Fast Fashion Supply Chain Optimization

Group members: Saachi Dholakia, Aryan Kumar, Yuchen Li, Raiymbek Ordabayev

1. Problem Statement:

The fast fashion industry is characterized by rapid production cycles, low costs, and a constant need to adapt to changing consumer preferences. However, this leads to inefficiencies in the supply chain, wasteful practices, and increased environmental impact. This project aims to optimize the supply chain management of fast fashion retailers by analyzing logistical data to identify bottlenecks, improve inventory management, and enhance delivery efficiency. By optimizing these processes, companies can reduce costs and make better business decisions.

2. Optimization Model

Objective:

Minimize the total supply costs (C), which may include transportation costs, holding costs, and penalty costs for stockouts; while meeting warehouse demand and respecting factory supply limits.

Decision Variables:

- Units to ship from each factory to each warehouse:
- x_{ij}: The number of units shipped from factory iii to warehouse jjj (for all i=1,2,3,4,5 and j = 1, 2, ..., 20).
- Total Decision Variables = Factories × Warehouses = 5 × 20=100

Constraints:

- Supply (5 Factories): Shipments from each factory ≤ factory capacity.
- Demand (20 warehouses): Shipments to each warehouse ≥ warehouse demand.
- Non-Negativity: All shipments ≥ 0.
- Inventory constraints: Ensure inventory levels at distribution centers do not exceed storage capacities.

3. Data Sources:

The primary data source for this project is the "Warehouse Shipping Costs.csv" from a publicly available Kaggle dataset::

- 40 unique clothing items, each with specified weights, selling prices, and designated genders.
- Production and manufacturing costs are detailed for 5 factories, each producing a combination of products with different costs.
- Shipping details for 20 warehouses receiving products from the factories, including costs, batch shipments, and associated delay risks.
- Statistical patterns indicating damaged production runs, seasonal sales trends, and other relevant data points.

4. **Anticipated Results:**

By implementing the optimization model, we anticipate developing a solid plan that allocates shipping resources more efficiently. This plan is expected to significantly lower shipping costs by optimizing the flow of goods between factories and warehouses. Additionally, the improved inventory management strategies are expected to reduce overstock and out-of-stock scenarios, enhancing overall operational efficiency. Furthermore, the model will help companies make data-driven decisions on transportation modes and routes, potentially reducing the environmental impact by lowering fuel consumption and emissions. Ultimately, this project will enable fast fashion retailers to operate more sustainably and profitably, aligning operational improvements with long-term business growth and environmental goals.

5. **Implications:**

The successful execution of this project could lead to substantial reductions in operational costs and environmental impacts for fast fashion retailers. Strategically reducing shipping costs and better managing inventory can help these companies save on overall spending, allowing them to invest more in sustainable practices. Furthermore, the insights gained from this project could guide strategic decisions regarding warehouse locations, transportation methods, and logistics planning. Ultimately, this could boost profitability and enhance the sustainability of the fast fashion sector, aligning economic gains with environmental efforts.