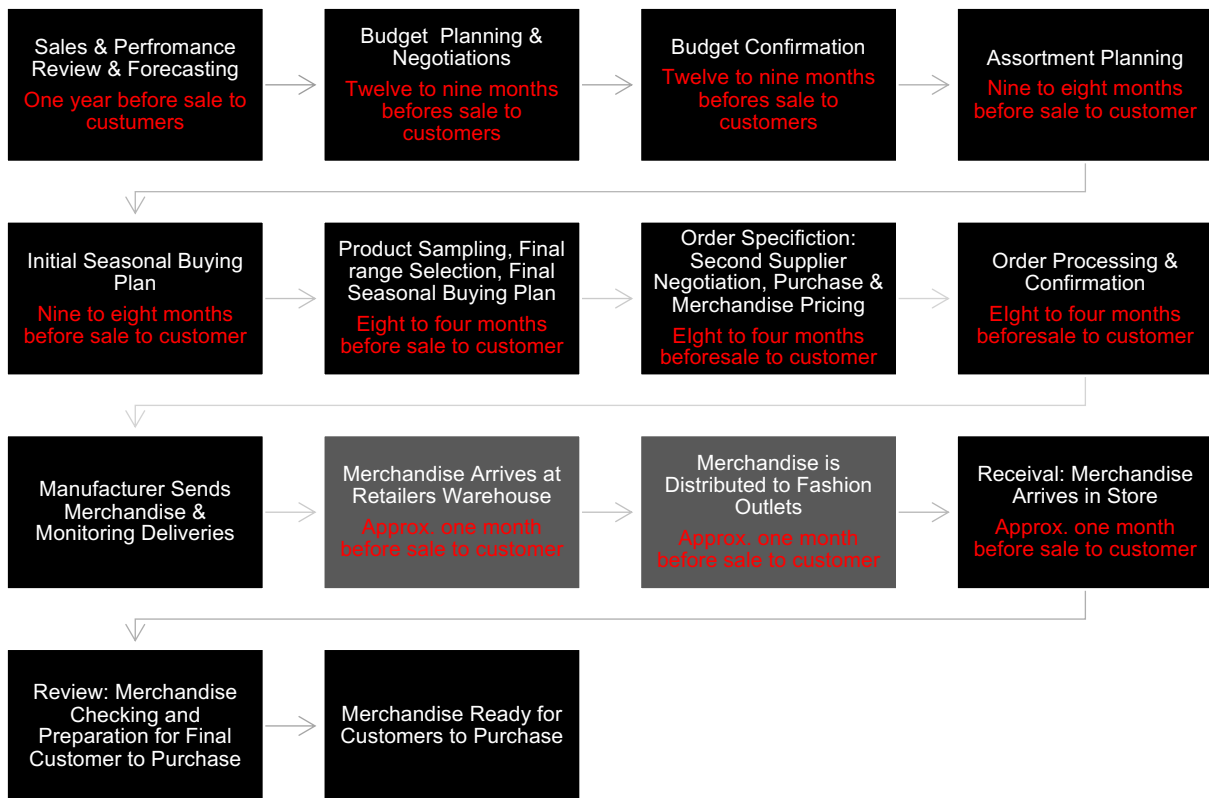
A lower hierarchy and shorter processes similar to those of vertically integrated retailers might imply the cutting-off of certain process steps, particularly in collection inspection and order placement. Brands can then plan and start production quicker, which shortens lead-times.

Hence, a pre-requisite to integrate the SNBN model in retailers' supply chain is an agility, process shortening and close supplier relationships. Therefore, SNBN might only work for vertically integrated companies that control the entire production process.

Process comparison summary

In the traditional buying, merchandising and supply chain process seen in figure 1, the time frame can be as long as a year, and is a tightly controlled activity.

Retailers traditional buying, merchandising and supply chain process



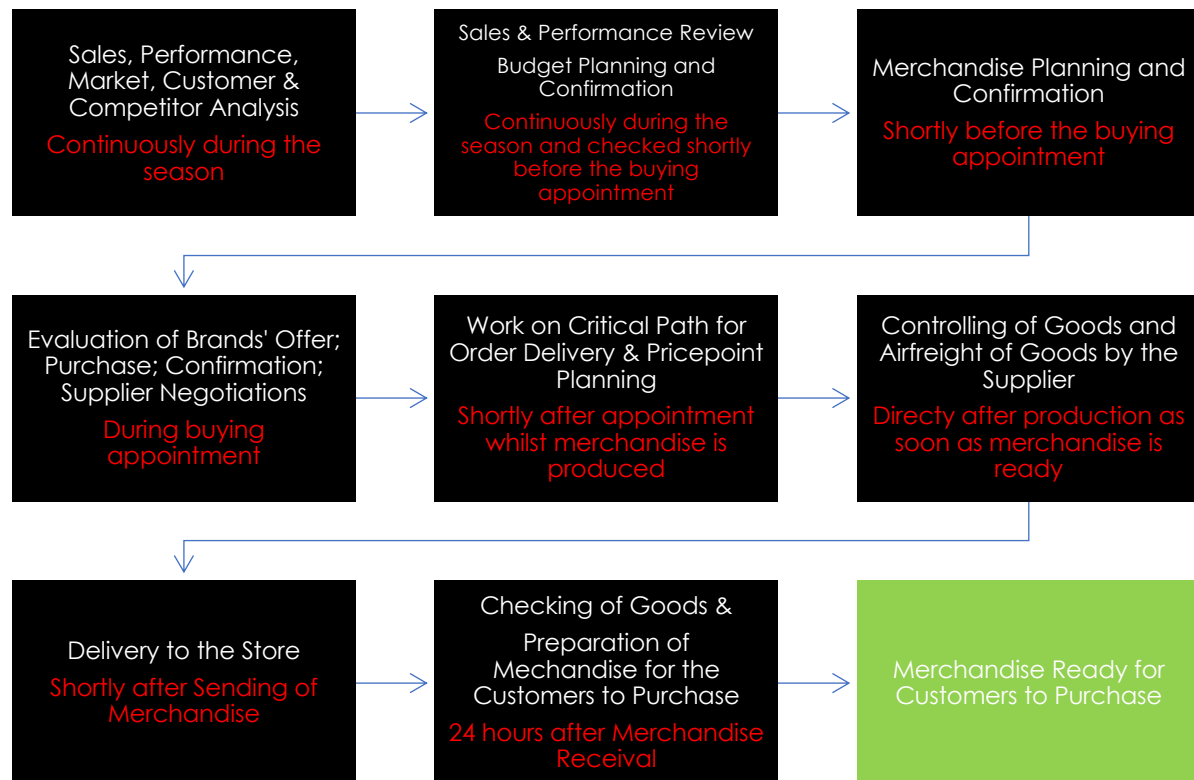
Source: Malcolm Newbery Consulting Ltd.

Under SNBN, however, this happens continuously during the selling season, but the buying has taken place well before the offer is made to the consumer. How long before depends on where the garments will be produced, and how long the lead times are. One thing is clear.

There are no opportunities for second replenishment or top up buys. It is not a demand pull system such as that used by Zara. It is the dictatorship of the brand

Figure 2 shows how this happens. There is a distinct possibility that the consumer will buy from the brand's website immediately after the garment is shown, and never go to a shop at all. This could put another nail into the coffin of bricks and mortar retailers.

Retailers buying, merchandising and supply chain process adapted to SNBN



Source: Malcolm Newbery Consulting Ltd.

Conclusion

So, where are we at with SNBN? Brilliant marketing ploy or disastrous supply chain blunder? At the moment, it seems that the answer is both. But for us, this means that

- ❖ Brands entire processes have got to be re-engineered
- ❖ Retailers will lose the freedom to choose. They will be told what they get
- ❖ They may be by-passed altogether
- ❖ The existence of trade shows is threatened, because their entire purpose is being made pointless if the instant offer is on-line

We do not think that the proponents of SNBN have understood this, so it has been mostly marketing puff. They need to think it through