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# Supply Chain Coordination and Contracts



## Introduction

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- The fashion industry sector is dynamic, characterized by short product life cycles, high product variety, low predictability, relatively low margins and high levels of impulse purchasing (Masson et al, 2007)
- Supply chain management is recognized as a major source of competitive advantage in the fast fashion industry where H&M was the initiator

*'We ensure the best price, by having few middlemen, buying large volumes, having extensive experience of the clothing industry, having a great knowledge of which goods should be bought from which markets, having efficient distribution systems, and being cost-conscious at every stage'*



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- **Multinational retail clothing company established in 1947 in Sweden**
- **3,675 stores in 59 countries with 132 000 employees**
  - **Product portfolio: Womenswear, Menswear, Childrenswear, Footwear, Cosmetics, Accessories, Home furnishing**
- **Target market: Fashionable, very up to date. Urban population. Women 15-40 years old, babies, kids, teens, college to graduate social status but the most popular segment is female aged 20-27**
- **H&M's growth target to increase by 15% the number of stores per year (H&M annual report, 2015)**
  - **Incorporates green practices into their supply chain**

# Design

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- H&M products come from **100 designers** in Stockholm who work with **50 pattern designers**, around **100 buyers** and budget controllers.
- Use of fashion trend forecast services such as **Worth Global Styles Network (WGSN)**
- The department's task is to find the optimum balance between **fashion, price and quality**
- The design process is happening **a year in advance**
- Seasonless cycles
- Design process driven by a long-term planning for the collections and a design response in real time, taking into account a customer-driven production strategy



# Designer collaboration

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- Boundary between **high street** and **fashion** has blurred
- Collaborations are **exclusive** limited edition of clothes
- A new way to **attract customers** and work efficiently thanks to the supply chain system on the background
- 2004: Karl Lagerfeld 'Why do I work for H&M? Because I believe in inexpensive clothes, not "cheap" clothes'
- 2007: Madonna, Roberto Cavalli
- 2009: Matthew Williamson, Jimmy Choo, Sonia Rykiel
- 2010: La maison Lanvin
- 2013: Beyoncé "Mrs. Carter in H&M"







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Madonna style





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