Speed-to-Market Is the New Currency at Retail

Using technology to create virtual samples helps get goods to market sooner and meet consumer demand for instant gratification.

By Vicki M. Young on January 2, 2018

The inspiration board from Xcel's textiles research team.
George Chinsee

Speed-to-market, fueled by technological advances, has been the winning strategy for many fashion firms over the last few years — and in 2018 will be even more key.

Getting product quicker isn't exactly new, given the rise of fast-fashion brands such as Zara and H&M, which have a history of delivering new offerings to consumers on a weekly basis. And there's also the new group of direct-to-consumer companies that are sourcing closer to home. One example is Turkish firm Trendyol, which Demet Mutlu, its founder and chief executive officer, said works with local factories that are just 30 minutes away from its offices, enabling it to design and produce some apparel items within a week's time.

The speed-to-market trend is partly a response to consumers' push for instant gratification. Technology hasn't just disrupted how consumers shop — it has also provided them with a transparent lens on pricing, value and an early look at fashion trends as they appear on the runways in New York, London, Milan and Paris. The latter has been helped by the webcasting of designers' shows, as well as posts on Instagram. That, in turn, has fueled the rise of the see-now-buy-now strategy among fashion companies — even as observers admit that it's not right for every brand.

But even as firms pivot to move faster, it appears that there's still a lot of room for improvement. Two years ago, Ralph Lauren Corp. hired Stefan Larsson as ceo. Taking a cue from his former H&M days, Larsson in June 2016 initiated the Way Forward Plan, a series of initiatives to improve operations that included a cut in production lead times to nine months from its then 15 months, including an eight-week testing period and an ultimate goal to shorten the lead time down to six months. While a plus for the company, Wall Street analysts noted that it was still possible to shrink the six to nine months down even further. Larsson left Lauren last May but market observers said speeding turnaround times remains a priority for Patrice Louvet, who took over as president and ceo at the company last July.

Simeon Siegel, analyst at Instinet Nomura Securities, said, "E-commerce is the retailer's worst enemy because technology has given power to consumers, and now the retailer — and brands — have to figure out how to use tech to their advantage. The most obvious is in how they approach inventory. It's about buying the right goods and getting it faster."

Even six months is still considered a long lead-time, Siegel said, and companies need to accelerate that time frame. "The old school model of a single merchant deciding what fashion should look like a year from now is antiquated," he said.

Gabriella Santaniello, former analyst and founder of consultancy A-Line Partners, believes the shift to shorter lead times would be more in the three-month range, unlike fast fashion, where it's closer to an average of three weeks.

"Speed-to-market would be huge for retailers and how they respond to trends....[In 2017, we saw] a shift in the fashion trend [from bohemian to more defined waistlines and silhouettes], and it is now more important for retailers to be able to test and react more quickly than ever before," the former analyst said.

She noted both Steve Madden Ltd.'s ability to test and react to footwear trends and Express Inc.'s to do the same in apparel. "The ability of retailers to test and react would also allow buyers to leave some open-to-buy available. That in turn would mean lower inventory levels and more money later on to get into the stuff that consumers really want," Santaniello concluded.

According to Spencer Fung, group ceo at global trading and sourcing firm Li & Fung Ltd., speed and getting the right product helps retailers and brands avoid costly markdowns that reduce margins. "Fast-fashion companies have realized this a long time ago, and most brands and retailers are now catching up with this business model," he said.

The Hong Kong-based firm has been relying on technology to increasingly offer virtual design to its customers, which shortens the product development cycle, as well as the costs involved in physically creating and shipping multiple samples. One example Fung gave involved a San Francisco-based client, Betabrand, for which Li & Fung virtually designed handbags and shoes. "They had sold the products with no samples made and before production, which means you're eliminating excess stock and the need for huge markdowns to push stock as a retailer, not to mention eliminating time and waste," Fung said.

Speed-to-market is a big part of Li & Fung's Three Year Plan, with the end goal of building an end-to-end digital supply chain. But Fung was also quick to emphasize that the speed-to-market trend is different from the concept of fast fashion. The latter is sometimes criticized in the industry for sacrificing quality to get cheap, trendy product onto the shelves that essentially become throwaway fashion when they go out of favor.

“Speed-to-market at the moment does not involve speeding up the production process so there is no effect on the quality side,” Fung said.

He explained that where the time can get compressed is on the design side via virtual samples, thus eliminating the need to produce and ship physical samples for review. Condensing that time period has another benefit for the industry, according to Fung: “With speed-to-market, our customers can postpone their fashion decision for a few months and they can make more accurate buys, so it actually helps the fashion side.”

Fung was asked about the see-now-buy now trend and what keeps the sourcing ceo up at night. He said, “New innovative and disruptive business models are being incubated globally, and due to the unprecedented rate of change they can go from an idea to billions of dollars within a year. It is important for all companies to scan the horizon constantly to see where disruption is coming from.”

For now, Li & Fung’s build out of its end-to-end digital supply chain “will help our customers move at the speed of the new consumer,” Fung concluded.

Spencer Fung George Chinsee

In the U.S., brand management firm Xcel Brands Inc. has shifted its business model from that of licensing to one that is now focused on the supply chain. The licensing model, while still a big component of the overall business, is now primarily a legacy one. That shift occurred in 2015 when Xcel tested a partnership with Hudson’s Bay Co. and Lord & Taylor called Quick Time Response program. The program was expanded to Dillard’s last year.

While the initial program had the company working on quick response times for orders of Xcel’s owned brands, the next step is rolling it out to other retailers for their proprietary brands.

According to Robert D’Loren, chairman and ceo of Xcel, his company is meeting with retailers to explain how the model can work for them.

Xcel’s program includes a team dedicated to trolling the web to check out what’s new and what’s talked about the most online. “Social media is driving the trends. When photos appear on Instagram, consumers see it and want it right away. That’s helped drive the see-now-buy-now-wear-now trend we’ve been seeing in fashion,” D’Loren said.

The team helps decipher upcoming trends, as well as conduct textiles research, so its counterpart in design can determine greige positions for the season. Xcel’s design team uses 3-D technology to produce digital samples to test style and color, which are then sent via e-mail for quick reaction from its test group and buyers.

D'Loren explained that what has changed on the manufacturing side has been the developments within the tech world and the adaptability of companies in the supply chain network. "Essentially the supply chains have finally begun to catch up with consumer behavior," he said, noting there's still a little bit more catching up to do. One prediction he makes is the eventual use of automation via robotics.

Robert D'Loren George Chinsee

These days artificial intelligence, or AI, helps to create algorithms that assist in creating designs.

Stitch Fix, the fashion subscription-service start-up that raised $120 million when it completed its initial public offering in November, still utilizes mood boards and sketches but relies heavily on AI to predict apparel that its members are likely to buy but isn't yet available. That involves starting with a style already available, a tweak to its fashion content such as an adjustment to the neckline, and then a bit of detailing to change the look, all suggested by AI algorithms. But the final edit still relies on a human designer to determine what the end product should look like, or even if the item should go into production.

Over at Jump Design Group, Nikki Bailey, president of creative initiatives, said her company's speed-to-market program has an "18- to 40-day production timeline, depending on units and fabric positioning." Concept to sample can be completed in 24 hours, she said.

Glenn Schlossberg founded Jump 30 years ago as a juniors firm before expanding it to the misses and petite markets. The company has its main office in Manhattan's Garment District that houses most of its operations, including the in-house design team. A fabric platforming unit is located in L.A. for test-and-react production models, although domestic production is in New York. A separate facility is located in Brooklyn that houses a company-owned cutting facility. A site in Secaucus, N.J., functions as Jump's distribution center, where product is shipped to retailers.

According to Schlossberg, once the fabrics to be used are in place, his firm can complete a turn in 21 days and sometimes as short as 14 days. The firm completed a turnaround time of one month for a dress that was sold at J.C. Penney, Jump's owner said, noting that Jump is the supplier of Penney's Project Runway apparel brand. The line is a partnership between the retailer and the television show, with the winning looks being offered for sale at the retailer.

While technology is enabling the push to quicker turnarounds, there's still a question of how quickly companies can adapt.

Schlossberg said the problem remains the mindset of traditional retailers: "Retailers are programmed to be thinking six months in advance, not 30 days."