

## **Introduction**

FlairWear is an Indian apparel company that sells all types of clothing for men, women, and kids. The product categories include casual, business, and sports wears. FlairWear has been operating in the industry for eight years now and enjoys a market share of 6%. The company follows a consumer-centric approach and quarterly introduces new product lines in the market. The new products are always in-tune with the current style trends, and the company incorporates design changes frequently as per customer feedback to improve quality. Because of the availability of fresh products in the market and affordable pricing of its products, the company enjoys the loyalty of its existing customers and a healthy in-flow of new customers every month.

## **Business Model and Supply Chain**

FlairWear doesn't have a manufacturing plant but instead purchases it from WeKnit, a clothing manufacturing company. Both the companies have a long-term contractual agreement wherein FlairWear sends its design specifications to WeKnit, and WeKnit delivers the products as per those specifications within a month. To ensure that the products meet the quality parameters at WeKnit, FlairWear has set up a Quality Assurance office at WeKnit.

Once the orders for FlairWear are ready for dispatch at WeKnit, FlairWear is responsible for picking up the rankings and dispatching them to any of its ten warehouses situated all over India. The apparel distribution team of FlairWear keeps track of the inventory in each warehouse and decides to which warehouse the orders are to be dispatched. FlairWear doesn't own any of the transport vehicles. So, it avails the services of two distributors to help transport the apparel to its warehouses—only one distributor services each warehouse to avoid conflict between the two distributors. The distributors deliver the consignments to the warehouses once every month.

Once the consignments are delivered to the warehouse, the next step is to distribute the apparel to FlairWear's 200 retail stores located all over the country. FlairWear utilizes the services of the same two distributors to service its retail stores too. The apparel distribution team analyzes the inventory of each of its 200 retail stores. Based on the inputs from the sales & marketing team of FlairWear, finalizes the SKUs and lot-size of different products for its retail stores. They place orders at the warehouse on behalf of stores and dispatch the clothing accessories weekly with the help of the distributors.

The retail stores are the only point of contact for the customers, and they work diligently to generate sales through excellent customer service. The salespeople are highly trained and often humble. FlairWear mandates the stores to capture customer feedback to know their likes, dislikes, preferences, expectations, and usual demographic data. Even when a customer doesn't make a purchase, the customer information helps FlairWear identify its areas of improvement and strategize for future product lines. However, the process is very labor-intensive, requiring a salesperson to spend 10 minutes on average with each customer to get all the details.

The customer feedback data is utilized by the design team and the sales & marketing team of FlairWear to help design new products and devise strategies to market & sell them. Selected information from customer feedback is also sent to the Quality Assurance team and WeKnit to improve baseline quality parameters to meet customer expectations.

The company's operations were going smoothly, receiving positive feedback from consumers. FlairWear was receiving fewer complaints and more positive replies from customers. A few problems were addressed gradually in subsequent lots, earning it a high level of customer satisfaction and goodwill in the recent past. Additionally, sales expanded as more consumers became aware of the brand through various marketing team activities and word-of-mouth advertising. With everything coming into place over time, its next priority was to grow its operations to gain a larger market share. The senior management met multiple times and discussed several options thoroughly before finalizing a strategy to develop a digital presence and e-commerce channel for the firm to leverage sales from clients who prefer online shopping.

FlairWear launched an e-commerce website that makes all of its product lines available to customers with a single click. Customers may now establish an account, add payment methods, and deliver addresses on the website. They may order the goods from the comfort of their own homes and have them delivered right to their door. Everything went according to plan in the next month, with more and more traffic arriving at the website, engaging with it, and converting into paying customers. The response to the digital presence was increasing at an exponential rate.

## **Problems**

With the impending pandemic in the second quarter of 2020, everything was up in the air. The country saw unprecedented nationwide stringent lockdown limits. The lockdown forced all companies to close temporarily, leaving only essential services operational. It resulted in a significant loss for the firm. Still, it also negatively impacted the recently formed online shopping channel, as the company's whole supply chain was interrupted due to the lockout. Even after the shutdown, WeKnit's activities were irregular for an extended period, resulting in longer lead times, and many customers switched to competitors in the online arena. The corporation attempted to captivate the audience by introducing new product options and expanding the diversity of its web channel, but this was ineffective.

As time passed, the operations were revived, and business resumed. Still, the company encountered a new regular problem of excessive demand fluctuations, which caused inventory management chaos at the company's distribution centers, compounding the issues of the company's supply chain and distribution systems. The sales from retail stores were stable and predictable before the pandemic. But the situation has changed right now for the worst. Adding to this is the unpredictable design nature of the e-commerce website, which saw mammoth growth in demand and inherited huge demand fluctuations. The swings in demand were so large that distributors struggled even to recover their expenses during months of low demand. The distributors were enraged that the e-commerce website was eating into their revenue. All these factors infuriated the distributors, and they threatened to terminate their agreement with FlairWear to join the distribution channels of well-established global rivals. The firm has attempted to keep them by giving trade promotions and bulk discounts, which has resulted in further issues for some distributors in terms of stock clearance.

WeKnit is facing its own set of problems. Its primary client, FlairWear, is facing demand issues because of which WeKnit has to manage orders of varying quantities. Sometimes, the orders are too small that WeKnit has idle capacity, which is finally wasted. Other times the orders are too large that it surpasses the power of WeKnit. The management at FlairWear is aware of the trickle-down issue that WeKnit faces.

They also knew that if FlairWear didn't stabilize its operations, they would soon have to find another manufacturer for sub-contracting. WeKnit would be glad to break the partnership to cut its losses.

FlairWear's senior management is currently considering a solution to all of the problems in its supply chain and distribution system. They are now devising strategies to benefit everyone in the supply chain and return online operations to pre-pandemic levels. They are at a crossroads regarding how and to what extent they can harness new technologies and precisely which technologies, optimize the supply chain while maintaining good relationships with distributors to reduce attrition, serve the end consumers well, and grow with everyone else in the chain.

### Case Questions

1. What is/are the core problem(s) that FlairWear needs to address?
2. What should be the company's short-term, mid-term, and long-term strategies toward a sustainable supply chain?
3. What is the expected output(short-term), outcome(mid-term), and impact(long-term) of the company's strategies?
4. How can FlairWear leverage digital innovations to gain a competitive advantage and develop an intelligent supply chain?
5. How can FlairWear keep the costs of distribution at optimum?

### Exhibit 1: Diagram of current supply chain



### Exhibit 2: Cumulative demand for retail stores and website

*Retail Stores: (in Million Rupees)*

Year Month	2017	2018	2019	2020	2021
January	31	33	35	36	18
February	25	27	27	23	16
March	18	17	19	16	11
April	13	15	16	8	7
May	7	9	13	5	14
June	5	5	8	3	15
July	8	7	10	7	12
August	16	19	18	11	15
September	22	23	25	10	18
October	27	26	29	13	14
November	35	38	40	12	16
December	30	33	36	10	20

Online Store: (in Million Rupees)

Month \ Year	2021
January	0.8
February	1.3
March	2.4
April	1.9
May	2.1
June	2.8
July	3.3
August	3.7
September	3.4
October	3.6
November	4.1
December	4

**Exhibit 3: Distances between different locations (in kilometers)**

Locations	Mumbai	Indore	Gurugram	Kolkata	Bengaluru	Guwahati	Surat	Jaipur	Lucknow	Bhubaneswar
Mumbai	0	584	1376	1918	984	2738	279	1146	1377	1758
Indore	584	0	815	1574	1340	2156	490	569	794	1271
Gurugram	1376	815	0	1563	2115	1916	1120	234	584	1778
Kolkata	1918	1574	1563	0	1870	1036	1863	1512	1009	440
Bengaluru	984	1340	2115	1870	0	2964	1250	1929	1866	1428
Guwahati	2738	2156	1916	1036	2964	0	2623	1931	1360	1417
Surat	279	490	1120	1863	1250	2623	0	884	1262	1580
Jaipur	1146	569	234	1512	1929	1931	884	0	573	1793
Lucknow	1377	794	584	1009	1866	1360	1262	573	0	1224
Bhubaneswar	1758	1271	1778	440	1428	1417	1580	1793	1224	0

**Note :**

- Assume freight charges to be uniform across the country at ₹ 40/ km.