2021 Fashion Scholarship Fund Case Study

SUPPLY CHAIN

BACKGROUND:

The rapid technological advances within the fashion and retail industry have provided the opportunity for existing and new brands to develop a relationship with consumers and sell directly to shoppers with a Direct-to-Consumer ("DTC") business strategy. Using the internet, brands are creating their own websites for e-commerce and use social media (Instagram, YouTube, Facebook, Pinterest and more) to create brand awareness and demand for fashion apparel and accessories products.

Strong national brands that traditionally have sold to brick and mortar department and specialty stores are watching their retail partners shrink their store base and, in some cases, go bankrupt. Many of these brands have implemented a DTC strategy to replace lost wholesale sales and foster growth, through opening mono-brand retail stores as well as launching e-commerce platforms. However, such a strategy also brings many challenges. Significant investments in new technologies to support distribution logistics, customer service and inventory management are required. Website content in the form of digital imagery and content for all products offered must be created and managed. Distribution centers must be equipped to support direct shipment to consumers as well as handle product returns. Product packaging and labeling must be adapted to support bulk shipments to wholesale customers as well as direct shipments to consumers, impacting all areas of the supply chain.

OBJECTIVE:

You will research and develop a plan involving the supply chain component of a new DTC e-commerce business for a branded company (men’s, women’s, kids, or gender neutral) that spans one or more of the following product categories: apparel, accessories, footwear, home or beauty products; and has traditionally been a wholesale brand selling through various retail channels (department stores, specialty stores or mass merchants, and discounters). The company that you select for your presentation should also operate its own mono-brand retail locations. You will support the evolution of a supply chain that was originally set up to primarily meet the needs of a wholesale fashion business, to address a nimbler DTC business model that can support both wholesale and DTC distribution operations. The fashion company that you select should have a minimum annual sales revenue of $1 billion. Examples of wholesale fashion brands that have created an ecommerce DTC business include: Coach, Michael Kors, Nike, Nautica, Ted Baker, Vince, Tommy Hilfiger and Ralph Lauren.
Your presentation should be submitted as a 13-slide deck, landscape orientation, with slides sized for on-screen show 4:3, 10” x 7.5”. Submission files can be created in any software of the applicants choosing (PowerPoint, Keynote, Adobe InDesign, Illustrator etc.), however, all cases must be submitted in a flat PDF format without video or sound.

No specific font or format will be enforced, and you are encouraged to utilize visuals throughout your presentation (all digital images used must be properly cited). It is advisable to not overload each slide with information, and to keep your presentation concise and to the point: each slide should take no more than 1-2 minutes to be absorbed by the reader. All references should be annotated in slide footnotes. If additional footnotes are necessary, you may add one (1) additional slide to the Appendix for footnotes. Do not use hyperlinks in a footnote as the content cannot be accessed once the case study is converted to a PDF to upload. Be sure to proofread your case study. Points will be deducted for not following format directions, as well as for grammar and spelling errors.

**ECOMMERCE LAUNCH/SUPPLY CHAIN MANAGEMENT**

You are the Supply Chain leader for a branded fashion company (using the criteria set forth above) that historically sold primarily through wholesale accounts. In recent years, your company opened mono-brand stores and thus entered the DTC retail channel, establishing a direct relationship with the consumer through an internally managed brand presence.

Although your company’s products are sold on the e-commerce platforms of your wholesale customers, the company plans to expand its DTC business by launching a directly managed e-commerce website. You have been asked to develop a framework for the key investments and decisions that the company must make in order to make the launch successful.

Use the following KPIs for the e-commerce business covering order processing, returns and markdowns for the next 3 years as you answer the questions on this case study. They will be the basis of your framework:

a. Units per order: 2.3
b. Fulfillment cost per order- from DC: $1.75
c. Fulfillment cost per order – from stores: $2.50
d. Shipping cost per package: $5.00
e. Return %: 15% *(This is low for e-commerce and will factor into answers below)*
f. Returns cost per unit (shipping and processing) – DC: $.75
g. Returns cost per unit (shipping and processing) – Store: $.05
h. Average markdown for a store return: 40%
i. Average markdown for a DC return: 20%

**SLIDE 1:** Include one title sentence to summarize the case and discipline of your case study.

**SLIDE 2:** Outline how your deck is broken out (suggested slide assignment below optional).

**SLIDE 3:** Write an executive summary, covering all components of your case study. This should not be a summary of your case background or an introduction. People reading your executive summary should get the essence of your case study without fine detail. The executive summary should be in paragraph format, no longer than 300 words.
SLIDE 4: Identify one branded fashion company that has traditionally been a wholesale brand selling through various retail channels (department stores, specialty stores or mass merchants, and discounters) that you choose for this case study. It may be a public or privately-held company. The brand you choose must have a minimum of at least $1 billion in annual revenue. Focus your case study on one region, such as the US and/or North America, or Europe. Explain why you chose this company and provide a brief summary of their business, with information that is relevant to the supply chain issues of the case.

SLIDE 5-6: Determine whether your company should fulfill e-commerce orders from its mono-brand stores initially, and if so, at what point should the company develop a dedicated e-commerce warehouse and fulfillment location that can deliver to consumers? Consider the processes required to handle customer returns of product to the company-run stores. Which technologies would you need to deploy to support fulfillment from stores (i.e. order tracking, inventory management, returns processing)?

SLIDE 7: Using the KPIs noted above, develop a 3-year forecast encompassing sales volume through the e-commerce platform and related fulfillment costs. Show sales volume in both dollar value and unit terms. Take product returns into consideration when preparing your forecast.

SLIDE 8-10: In thinking about how your company should handle the warehousing and distribution functions supporting the DTC e-commerce business, would you recommend opening a company-owned and operated distribution center (or expanding an existing DC) or use a 3PL (3rd Party Logistics and supply chain management provider)? Explain your choice incorporating cost, expertise and any other factors you deem relevant. Summarize the pros and cons of each approach and articulate your reasoning for your choice. What would have to change in your organization’s process flow when migrating your existing warehouse to handle the quick response, small order shipping necessary for the DTC business?

SLIDE 11: Conduct a detailed cost and benefit analysis of your suggested warehousing and distribution strategy.

SLIDE 12: If you recommend opening a company-owned and operated DC, which technologies would you deploy to support your new fulfillment center? Prepare a simple model of how much your company can invest given the volumes and costs assumed in your plan from KPIs provided.

SLIDE 13: Regarding product sourcing, broadly think through what issues arise with supporting a DTC business model at the point of manufacturing. For example, your wholesale customers require hangers and size strips for certain products they sell, but your e-commerce customers will be individual consumers with different expectations on order delivery. What changes would you need to make at the factory level to have product delivered to your fulfillment center(s) that is ready to ship? What do you need to think through and adjust or add for your DTC fulfillment model?

APPENDIX SLIDES 14-19: Use up to five slides to summarize any research you have done on what logistics factors contribute to the success of your fashion apparel brand’s DTC ecommerce success. Use one additional slide for footnotes and a bibliography.

JUDGING CRITERIA:
Your case will be reviewed by industry professionals including the FSF Board of Governors, FSF Mentors, and FSF Alumni. Judges will use the following criteria to score your case:
CREATIVITY & FEASIBILITY (50%)
▪ Is the applicant’s idea unique, inspiring and innovative?
▪ Is the applicant’s idea well-thought-out and conceivably executable?

RESEARCH (30%)
▪ Has the applicant completed exhaustive research on best-in-class market players and their retailer of choice in order to successfully fulfill the objective at hand?
▪ Has the applicant acknowledged any instances in which their idea (or something close to) has been executed in the past, and whether it was successful?
▪ Does the applicant display strong business acumen and common sense?

CLARITY (15%)
▪ Has the applicant clearly completed each portion of their prompt?
▪ Does the applicant’s case follow logical development and a clear structure; is it easy to follow and summarize?

FORMAT (5%)
▪ Has the applicant used correct grammar and spelling?
▪ Has the applicant included a title page with one sentence to summarize the case?
▪ Was the applicant's name and school kept anonymous?

REQUIRED DOCUMENTS FOR SUBMISSION:
1) Completed FSF Case Study
2) Cover Letter: Please prepare a 250-300 word maximum cover letter containing your response to the following questions:
   ○ Why are you interested in the fashion industry?
   ○ What are your current career aspirations?
   ○ Why have you decided to select your case study discipline?
3) Current Resume
4) Current Unofficial Transcription

DEADLINES AND ANNOUNCEMENT OF COMPETITION RESULTS:
September 30th, 2020 - Complete your Applicant Profile and take the Eligibility Quiz on Wizehive, the case study submission platform. Your FSF faculty member will provide you with the Wizehive link.

October 18th, 2020 - Submit all four of your required documents mentioned above on Wizehive BEFORE 11:59 PM Eastern Standard Time. Please be advised, the Wizehive portal will automatically close PROMPTLY at 12:00 AM EST on October 19th, 2020. Be sure to allow sufficient time to upload all four required documents.

Confirmation of Submission - Once submitted, you will receive confirmation on your Wizehive Homepage that your submission process is completed.

Announcement of Scholarship Results - The Scholarship competition results will be sent to the FSF faculty member at your school by the first week of December. Your FSF faculty member will share the results with you.