

# **Approach to requirements for the management of suppliers by fast fashion retailers: A case study**

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## **Abstract**

The fast fashion industry has been showing actions aimed at reducing the social and environmental impacts in its supply chain. The selection of suppliers is one of the used options. Therefore, this article aims to explore the requirements used by a Brazilian retailer to manage their supply chain.

**Keywords:** Fast Fashion, Supply Chain, Environmental

## **INTRODUCTION**

This paper presents part of the research being conducted at research group in Fashion Textile Chain, whose proposal to study the issues of sustainability and environmental in the Brazilian Textile Sector.

In the last years, there has been a noticeable and steady increase by the consumer companies wishing to position themselves differently in the Market, using for this purpose, new patterns of production, management and control (Ciarniene; Vienazendiene, 2014; Amato Neto, 2014; Dias, 2011; Aligleri; Aligleri; Kruglianskas, 2009).

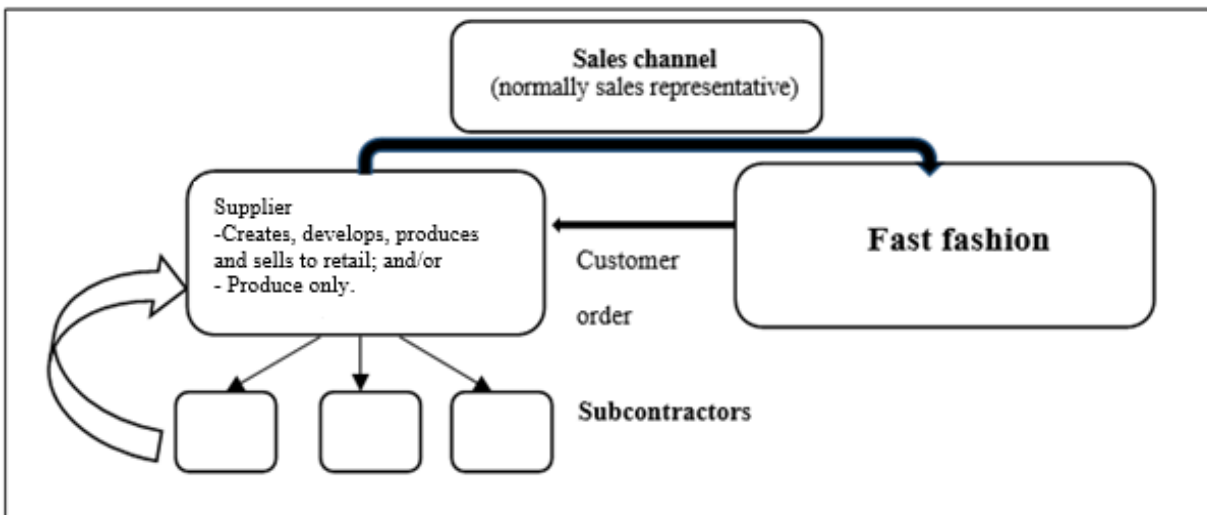
Within such companies who wish to act differently, textile retailers are slowly adopting a reactive stance to face great problems of its supply chain. Today fashion retailer joined the fashion system fast fashion that is characterized by speed, volatility and high volume production (Ciarniene; Vienazendiene, 2014). Retail in Brazil, according Parente and Barki (2014), has an annual turnover of sales more than to 697 billion reals, representing 22% of Brazil's GDP, and only the fashion retail is 7% of turnover (IEMI, 2015). Given its diversity in formal and informal relationships between retail and supply chain, an analysis of the present strategy in this sector is of great importance. Thus, this present article intends to focus on the analysis of fashion retail requirements, focusing mainly on vendor management.

## Fast Fashion

The fast fashion brings the philosophy of flexibility and agility and is a determining factor for success and failure (Cietta, 2012; Ciarniene; Vienazendiene, 2014). Although these authors point out that this business strategy is aimed at reducing processes involved in buying cycle and delivery times, in order to meet consumer demand.

This process was more intense due to the large increase in demand occurred in the years 1980 and 1990. Thus, the manufacturing sector started to use outsourcing as a resource to increase their production capacity. Outsourcing implies changes or realignments of all agents active in a given supply chain (Vernalha; Pires, 2005).

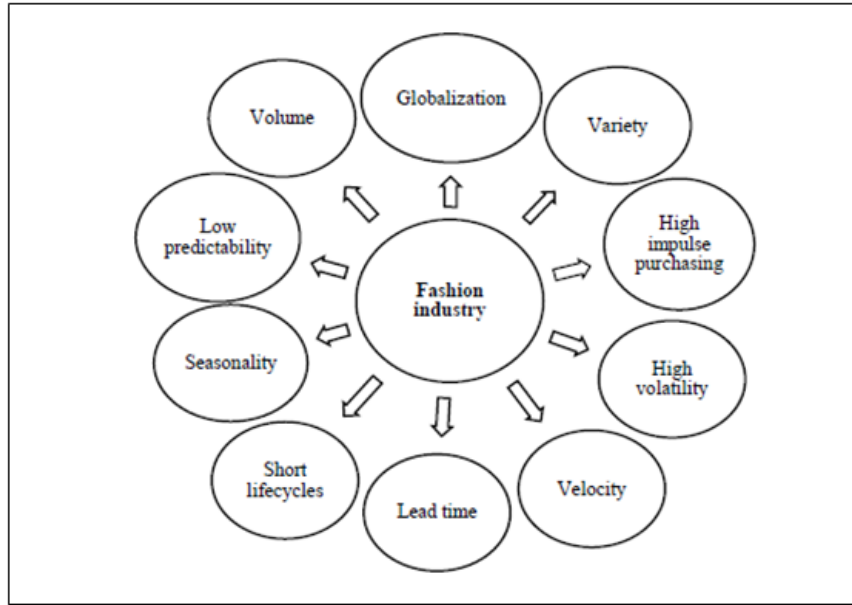
The development of this system occurs in two ways, according to Berlin (2012). In the first case, the retailer contact is the supplier and contract is the development of parts. In this case, the supplier provides the tissue and inputs and after the pilot part is made and approved, the retailer pays for the product, and to obtain speed, economical and higher profits, by distributing production to its partners. In the other case, the retailer determines the product, purchase inputs and raw materials and outsources the production process, only paying for labor. Figure 1 shows this process.



*Figure 1 – Representing the production and development process.*

*Source: Prepared by authors.*

Fast fashion is characterized by volatility, velocity, variety and dynamism, enabling the service to changing market demand in a few weeks (Cietta, 2012; Ciarnierne; Vienazindiene, 2014), thereby, meets the wish consumer at the height of his needs for consumption because shortens processes by obtaining new fashion products. It is a system driven by the consumer, that cannot be straight and stable, and its main features are show in figure 2.



*Figure 2 -The Main Characteristics of Modern Fashion Industry*  
*Source: Ciarniene; Vienazendiene, 2014*

In the face of complex characteristics of this system, it becomes necessary for companies to develop strategies that allow greater control of the production process, as well as constant monitoring of business partners, reducing the risks involved.

### **Supply Chain Management of Fast Fashion**

The textile retail sector has a chain of long, segmented clothing manufacturing suppliers with a high degree of flexibility and prevalence of subcontracting process (Kogg; Mont, 2012).

Humphrey and Schmitz (2001) assert that trade in products such as clothing, it is increasingly organized by global buyers, which can work for or act on behalf of large retailers or branded companies. Decentralized production, usually held in developing countries and in a piecemeal fashion, with different levels, as shown in Figure 3, shows the relationship between Retailers and Supply Chain (Rech, 2006; Gerrefi, 2001).

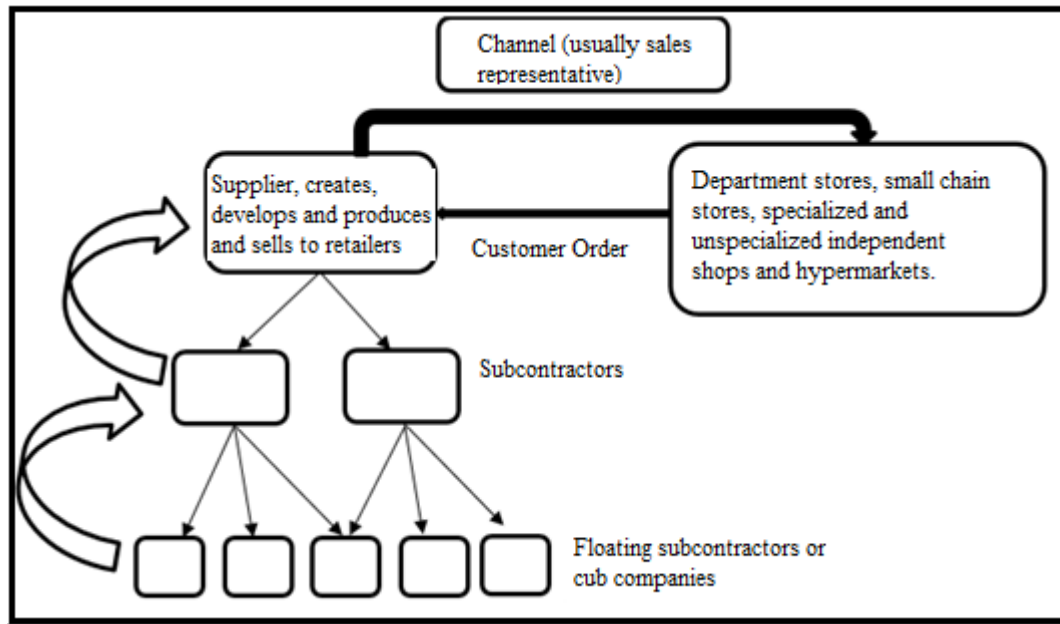


Figure 3 - Demonstration of the complex supply chain of MVM.

Source: Prepared by the authors.

To pass along certain productive activity, companies go, indirectly to be supply by new suppliers and face the need to organize practices that enable a better and closer relationship between the various agents of the chain (Vernalha; Pires, 2005).

The supplier management contributes to greater involvement and knowledge of the production chain, enhance dialogue, allows greater control over aspects of the product, exchange of experience adopting best practices, among others, being matters of fundamental importance to the success of the chain and the retailer, creating a pattern to be followed generating customer Value (Zadek, 2004; Grose, 2013; Kogg; Mont, 2012; Li Et Al, 2014; Amato; Marinho, 2014).

Therefore, the great challenge of the company is its ability to measure the consequences of their internal and external actions in the medium and long term, enabling to anticipate. Being required for this, recognize the mutual dependence between corporations, society and the environment and the integration of these actors, the amount of training, the value of training and shared and indivisible responsibility, in order to search for sustainable standards (Porter, Kramer, 2006; Abramovay, 2009; Veiga, 2010; Sachs, 2008; Li et al, 2014).

## CASE STUDY

The textile production chain, for its high level of complexity and understanding, requires techniques that help a better understanding of the facts and stakeholders.

Initially it was performed literature review, to enable a better understanding of the issue, which according to Gil (2002, p. 45) "allow the Investigator to cover a range of phenomena much wider than that which could directly search", whose design the case study, which according to Yin (1994), provides a comprehensive and meaningful research of real life. Cooper

and Schindler (2011), they claim that the case study is a combination of analysis of records and observations allowing conducting individual interviews.

The company under investigation is from Brazil, has 18.000 direct employees, and has a chain of 262 suppliers and 1696 sub-contractors in textiles, footwear and accessories, and only the textile sector of the company has 171 suppliers and 1586 sub-contractors. The company consists of shareholders and its shares are trade on the Brazilian market bags. With the creation of the corporate sustainability index CSI, a tool for benchmarking the performance of companies listed on the BMF & BOVESPA under the aspect of corporate sustainability, based on economic efficiency, environmental balance, social justice and corporate governance (BMF & BOVESPA, 2015), becomes of utmost importance to valuation of the firm conduct based on ethics and transparency of business.

## Company's Supplier Management

Quality management, compliance and continuous improvement has 40 employees, and are concentrated in a single department, supply chain, under the supervision of senior manager.

## Supplier's Registration and Compliance Management

For introduction of a new supplier, the company has a registration department, which analyzes the real need the provider, and if that fits the standards required by the company, through an Interview. After this evaluation is allowed this supplier makes your registration request on the company's website, and subsequently, requires some documents of a fiscal nature.

After registering, is carried out a compliance audit for approval of its chain, made by the department of supplier. This compliance management department acts on the chain of incoming and existing suppliers, with pre-established requirements for fast fashion, as well as codes of conduct and manuals.

The requirements used for the registration of a new supplier or maintenance therefor, are described in Table 1.

*Table 1 – Requirements for registration or supplier maintenance*

<b>New Supplier</b>	<b>Maintaining Active Supplier</b>
<ul style="list-style-type: none"> <li>- Must have ABVTEX certification;</li> <li>- Must have your chain certified by ABVTEX;</li> <li>- Produce internally;</li> <li>- (Must have) internal auditor (where this auditor/s in its chain of subcontractors);</li> <li>- To be approved in the second part of the audit firm (of the company);</li> <li>- Do not have any tax contingencies.</li> </ul>	<ul style="list-style-type: none"> <li>- Must keep your annual ABVTEX certification as well as of its chain;</li> <li>- (Must) maintain domestic production;</li> <li>- Keep an internal auditor (where this auditors its chain of subcontractors);</li> <li>- Maintain approval audit consent of the second part of the company;</li> <li>- Do not have any tax contingencies.</li> </ul>

*Source: Prepared by the authors*

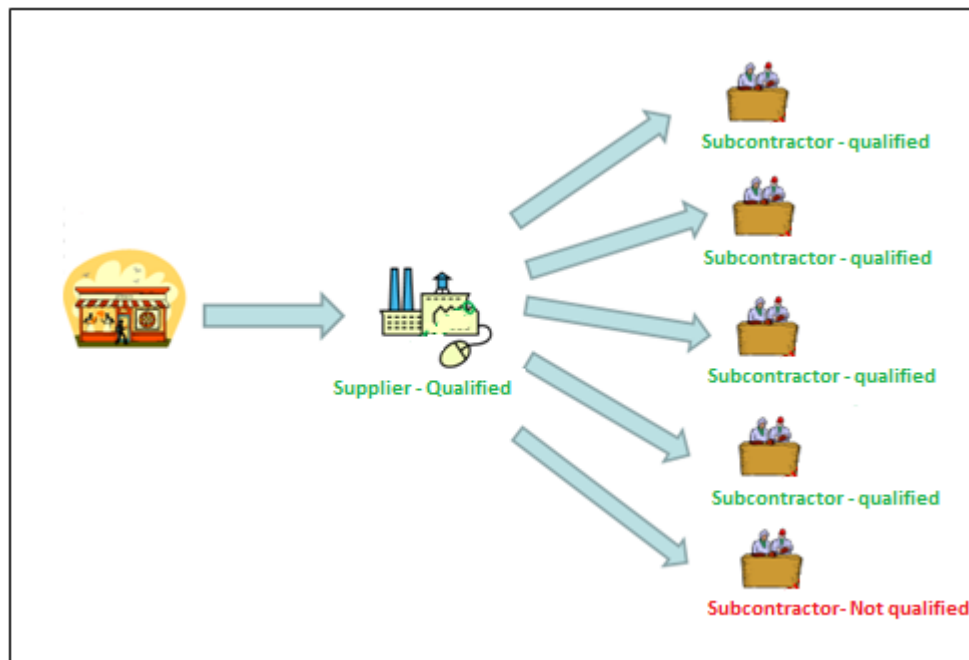
The company also audits the subcontractor chain suppliers, to keep control over the entry and exit of new producers, which can ensure greater transparency. The requirements are described in Table 2.

*Table 2 – Requirements for registration or subcontractor maintenance*

New Subcontractor	Maintaining Active Subcontractor
<ul style="list-style-type: none"> <li>- Must have ABVTEX Certification;</li> <li>- Must have more than 10 employees in the sewing process of clothing items;</li> <li>- To be approved in the audit of the second part, held by the company.</li> </ul>	<ul style="list-style-type: none"> <li>- Must maintain ABVTEX Certification;</li> <li>- Must maintain approval in the audit of the second part.</li> </ul>

*Source: Prepared by the authors*

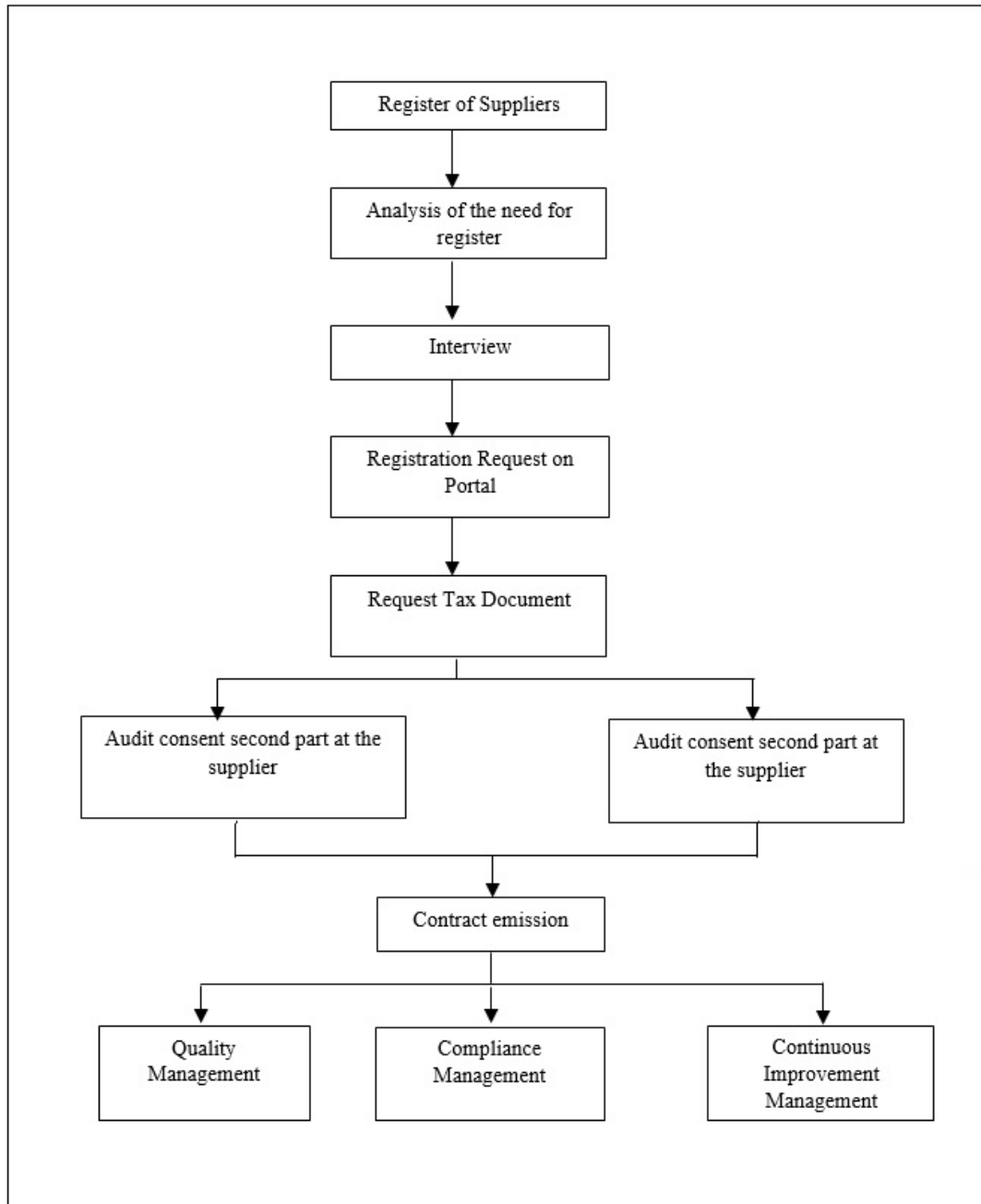
Being approved in the steps above, it has prepared and sent to the supply contract, starting the partnership. If any subcontractor's supplier are not certified, even if the supplier is, they will not be approved to provide products or services, as shown in Figure 4.



*Figure 4 – Unfit supplier.*

*Source: Prepared by the authors*

These requirements are adopted to 100 % of the company's suppliers. Figure 5 shows the flow of the requirements for the entry of a new supplier.



*Figure 5 – Flow representation requirements for entry of a new supplier.  
Source: Prepared by authors*

## Quality Management

The quality sector still does not perform controls 100% of pre-production samples, but performs some tests on suppliers and has a third to carry out inspections of factory products. Also has a technical team to support providers in process improvement continues quality. The analyzed requirements at the inspection of the product are:

- ✓ Visual: checked for product defects, legal information, labels and if the product complies with the pilot part.
- ✓ Dimensional: the measures of the pieces are analyzed;
- ✓ Logistics: it is assessed if the hangers, price tags, number of pieces and packing are in accordance with the request.

## **Continuous Improvement Management**

This sector works together with the companies, assisting them in internal controls in order to improve their production lead times. To apply both tools to improve process control, increase production speed, contribute to the reduction of costs and improvement of product quality and improve the working environment, with organization and cleanliness. Kaizen are applied, Kanban, 5S, change layouts, among others. This process is performed for only a small sample of Suppliers, 25 strategic ones for the company.

## **CONCLUSION**

After analyzing the characteristics of the system fast fashion and their need to be fast and agile, it is possible to understand the importance of a supply chain that can attend the demand of the quoted system.

Because these suppliers work in an outsourced labor relation, supplier management is extremely important for the company, as well as enables greater control and an engagement between the company and its contractors.

The administration of these suppliers also reduces the risk of brand exposure on possible complaints and government enforcement actions. It also improves and strengthens the company's image across the stakeholders and shareholders, transmitting values that go beyond the pieces.

The company in study presents a concisely supplier management, but has a high number of suppliers and subcontractors, making monitoring and effectively controlling difficult.

It is still necessary to have a greater expansion of the continuous improvement process, because this process is still restricted to strategic enterprises for the company, requiring that more companies can participate. Moreover, in order to guarantee greater control on product quality, the company needs to ensure the pilot piece testing before going into production. These tests include beyond visual and dimensional quality control, testing the physical properties of tissue, which can generate more costs, but will result in less quality problems.

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