

Lean Thinking in Luxury Fashion

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Abstract

As technology advances satisfying customers has become more challenging. Businesses are rethinking their business models to remain competitive. Lean thinking is one strategy being used to reduce waste while maintaining quality. Luxury fashion has been affected by the global financial crises and needs to adjust to new business strategies to reduce excess costs. To implement lean thinking there are many different barriers, like cultural differences, communication, and commitment from employees, management and suppliers. However, implementing lean thinking in the luxury fashion market has unique barriers, like high variability, quality and a short product life cycle.

Some recommendations that will ease implementing lean thinking into luxury marketing are value stream mapping the production process to recognize inefficient systems in production. Introducing the Kinban system to facilitate production and just in time ordering, lowering the amount of wasteful inventory. Another recommendation is to vertically integrate the supply chain to ensure quality control and lower costs in the supply chain. Finally introduce takt time to determine the time needed to produce products based on customer demand and lowering excess inventory and production times. These recommendations will assist in introducing lean thinking to the luxury fashion market.

1.0 Introduction

1.1 Lean Thinking

As technology has advanced satisfying customers has become more challenging. To be competitive in the marketplace businesses are rethinking business from strategic to operational models. Introducing new managerial paradigms like world class manufacturing (WCM), WCM relies on a combination of lean practices as pillars of integrated systems that encompasses all aspects of the business (Carmignani and Zammori, 2015). Lean practices can be difficult to implement and application in the luxury-fashion market is still rare. Lean thinking and logistics was developed by Womack and Jones in 1992 after they examined the pioneering practices and lean manufacturing implemented in Toyota's mass production (Rania, 2013). If carefully reviewed, many steps from ordering to manufacturing a product add little value to a customer; lean thinking aims a new way to think and organize, using different organizational systems, the supply chain to deliver more value and benefits while eliminating and improving waste (Jones, Hines and Rich, 1997).

1.2 Luxury Fashion

A closer look at the technical definition of luxury refers to premium quality and craftsmanship, luxury goods refers to the finest quality and price (Som and Blanckaert, 2015). Luxury brands and luxury fashion is carefully crafted through marketing and brand strategies to be synonymous in a consumers' subconscious and maintain some characteristics; exclusivity, brand strength, differentiation, quality and premium price (Som and Blanckaert, 2015). Luxury goods have high income elasticity demand. Luxury products used to be seen as an investment but now it is more of a lifestyle choice (Som and Blanckaert, 2015). Luxury fashion is typically recession proof, however it has struggled with the recent global financial crises, with luxury houses closing and absolving into conglomerates like LVMH (Som and Blanckaert, 2015). Lean thinking is one way the luxury fashion market and designers can lower expenses while still maintain quality.

Lean thinking and luxury are opposing principles; lean thinking streamlines manufacturing, preserving value with while reducing work, and luxury responds to customers and their desires, making each good personalized to the customer (Carmignani and Zammori, 2015). Which is why implementing lean thinking into luxury fashion is difficult to implement.

2.0 Literature Review

2.1 Lean Thinking

Lean thinking reduces waste costs though still maintaining quality, and increasing customer satisfaction and value, however it can be difficult to implement. Introduced by Womack and Jones in 1992, after observing Toyota's manufacturing practices (Rania, 2013). Lean thinking is a total systems approach to create an efficient operation, including concepts such as just in time (JIT), value stream, total quality management (TQM), and supply chain management (SCM), this complete change of systems is difficult to practice with success (Jadhav, Mantha, and Rane, 2014). Lean thinking facilitates increased capacity, higher productivity, higher quality, while simultaneously reducing lead times and inventory and increasing production efficiency (Rania, 2013). Lean production can be defined as an integrated socio-technical system whose objective is to minimize waste by reducing customer, supplier and internal variability (Shah and Ward, 2007).

An informal survey revealed 70 percent of manufacturers implementing lean practices experienced a decay, and returned to the original process of production (Jadhav, Mantha, and Rane, 2014). One barrier to lean thinking are cultural differences discussed by Herron and Hicks (2008) as they explored transferring lean manufacturing and Japanese manufacturing into Western manufacturers. They found that there were societal and strategic thinking mismatches (Herron and Hicks, 2008). Japanese culture has interlocking and strong relationships with suppliers, encouraging loyalty amongst businesses and different parts of the supply chain, connections Western companies do not build with their business relationships (Herron and Hicks, 2008). Another reason lean thinking fails to perform is the lack of support and cooperation in employees and management, failing to engage and adopt a lean improvement culture in the workforce (Robinson and Schroeder, 2009). For a lean thinking transformation the organization needs strong leadership, top management needs to give commitment and support to sustain lean manufacturing (Wong, Wong and Ali, 2009). Without top management involvement there can be a break down in communication and cooperation with employees, leading to further problems with lean manufacturing in the supply chain (Cudney and Elrod, 2010). Without

organizational cultural awareness lean thinking is difficult to implement, if leaders and employees in the company do not share beliefs in lean manufacturing it will fail (Robinson and Schroeder, 2009). More commitment and training is required for employees in a lean thinking system, and lack of awareness from employees of lean concepts and lean systems will ultimately disappoint in trying to coalesce lean thinking practices (Houshmand and Jamshidnezhad, 2006). While companies need to embrace a positive organizational culture and train employees to properly adopt lean procedures, companies also need to extend lean practices to the supply chain. A barrier in lean thinking is a lack of resources. Majority of production costs are sustained in purchasing materials, manufacturers must be proactive in sourcing materials and developing mutually beneficial partnerships with supply chain members to give them reliable, quality and cost effective supplies (Yasin, Small and Wafa, 1997). This barrier is mentioned earlier between cultural differences in Japan and Western countries, quality is a major focus of lean manufacturing and without supplier relationships lean thinking and its benefits cannot be implemented (Wong, Wong and Ali, 2009).

2.2 Lean Thinking and Fashion

Lean thinking can be incorporated in fashion to reduce lead times, while maintain quality and reducing costs, an example of this is Zara. Using vertical integration, the supply chain and just in time advancements Zara has implemented lean thinking into their manufacturing and improved their reaction and lead times to new trends (Marinez, Errasti and Rudberg, 2015). This responsiveness is created through a combination of Zara's flexible capabilities and in house manufacturing (Kaipia and Hartiala, 2006). Zara uses a large global supply chain so it does not rely on a single supplier, and builds relationship with their suppliers by giving financial and logistical support (Christopher and Peck, 1997). All product enhancing cost effective operations better done through economies of scale, like dyeing, are done in house (Kaipia and Hartiala, 2006). This process keeps inventory and inventory cost at a minimum as Zara only pays for the finished product (Christopher and Peck, 1997). This system is flexible enough to react to change, and production is always kept at low levels to keep stock moving (Christopher and Peck, 1997).

Lean thinking can be introduced to fashion, however focusing on the luxury market there are distinctive barriers lean thinking has to overcome. Certain characteristics are considered crucial

for a luxury brand, including attributes of quality, craftsmanship, exclusive and unique products (Fionda and Moore, 2009). Design houses use these attributes to create key products which are iconic to the brand signature which is difficult for lean thinking to assist and imitate (Fionda and Moore, 2009). Lean thinking, production and manufacturing, is more focused on producing a quality product without high amounts of variation (Rania, 2013). Fashion has a short product life cycle, with at least two seasons a year needing to be produced and sold. Short product life cycles implies unstable production as each collection is different and quickly becomes obsolete, which requires production to be heavily planned and anticipated nearly a year in advance (Patil, Avittathur and Shah, 2010). This quick turn over prevents easily implementing lean manufacturing practices and using production commonalities to facilitate in standardizing production, which would reduce lead times and maintain product quality (Rania, 2013). Employing lean thinking is difficult in luxury fashion, and ensure designers are able to maintain their level of quality, production output and variety. These are specific barriers to incorporating lean manufacturing in luxury fashion.

3.0 Recommendations

The luxury market has remained steady through depressions and recessions, however recent trends in the global economy have seen a decline in luxury purchases. Luxury goods are unique and quality products, usually with a premium price (Som and Blanckaert, 2015). Adopting lean thinking and strategy can eliminate waste and cut costs within fashion houses, and overall improve their operations. As seen above there are barriers to adopting lean practices in luxury fashion, trying to maintain high quality of the products, variety and ensure there can be multiple seasons in one year.

3.1 Value Stream Mapping

To fully comprehend and discover where in the supply chain processes need and can be improved a value stream map should be made. Value stream mapping is a simple tool used to redesign value streams. Value stream mapping analyzes the current value stream and discovers sources of waste are uncovered and reduced (Haefner, Kraemer, Stauss and Lanza, 2014). Communication between workers and management is a problem with introducing lean thinking,

mapping the value stream can clearly indicate and communicate problems in the supply chain to the entire company (Haefner et al, 2014). A recommendation in implementing lean thinking in luxury fashion, is to map the value stream as it increases communication between employees and clearly identifies problems and facilitates formulating goals to improve the supply chain.

3.2 Kanban System

To continue improving communication and optimizing a 'pull' system through production, a Kanban system should be introduced into luxury supply chains. Kanban is a scheduling system for lean manufacturing and a method of just in time manufacturing; it is an inventory system to control the supply chain (Orr and Orr, 2014). Kanban uses demand signals down the supply chain to re-supply according to the demand of the customer and as inventory is needed, this system keeps lead times and inventory low (Orr and Orr, 2014). Kanban is a simple system to initiate and improve on communication in the supply chain and reduces inventory and time waste.

3.3 Supply Chain Vertical Integration

The importance between the supply chain and manufacturers is demonstrated with the success of Zara's transformation into lean logistics. Zara is a fast fashion company, with a high turnover of inventory and ranges and lower quality, however they have successfully implemented lean thinking into their practices by specifically focusing on their supply chain. A recommendation for luxury designers is to vertically integrate the supply chain, similar to Zara. A barrier that is commonly seen with lean thinking is building relationships with suppliers. Suppliers are integral to lean practices as they effect quality and any disruptions will effect production and increase waste (Wong, Wong and Ali, 2009). Zara's example of building relationships with their suppliers through logistical and technical support, as well as finishing products in house, has allowed Zara to lower costs, maintain quality and respond to change in trends and their ranges (Christopher and Peck, 1997). Luxury fashion houses should begin to integrate the supply chain by improving supplier relationships and incorporating the finishing embellishments in house. Providing services in house allows the fashion house to react to different season trends quicker, changing embellishments and designs as needed (Christopher and Peck, 1997). This ensures quality is maintained throughout the process and that waste is eliminated, in extra costs and time.

3.4 Takt Time

The minimal recommendation a luxury company can adopt to integrate lean thinking is focusing on takt time. Takt time is the average measure of the time to produce a product depending on customer demand, therefore lowering inventory (Orr and Orr, 2014). Discussed earlier, luxury items and brands produce iconic pieces that represent the brand, like the Hermès Birkin bag. This is an iconic item from Hermès with a starting price of 6,000\$ USD this bag represents luxury (Geiger-Oneto, Gelb, Walker and Hess, 2012). The Birkin bag also has a large demand, and represents a large profit margin for Hermès (Geiger-Oneto et al., 2012). To integrate lean thinking, apply takt time to produce luxury products at a standard time, per customer demand. Quality and demand of the iconic luxury product is still maintained, while the amount of wasted products, time and inventory is lowered.

4.0 Conclusion

There are challenges and barriers in implementing lean thinking in businesses besides luxury fashion, cultural differences, communication and commitment from management and workers, that need to be overcome for lean thinking to be a success. For lean thinking to be a success, luxury fashion has to view the supply chain as the first and best way to begin implementing lean thinking.

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