



## **LOGISTICS STRATEGY** **Dedicated Follower Of Fashion**

*Fashions come and go more quickly than ever these days, which means the world is constantly changing for fashion retailers and their logistics service provider partners.*

If you dedicate yourself to this industry, as Friedhelm Schmitter does, you can at least be sure there will never be a dull moment.

Mr Schmitter is managing director of Thiel FashionLifestyle, a division of Thiel Logistik AG. Based in Hamburg, he runs outsource logistics operations on behalf of high-profile fashion clients such as C&A, Hugo Boss, and Inditex, the parent company of Zara, as well as for perfume company Douglas.



### **Pictured: Mr Friedhelm Schmitter, Managing Director of Thiel FashionLifestyle**

His is one of only two companies that offers a pan-European hanging garments service — by which a client organisation could have a blouse or a suit shipped from Madrid to Moscow and put it straight onto a sales rack (see image below). This service is a partnership with DHL Exel Supply Chain.

The insight he has had into the supply chains of these important companies, and his own enthusiasm for the subject, have put him in a position to be able to predict the future; he sees changes coming that will have a profound effect on the way outsource logistics service providers support companies in this space.

In fact, the change is already occurring.



The traditional fashion supply chain, in which there are only two seasons — spring-summer and autumn-winter — with almost all garments coming from manufacturers in south-east Asia (with a correspondingly long lead-time) survives. Companies that run in this way still enjoy a substantial market share, he points out.

However, no one can ignore the rise of a new breed of fashion supply chain, engineered by companies Mr Schmitter refers to as “the verticals”. Zara, Mango and H&M are the most prominent examples.

These are companies that have vertically integrated everything they do. They have their own points of sale, sophisticated demand management information, their own manufacturing capability, their own IT systems, 12 or 16 seasons each year, with smaller lots and a much faster turnaround time for delivering products into shops.

“The verticals are the future,” Mr Schmitter insists. “They have everything. Chinese companies may have enormous manufacturing capability, but what they don’t have is a point of sale in the European market. Manufacturing capability on its own is not enough. You have to be able respond quickly to changes in consumer demand. That’s why, thinking about this from an academic and philosophical standpoint, I’m convinced it means production is coming home.”

He tells Thiel FashionLifestyle customers all the time that they have to maintain a production presence close to their big markets in Europe. That may be on the doorstep rather than in those countries themselves — Turkey, Macedonia and countries in eastern Europe offer good possibilities. But 28 days away by container ship is too far.

The traditional way of doing things, he explains, was all about economies of scale. That’s changing, and in this industry, the key now is “economies of speed”.

He’s fully aware that not everyone can be a Mango or a Zara — small ‘mom and pop’ boutiques lack the scale and the volume to be able to use those companies as a benchmark. Nevertheless, Mr Schmitter is convinced that in the near future medium-sized fashion retailers, working in partnership with skilled logistics service providers, will be able to emulate what these market-leaders do.

They too will be in a position to have suppliers that are relatively close at hand manufacture, in small quantities if necessary, the clothes they know their customers will buy. With an expert logistics operator providing the platform, they will be able to build what he calls a supply chain community.

“We are in eastern Europe already,” he explains, “and we have the relationships. We have the warehouses, the cross-docking facilities. We have the people in place to carry out labelling, quality control, pre-production tests, post-production tests, store-ready sorting and so on at the production site, and the distribution system to deliver the right products to the right point of sale.”



The Zaras and Mangoes of the world take care of most of these things themselves — they use outsource logistics service providers, including Thiel FashionLifestyle, when they have to, but they are largely self-sufficient in logistics, as in everything.

However, if they put their trust in an expert logistics partner, mid-size companies can build a similar supply chain set-up. Mr Schmitter argues that, if these smaller fashion retailers enter into a strong relationship with companies such as his, they can achieve success in the future. And he draws a contrast between the traditional companies in this space — for whom logistics was something they never talked about — and the industry stars of the twenty-first century, for whom logistics is a core competence.

He says: “Most fashion companies’ supply chains are buyer-driven and it has been like this for 40 years. Now we’re beginning to talk to the sales people instead. They need the fashion items on the shelf in the store so that customers can buy them when they come into the shop. We can help them do it, but they need to give us the keys of the store to let us get in before 10 o’clock in the morning. The advantage for them is that their people can then concentrate on selling, instead of having to do so many things that have nothing to do with selling.”

Companies that sell clothes vary greatly, though, and Mr Schmitter points out that there is no single logistics strategy that he can apply to them all. “There’s no system you can open over the whole industry like an umbrella,” is his way of putting it.

There’s emotion involved: the flooring, the lighting, the weather ... all of these bring an influence to bear when the customer buys; it’s not like buying a car or food, he insists. And it’s the same with the selling companies. They like what they like, and their logistics service providers have to have the necessary flexibility to meet their demands.

To give a concrete example, one of his customers, Woolworth Germany, recently asked Thiel FashionLifestyle to start daily shipments of textiles goods from Turkey to North Rhine Westphalia by rail. It wants a greater guarantee of punctuality and better security and it sees rail shipments as a good solution.

Mr Schmitter says logistics service providers have a duty to understand their customers and to make available to them solutions that really do meet their needs. For this reason, it can be good to concentrate on a particular vertical industry. He says he loves his fashion-industry customers, and that their industry is his life and in his blood; he believes his company has much to offer them.

[Thiel \*fashionlifestyle\* named 'Best European Fashion Logistics Provider 2007'](#)