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Luxury fashion facing challenge as speed to store spells success

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Luxury retailers will face less disruptive consequences than mass-market retailers. Image credit: Prada

By SARAH RAMIREZ

The rapid pace of shoppers' social media discovery and fashion buying habits is hurting luxury brands that have longer journeys to market, according to a new report from McKinsey.

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From "sketch to store," "affordable" luxury fashion and premium goods take 46 weeks compared to 28 weeks for vertical companies that have no wholesale component. Those weeks can be critical as this time impacts brands' abilities to respond to emerging trends or keep popular items in stock.

"Speed is so vital to the go-to-market process," said Achim Berg, senior partner at **McKinsey**, Frankfurt. "It cuts the risk of offering up the wrong products or possibly even neglecting a trend completely, which can lead to poor sales and more markdowns."

McKinsey's report was based on interviews with managing directors, chief supply chain officers and chief merchandising officers of fashion brands around the globe.

Speedy style

The quicker brands can move products through planning and development and delivery, the less likely miscalculations about consumer demands will occur.

Companies that manufacturer low-cost apparel can turn around items in as little as 27 weeks, especially cutting corners during the design stage.



Lower cost apparel reaches store shelves faster. Image credit: Secoo

These items still hold mass appeal especially as they may quicker reflect trends that shoppers are interested in sharing via social media. However, so-called "fast fashion" often comes at the expense of quality and moreover sustainability practices, a growing concern among affluents.

Despite speedier processes being able to better reflect consumer wants, 92 percent of respondents admitted they face challenges with quick decision making and deadlines. Seventy percent of fashion companies said they take full responsibility for product delays before reaching market.



Many luxury brands emphasis quality and timelessness over trends. Image credit: Prada

Implementing strategies such as "read and react" and "never out of stock" can help brands better serve customers by keeping best-sellers on store shelves. Nonetheless, only about half of respondents have managed to integrate those concepts into their go-to-market processes.

Additional obstacles brands deal with are unreliable trend forecasts, planning shortfalls and a lack of digital tools to manage supply chains.

Tech in fashion

Over the past couple of years, numerous fashion labels have toyed with new runway show formats in an effort to keep up with an increasingly fast fashion cycle.

Luxury brands Burberry and Ralph Lauren are among those giving the fashion calendar a makeover in an attempt to meet consumer demand for instant gratification. Fashionbi's "[Challenging the Fashion Calendar](#)" report notes that there are pros and cons to every option, leading to lots of experimentation ([see story](#)).

Fashion companies are also experimenting with innovations. One type of technology poised to have a strong impact on the retail and fashion industries is blockchain.

Originally developed to verify transactions using digital currencies, blockchain is now being used for different applications across a number of industries. According to Fashionbi's "[Blockchain in Fashion and Retail Industry](#)" report, large organizations can use blockchain technology to follow the entire product cycle, from production to even product usage.

Although blockchain functions as a decentralized database, permissioned blockchains offer extra security so users can handle supply chain management and other tasks ([see story](#)).

"Luxury brands often set the trend and also put strong emphasis on quality and less on speed to market - hence, one could argue that the insights are less relevant for luxury brands," Mr. Berg said.

"However, when speaking with luxury players, there are similar questions coming up on: How do I predict my bestsellers and adjust volumes accordingly? How can I replenish products quicker in-season? How can I earlier discuss design and samples to reduce unnecessary sampling costs?" he said.

"Luxury players should therefore think about how to better leverage digital tools and analytics in their process and whether to apply segmented processes."

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