

FAST-FASHION TRICKS ARE ON DISPLAY AT DEPARTMENT-STORE CHAINS

Retailers like Lord & Taylor are identifying top sellers, using quick-turnaround methods to deliver goods to shoppers



By
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Sept. 29, 2016 9:28 a.m. ET

‘The current model of loading up on inventory, and marking it down when it doesn’t sell is broken,’ says Xcel CEO Robert D’Loren, at the company’s showroom in New York City.

PHOTO: RYAN C. JONES FOR THE WALL STREET JOURNAL

Lord & Taylor is taking a page from Zara.

The department-store chain is speeding up its supply chain to better catch popular fashion trends. This summer, when an Isaac Mizrahi off-the-shoulder top nearly sold out days after hitting its stores, the department-store chain had the blouse back in stock in six weeks. It used to take nine months.

The quick turnaround was the result of a partnership with New York-based Xcel Brands, Inc., which owns the IMNYC Isaac Mizrahi brand among other labels and is trying to make a business selling fast-fashion tricks to traditional brick-and-mortar retailers.

“With the world moving so fast, we need to get fashion here faster,” says Liz Rodbell, the president of Hudson’s Bay Co.’s department-store group, which includes Lord & Taylor and the Hudson’s Bay chain in Canada.

Fast-tracking production is a problem that almost every major apparel retailer and manufacturer is trying to solve, from Gap Inc. to Ralph Lauren Corp., as sales growth in apparel has migrated to fast-fashion rivals like Inditex SA’s Zara and Hennes & MauritzAB’s H&M. J.C. Penney Co. plans to cut six weeks off production times for its private brands by placing fewer initial orders with factories in Bangladesh. After identifying the best-sellers, Penney will reorder those items from factories in Central America, where turnaround times are quicker, the company said.

For department stores, which rely on wholesalers to design and make a large portion of their goods, the challenge is particularly tricky. Under the old model, wholesalers design a collection, and then show it to retailers, which purchase by season up to six times a year. It can take as long as 15 months from design conception until goods arrive in stores, and nine months to reorder items that sell out.

Department stores generally are struggling with weak sales and changes to shopping habits. Macy’s Inc. has announced store closures and job cuts in the face of sliding revenue and slowing traffic. While sales at HBC’s existing department-store group grew 1.7% in the first half of the year, Inditex had an increase of 11%.

“The current model of loading up on inventory, and marking it down when it doesn’t sell is broken,” says Robert D’Loren, Xcel’s chief executive. “It’s a race to the bottom on pricing.”

His solution is to pair proprietary brands with more nimble sourcing, a model designed to help retailers sell more goods at full price by delivering merchandise in real time based on customer demand.

“The goal for quick-time deliveries is to help reduce markdowns and to identify the next big seller earlier,” says HBC’s Ms. Rodbell.

Mr. D'Loren, a longtime industry player, who at one time owned The Athlete's Foot sneaker chain, hired former Zara executives to help him create a production model that seeks to mimic fast fashion's advantages. He plans to sell the service to more retailers and has forecast that the business will generate \$1 billion for Xcel over three years. The Hudson's Bay chain and shopping network QVC Inc. are also customers.

Here is what it looks like: Xcel keeps stockpiles of unfinished fabric, so it is available quickly to be dyed, cut and sewn into the latest trend. Lord & Taylor buyers spend two days a week at Xcel's New York headquarters, where they work alongside technical designers from the Asian factories that make the garments, which speeds up decision-making.

Lord & Taylor is able to procure the goods at a lower price by eliminating intermediaries and buying directly from the factories. That helps to offset the higher cost of shipping some items by air. Xcel, meanwhile, collects a royalty fee from Lord & Taylor based on retail sales.

Xcel isn't the only quick-time supplier to the 50-store Lord & Taylor chain. Lord & Taylor also carries the Miss Selfridge brand, owned by the U.K.'s Arcadia Group, which, according to Ms. Rodbell, turns product around in three months. And Lord & Taylor's Design Labs private-label collection can restock goods in eight weeks, depending on fabric availability.

"It's the right move to try to become faster and more nimble," says Liz Dunn, CEO of Talmage Advisors, a retail consulting firm. "But there are more barriers to implementing the quick-turn process than just collapsing the development time for product."

Zara, for instance, pumps new merchandise to its stores twice a week using a system in which designers, merchandisers and operations executives work side by side at its headquarters in Arteixo, Spain. They are in constant contact with store managers who help them gauge demand. Its parent company owns 12 factories, and produces half of its goods in Spain, Portugal and Morocco, a proximity that allows it to quickly react to changes in customer preferences.

Xcel, by contrast, owns no factories. Its merchandise, which also includes the H Halston and Highline Collective brands, arrives at Lord & Taylor's stores once a week. And Xcel products will

be subject to the same storewide promotions as other brands. On a recent afternoon, the goods were included in a 25% discount for Lord & Taylor cardholders.

Mr. D'Loren is pushing Xcel to shorten lead times even further. He wants the factories to ship goods on hangers directly to Lord & Taylor stores and bypass the chain's distribution centers. He estimates that would eliminate an additional week.

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Original Article Link: <http://www.wsj.com/articles/fast-fashion-tricks-are-on-display-at-department-store-chains-1475155688>