

Expertise  
and insight  
for the future

Eerika Ekberg

# Impacts of supply chain management and fast fashion in kids wear markets

Case study: Reima Oy

Metropolia University of Applied Sciences

Bachelor of Business Administration

International Business and Logistics

Thesis

2.1.2019

Author(s) Title	Eerika Ekberg Impacts of supply chain management and fast fashion in kids wear markets, Case study: Reima Oy
Number of Pages Date	40 pages + 1 appendix 2 <sup>nd</sup> of January 2019
Degree	Bachelor of Business Administration
Degree Programme	International Business and Logistics
Specialisation option	International Business and Logistics
Instructor(s)	Kaija Haapasalo, Senior Lecturer
<p>Kids wear markets have been on the growth curve within the recent years. Kids fashion markets are growing faster than the fashion business for adults. There is one phenomenon affecting this substantial growth in kids wear, fast fashion. Fast fashion is term used for fashion retailers using quick manufacturing to get the goods to stores within weeks. The idea is to get the latest fashion trends seen on the fashion week for consumers quickly but with cheaper price than the original design.</p> <p>The aim of this study is to look into what impacts does supply chain management and fast fashion have on growing kids wear markets. To look more closely the research was carried through with a case study made about Finnish kids wear producer, Reima Oy. In addition, companies Reima Oy and H&amp;M, were compared in order to find out whether these two companies in the same markets have big differences in their operations.</p> <p>Reima Oy's operations are based in Finland and the production and warehousing are outsourced. Aim of this thesis is to provide answers to research questions regarding of the impact of good supply chain management in company's success, what effects fast fashion has on supply chain management and how Reima Oy can answer to the needs of consumers.</p> <p>The research was carried through with qualitative research and primary data. In qualitative research literature, websites, web publications and company material were used. Primary data was gathered from the interviews made for two employees of the case study company and author's own observations through her employment in the case study company.</p> <p>The research results indicated the importance of supply chain management part of competitive strategy and how big role the supply chain management has on Reima Oy's success. In addition, there were clear results on how big impact fast fashion has on supply chains. Without competitive supply chain, retail brands like H&amp;M will fall behind of the competition.</p>	
Keywords	Logistics, supply chain management, fast fashion, kids wear, e-commerce, competitive strategy

## Contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
1.1	Fast Fashion industry	1
1.2	Fast fashion in children's wear	2
1.3	Objectives, methodology and scope	4
1.4	Reima Oy	6
<b>2</b>	<b>Supply chain management strategies</b>	<b>8</b>
2.1	Lean and Agile supply chains	8
2.2	Supply chain vulnerability	9
2.3	Competitive strategy in supply chain	11
<b>3</b>	<b>Trends and other factors affecting supply chains</b>	<b>12</b>
3.1	Distribution networks	12
3.2	Last mile	14
3.3	Logistical trends	15
3.4	From bricks to clicks	17
<b>4</b>	<b>Case study</b>	<b>19</b>
4.1	Reima Oy's supply chain today	19
4.2	Reima Oy versus H&M	21
4.3	Results of interviews	24
<b>5</b>	<b>Conclusions</b>	<b>27</b>
<b>6</b>	<b>References</b>	<b>32</b>

## Appendices

Appendix 1. Interview questions

## List of figures

Figure 1: Reima Oy company overview from 2018

Figure 2: Risk policy by Donald Waters

Figure 3: Typical channel of distribution by Rushton, Croucher and Baker from 2006

Figure 4: Logistical trends by DHL.com from 2018

Figure 5: Supply chain of H&M presented in Business Insider 2014

# 1 Introduction

## 1.1 Fast Fashion industry

Fast fashion is modern phenomenon. Retail and fashion brands are creating collections which get around fast, from design to production to shelves (Yle, 2018). Fast fashion has roots in the early 1990's. It is believed that Benetton was the one leading this so-called movement towards more disposable culture in the fashion industry. Fast fashion is a combination of many things but mostly there are three main reasons behind it; economic of scarcity, need to attract customers and disposable fashion (Vogue, 2018).

According to the theory of economics of scarcity companies offer alternatives for consumers who have limited resources, in this case money. When goods are controlled by price, the ones with less income have less buying power which leads to less redistribution. Fashion chains like H&M, Zara and Topshop have found a way to reach all consumers from different income levels. They offer styles seen in the fashion week for a price that fits most of the consumers demand. At the same time, they offer fashion for better quality made of luxurious materials. It is crucial for companies to find the golden mean and offer little something to every need. Companies need and want to serve all consumers; the ones looking for high-quality goods and the ones looking for medium- and low-priced goods (The Forbes, 2015).

Consumers want to wear the same designs which high fashion designers create. However, they are not willing to pay as much as the original price. They can pay less but they want the product idea to be the same even though the quality is not as high. Consumers also want something new and different. Therefore, the companies need to restructure their selections, if not daily, then weekly. Fast fashion is a speeded version of the traditional product cycle. To be able to answer the fast-changing need, companies must be able to compete with the help of their supply chain. Traditionally the product cycle from designing to stores lasts from six months to at least a year. In fast fashion the best-case scenario is three weeks from designing to stores. Companies need to have well-functioning supply chain management and design processes. If the supply chain is too long, competitors might already have the best-seller item in their stores before you even get your goods to the logistics hubs.

In a theory, if a company has a smooth and flexible supply chain, it is able to adapt its actions to constantly changing demand and offer consumers the goods they do not yet know they want and need. To get consumers attention, businesses need to adapt to the changing needs and new trends. In the fashion industry you always need to be one step ahead of the customer or otherwise you will fall behind. The shorter the lead time, the more competitive a supply chain will be (The Forbes, 2015).

Disposable fashion is the one trend driving this phenomenon of fast fashion forward. Until the 90's, there were two seasons in fashion, spring/summer and autumn/winter. Seasonal periods have shortened drastically since the demand is now wider than ever. The cycle is continuous through different temperatures. Consumers buy an item that they will wear for some certain occasion and then never wear it again. The whole fashion scene has become too disposable. Fast fashion does not support the idea of sustainability. Companies offer goods to every occasion with a price that matches consumers need. When the price range is modest enough the consumers do not think about the entire life cycle of the products. Earlier the idea was to buy something that you can wear multiple times at many occasions with a design that lasts decades and is fashionable season after season (Good On You, 2018).

The author was driven to study this topic having worked as a trainee for six months in one of the leading fast fashion companies in Sweden in 2018 spring, and while currently working in the case company of this thesis, Reima Oy which is producing technical clothing for children. Knowledge about the industry on general level is based on the author's own work back-ground and interest towards the industry. The author was driven to study the topic also because of the ongoing change in the industry. Reima Oy provided an interesting case to study and compare with other clothing companies. The results of the thesis are based on relevant literature and interviews with two of Reima's employees from the logistics department.

## 1.2 Fast fashion in children's wear

The children's wear business is on a growth curve. In 2015, the global children's wear sales were €135,6 billion. The growth rate has been bigger than in men's or women's wear. In 2015, the sales grew by 6 percent while the men's and women's wear markets grew only by 4% each (Business of Fashion,2016)

Companies see the children's wear as a niche market. Consumers expect children's wear to be fun yet trendy. Practicality is less trending in today's kid's fashion. Consumers are looking for replicas of adult's fashion. The kids wear director from a trend forecasting agency WGSN, Ellen Kirkhope has stated that the whole children's wear industry has gotten complex because there is no clear market leader. There is no brand that holds more than a 3 percent market share. New brands are constantly entering the market and supermarkets' own labels are pushing companies like H&M to do better and make more fashionable goods. The fashion element is more important than ever according to Kirkhope. Parents are mostly looking for the same elements for their children to wear as they are looking for themselves. Fashionable yet affordable, but still practical, even though they do not base their purchase decision on that factor. Parents are spending more on their children than ever before. They want to give their children more than they had in their childhood. This phenomenon is referred to as the "little emperor syndrome". The term describes the tendency of Chinese households spending extravagantly on their children (Business of Fashion, 2016)

Luxury retailers have seen the opportunities to offer their iconic styles in all sizes, but how can companies who produce practical kids wear compete with them? The answer is simple. Just like for adults, the companies need to offer reasonably priced replicas. The case is not the same for businesses offering technical kids wear. Their success is based on premium quality and that is something every company cannot offer. Companies who are not based on fashionable but technical kids wear might be struggling in this transition. Parents are looking for more fashionable clothing for their offspring and this hurts companies which are known for their technical quality.

Businesses need strong market share to keep their clients. As said before, there is no clear market leader in these markets which is forcing companies to diversify their old ways and answer to the growing demand of consumers. Fast fashion is touching everyone in the business and even the biggest companies need to adapt. The adaptation does not only concern the designs but also, the whole supply chain and order-to-store process. Since consumers can compare products and features, lead time has a big say in this. In kids wear as well as in the adult's fashion the one who offers more value to the service, will have great advantage compared to the competitors. Companies need to react fast to change and modify their processes to compete with companies who offer more fashionable choices.

Companies are forced to investigate their supply chain management and modify it in a way that can prevent them from losing their market share. An effective supply chain is a key in children's wear just as well as in the adult's fashion. Modern parents are busy with their careers and do not have time to shop like people used to. They are looking for more efficient ways to shop for their kids. Therefore, web shops which offer short lead times and fashionable choices have advantage compared to others. In this thesis the author will investigate what it takes to have a effective supply chain in children's wear business in the world of fast fashion. The reader is also introduced to how the supply chain of one of the biggest kids wear companies in Finland, Reima Oy, looks like and how it is managed in this transition phase towards shorter and faster operations.

### 1.3 Objectives, methodology and scope

The target of this research is to point out how retail and supply chain management of the children's clothing industry differs from retailing brands like e.g. from H&M. The main research objectives are to answer the following two questions: 1) How fast fashion is changing the supply chain and 2) How a Finnish, technical kids wear producer can respond to the consumer's demand. This research will point out what qualities are needed in the supply chain to be successful in children's wear. In order to do so, Reima Oy, a Finnish kids wear producer is used as a case study. The author will have a deeper insight into the company's current supply chain management. Furthermore, the aim is to see what changes the company might need to go through in the upcoming years and if fast fashion has brought up pressure to change and find more effective ways to run the supply chain. Reima Oy's supply chain is compared to one of the biggest competitors in the field, H&M, and in the conclusion the author will point out if there are needs for improvement and how those could be implemented.

Theoretical framework is based on supply chain management strategies in the fashion industry and on issues that might occur in common supply chain operating models. As the focus is on the children's wear markets, the author will present retail logistics at a more detailed level and study what logistical trends are affecting this field and whether online retailing influences on supply chains. The scope will remain in children's wear, but other logistical factors are brought up together with the supply chain operations.

Reima Oy was chosen as the author is a logistics coordinator in the logistics department of the case study company. The industry is going through some changes when fast fashion is infiltrating the children's wear markets. This can be seen in the popularity of kids wear and in growing competition. The main objective is to see if the company can improve their market share by enhancing their supply chain, if needed, and whether it will influence on sales. The wanted result of this research is to bring up points that can improve a company's logistical value and make their actions more effective than before.

The main research questions to be answered can be defined as:

- Does fast fashion have an impact on supply chains of kid's wear and what kind of changes can be seen?
- How has the Finnish kid's wear producer, Reima Oy, responded to the changes in supply chains?
- How can Reima Oy respond to the needs of the end-customer?
- How Reima Oy should develop its supply chain management?

This thesis is based on qualitative research and methods to understand the processes of the industry. To gain a proper understanding the author used in the qualitative research multiple books and internet sources as well as latest news regarding this topic. Primary data was gathered with help of structured interviews (see appendix 1) and utilizing the author's own observations through her employment in the case company. The author has previously worked in women's fast fashion in spring 2018 and works at the moment in children's wear industry in the case company. To understand better the thesis topic and from different angles, an interview was made together with the supply chain manager and the other logistics coordinator of Reima Oy in October and December in 2018. As secondary data source, literature such as books, company materials, journals and internet sources were used. The sources were versatile and as for a logistics being wide industry, each source needed to be critically observed. The author had to compare different sources to form a proper view. The results of this research can be only linked to the company in question and cannot be generalised to other researches or companies.

## 1.4 Reima Oy

Reima Oy is a Finland based company founded in 1944. The company is owned by The Riverside company, which is based in the United States. From the beginning the company has multiplied its revenues and entered the global markets.

Reima's turnover in 2017 was 112 million euros. Reima produces technical wear for active kids. The company's cornerstones are design, materials, sustainability and innovation. This makes the company one of the leading brands in the field of active kids' wear. For generations, Reima has kept its quality which has created strong customer relationship. Reima Oy's clients are loyal customers and the products are passed from one to another even across generations. The products support kids need to move, and the company encourages kids to find the joy of being active in any weather (Reima.com).



Figure 1 Reima Oy's company overview from 2018

Today 80% from Reima's net turnover comes from international markets, which cover 70 different countries on three different continents, Russia being the biggest market. After Russia comes Scandinavia. Reima Oy has entered the US and Canadian markets very recently but the company has still been able to strengthen its position in these markets (Reima.com). Wholesale is the biggest trading channel for Reima Oy. Alongside wholesale, the company keeps improving their direct sales to consumers through brick-and-mortar and web shop which together bring approximately 25% Reima's sales. Reima stores have spread to Finland, Sweden, Russia and China. The latter is the biggest growing market. In China, Reima has plenty of growing opportunities. Reima has some 60 stores and franchise stores around the globe (Reima.com).

You can see some of the main performance indicators and an image of the products in figure 1. Reima Oy's strategy includes taking digitalization as part of their actions. Digitalization has a key role in Reima Oy's revenue: 13% of the sales come from different digital channels. It is just not about the sales, but also to reach the customer at a whole new level. The company is planning to engage technology more into their customer service and sales through different operations such as direct contact with the consumer. What makes Reima stand out from others is that they are taking the technology into the kids wear through ReimaGO. ReimaGO is an activity sensor that encourages kids to move more (Reima.com).

Reima Oy's ideology comes from the thought of kids need to move and play around. Company wants to support each family to find the best way to move and exercise in any weather. ReimaGO was planned to make kids move. The company's focus is to develop services that support and ease consumers' buying process and everyday life. Consumers are busier than ever. Therefore, they need services that make their life and decision-making easier. That is Reima Oy's goal. The company offers sustainable and long-lasting clothing, made from good and ecological materials. Reima Oy offers timeless and functional designs that last time and tough use. The products are designed in a way that diminishes the consumer's ecological footprint (Reima.com)

## 2 Supply chain management strategies

### 2.1 Lean and Agile supply chains

There are many strategic possibilities to use supply chains as competitive advantage. One possibility is lean management strategy where the focus is to maximize quality by minimizing unnecessary steps to be able to adjust customer value. Lean is about meeting the demand instantaneously which means serving the best quality with no waste. In other words, lean supply chain serves the needs of consumers when they want it, in which quantity they need it with the best quality and price and not to forget where they want it. In lean supply chain the timing is the key. In lean supply chain management Just In Time (JIT) concept is meaningful. Just In time means offering only the goods and services which customer needs and in the exact quantity they need it and when they need it. In lean the offering is well planned to align with the supply chain. According to this ideology the offering equates the exact need. Lean supply chain focuses on adding value to the consumers. This is done at the same time when a company identifies the unnecessary and eliminates everything that does not add value. Lean strategy is all about planning and executing. The key elements of lean management used as an improvement are: customer-centricity, internal customer-supplier relationships, perfection is the goal, synchronized flow, reduce variation, include all people and waste elimination. Lean management supports the aims of sustainable companies (Slack, N., Champers, S., Johnston, R. 2010: 550)

Agile strategy is for supply chains that need quick responses. In agile strategy, the supply chain can also handle unpredicted situations and new products in a more flexible way. Companies need to adapt to consumers' needs and therefore agile strategy fits better to the needs of fashion industry. A good example of agile supply chain management is the fashion chain Zara. They have extra capacity in their manufacturing operations to respond to unexpected demand, if needed. Also, they have extra capacity in the ground level in the warehouse. They usually operate 4,5 days around the clock which gives them flexibility to add capacity to manufacturing if something would come up. Their core competence in the agile supply chain is flexibility. They have not given their full strength to run down daily operations meaning they can grow their staff capacity for example from 5 employees to 8 employees when needed. Smaller and bigger unexpected changes would not stir their operations. (Digitalist Magazine, 2016)

Kaizen is something all should adapt into their daily business. Kaizen is explained as Japanese business philosophy for continuous improvement of working efficiencies and daily practices. Kaizen is a strategy where the whole company personnel is engaged in improving their actions in every level. As fashion industry is fast paced it needs every employee on all levels to bring out their best outcome to be able to implement good supply chain (Kaizen.com, 2015).

Fashion industry, in both adults and kids, is fast paced. Managers need to be on top of their supply chains and see the incoming changes even before those occur. Therefore, for companies it is safer to use a flexible strategy which is combination of both lean and agile strategies. Even the most competitive supply chains need to find ways to improve their actions, never trust to be safe with the supply chain (Van Hoek, 2007) Fashion industry for kids wear is a lot more predictable than for adults. Nevertheless, companies are encouraged to adapt both strategies to balance stock levels as well as to answer to the changing demand of consumers. When businesses can master a little bit of both strategies, they ensure that the supply chain operates smoothly and if errors or high peaks in demand occur, they are able to handle the changes. (Forbes 2017)

## 2.2 Supply chain vulnerability

The main objective of Risk management is to minimize threats for supply chain. With help of risk management companies can ensure that risks affecting the supply chain will not affect the client in any way. Good risk management brings more value to the supply chain. (Waters, 2017) Main aim in supply chain management is to deliver the goods from production to the customer. In basic supply chain the flow goes from the production to the logistical hub to the end customer. Even though the supply chain management would be bullet proof and well planned, accidents arrive unannounced. Risks can be associated as follows: chance of injury, loss or danger. In logistics risks could be realized as delay in delivery, force majeure or loss of a package. The issues affecting the supply chain must not affect the end customer. Risk management is crucial since delays and errors are a part of daily life in the field of logistics.



Figure 2 Risk policy (Waters, D. 2017)

Risk management is the whole process from identifying the risk, assessing the risks and documenting them to the final step which is risk controlling. As can be seen in figure 2, risk policy process seems simple but in supply chain it is not so straight forward. Companies use third party logistics and many companies have outsourced services to run logistical operations like warehousing and delivering. Therefore, the risks are shared with third party which can be the carrier company or the producer. In supply chain the risk categories vary a little by company. Company specific categorization is based on the rated probability and the extent of the potential damage. The first step in the risk policy process is risk identification. All possible and future risks in each department must be counted and identified into categories.

In supply chain the risks are divided between endogenous and exogenous supply chain risks. The endogenous risks are divided into operational and cooperation risks. Operational risks are more for individual partners and cooperation risks come from integration, cooperation and coordination. These risks can be minimized with good communication and equal cooperation between parties. Coordination risks arise from processes that are shared together with third party as for example information flow and liability. Throughout the whole supply chain and all of its parties the risk management needs to be coordinated. Risk management in supply chain can be inter-organizational management, organizational or company specific. Clear clarification of each party's tasks and areas of responsibility is the first task to be done and if the first part is done properly, risks are being handled effectively with minimum damage. (Waters, 2017)

### 2.3 Competitive strategy in supply chain

Michael Porter's value chain from 1985 has been the ground work for supply chain management and competitive advantage. Value chain is described as a set of activities that companies carry out to create value for its customer. Porter's value chain is on general level. Companies can use the value chain to examine all of their activities on every department and see how those are connected (The Strategic CFO, 2013) This applies to the costs and profits. How activities are carried out has an effect on the costs as well as the profits. How high the costs were should have effect on how high the profits will be. However, it is not all black and white. You can bring value to the supply chain with less money. It is all about bringing more value to company's customers.

The more value the company brings to its customers, most likely the more profitable it will be. This links straight to how valuable your supply chain will be and through that the competitive advantage will constitute. Each stage on the supply chain adds value to the product. The key in these operations is to add value to all stages and finally to the end product and to do it with acceptable cost. Companies need to go through their operations and discover what their core competencies are and outsource the non-core competencies. As for example many retailers outsource the manufacturing and distribution but keep the management inhouse.

Important in the supply chain is to discover partners that share the mutual goal, operate as smooth and fast as possible. Core competencies should be thought as the ones that bring value to the company (Industryweek, 2017). In kids wear as well as in the overall fashion industry lead time is the most important. Going through each stage from the production to the delivery to end customer can have a big difference in lead time. When all stages are carefully examined, unnecessary steps can be modified into more efficient and better functioning operations. For example, some companies make their supply chain a tad shorter by moving operations from one hub to another. Supply chain integration is so important that it cannot be overstated at any point. Good examples of competitive supply chain in the fashion industry are Zara and Benetton. By taking the initiatives in the supply chain Zara has reduced the lead-time gap by more than half than what its European or North American competitors have. 65% of Zara's actions is based upon proximity (Forbes, 2017).

All Zara's production can be delivered from the factory within a day to any of its 4 400 stores around the globe. This kind of operations can be done with close cooperation between the company and the factory. There must be as few intermediaries as possible in order to function that fast (Forbes, 2017). Not all companies can take such actions as Zara, since Zara's logistics network is a lot more straightened and narrowed because they have their own factories. All merchandisers cannot take such actions since many of them have multiple suppliers around the globe which automatically means a more complex and longer network. Even though most companies cannot compete with Zara's logistics network they can look and learn from Zara's operations (Waters, 2017).

### 3 Trends and other factors affecting supply chains

#### 3.1 Distribution networks

Throughout the decades distribution channels have had only minor changes in the operations as well as in the technologies used to run these operations. Kids wear as well as the fashion industry has progressed during the last decade and this has forced the distribution networks to grow as well. Distribution networks have become more complex and working processes have become more detailed. Distribution channels used to differ from one company to another, but it is highly likely that companies now have similar processes with each other. There are several physical channels of distribution. A typical physical channel is from manufacturer's production to a retail store involving several parties like shown in figure 3.

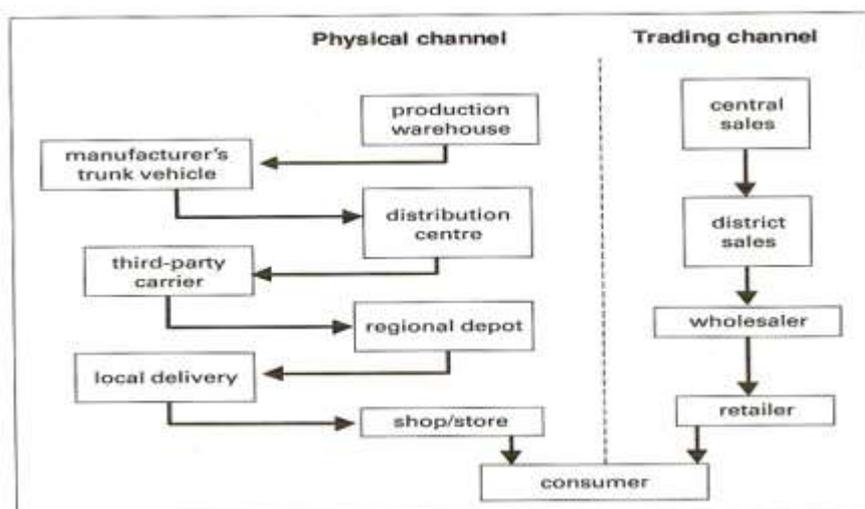


Figure 3 Typical channel of distribution (Rushton et al. 2006: 56-64)

There are physical and trading channels for goods. What is the difference between these concepts? In the figure 3 physical channel is more complex, and it has many intermediaries along the way. The channel begins when goods are produced and then delivered from production warehouse to manufacturer's vehicle which delivers it to a distribution centre. From the distribution centre the goods are prepared for a move towards regional hubs. Goods can be delivered to several different warehouses that the company has around the globe (Rushton et al. 2006:56-64).

In Reima Oy's case goods are transferred from the regional hub to four different warehouses around the globe. Often goods are delivered by third-party logistics since companies want to focus on their core competencies. Regional hubs prepare the orders customers have made and do the additional services customers require as for example packing boxes by stock keeping unit or adding required box labels. In regional hubs, ready goods are distributed to customers whether it is business to consumer or business to business. If the customer is business to business, they will handle to distribution from their warehouse to the end customer (Rushton et al. 2006: 56-64). Length and complexity of the physical channel depends on how large the business is and how wide distribution channel they need.

As can be seen in figure 3 trading channel is more direct and there are fewer intermediaries than in the physical channel. The goods go from central sales to district sales. From district sales the goods continue through the wholesaler to a retailer and finally to the consumer. Smaller companies that do not have a very wide customer base globally might prefer this longer trading channel since they do not have that many different places to divide the goods to (Rushton et al. 2006: 56-64).

In kids wear the distribution can be a little less complex since consumers appreciate companies that produce their products nearby. Choosing the best fitting channel can be difficult since everyone wants to cut costs and minimize logistical actions. Costs are important to every company since they are reflected in the price of the product. The channel selected will reflect a certain cost which automatically effects the products price. The faster and better delivery a company can provide the more costly it will be. Companies need to keep the customer in mind and choose a distribution channel that serves consumers and is efficient to serve the needs of the company itself.

### 3.2 Last mile

Last mile is described as the last stage of the distribution process. Last mile has been one of the first problems in distribution, as it is costly and inefficient to take care of. Many sources and companies recognize the last mile problem especially in the buying process. Last mile is the final step on the distribution process. Most of the shipping costs come from the last mile when the goods are being delivered to the consumer or the warehouse. Last mile delivery costs has a total share of 53% of all the shipping costs. Costs for the last mile are substantial (Business Insider, 2018).

For the company the last mile in the delivery is the in-land part of the supply chain when goods are imported or delivered by sea, rail or air to the warehouse. In-land costs are lot higher than the part where goods are delivered in masses. What are then the problems of last mile creating costs? Customers are not home, or delivery slips have gone missing when orders are delivered. In rural areas distances can be several kilometres apart which is time-consuming since one package at a time will be delivered. Continuous rise of e-commerce in retail sales has increased the number of parcels delivered each day. This has raised the customer expectations as well when the consumer are looking for free and fast deliveries (Business Insider, 2018).

For business customers it is especially difficult if the seller has not attached packing notes, special box labels or other delivery documents. The customer can choose not to accept the goods before everything is correct. In this case the delivery company has to take the goods back to the warehouse for correction. This can take up to days, not to talk about resources and finance. To fix this issue many companies have created alternative options such as pickup and delivery points as well as different technologies. Some companies like Amazon has already created technologies for delivery drones, self-driving vehicles and delivery robots. We are not so far anymore from this integration. (Business Insider, 2018) These alternative options have helped to reduce the first-time delivery failures by using multiple locations in business to customer services. In business to business customers there are no major breakthroughs yet. Several studies show how this problem is under construction but yet there is not any clear solutions.

Companies are more aware of the last mile problem which helps them to prepare the orders better. Also, third-party logistics companies are more aware of what needs to be done in order for the client to accept the shipments. John Fernie and David Grant criticised new alternative solutions in their book in 2015. Returns are still a challenge for retailers with retrieving, checking, repacking and redistribution. Even though this is still an issue, number of logistical actions have undergone a slight reduction. In e-commerce delivering the goods has become faster and cheaper because of pickup points. This enables goods to be delivered to fewer addresses than earlier (Fashion Logistics, 2015).

### 3.3 Logistical trends

Due to constantly evolving technologies the future of logistics is wide. Companies are eager to find new and better solutions to improve their processes. DHL yearly announces a report about logistic trends. Figure 4 shows DHL's point of view on what to look forward to in the near future.

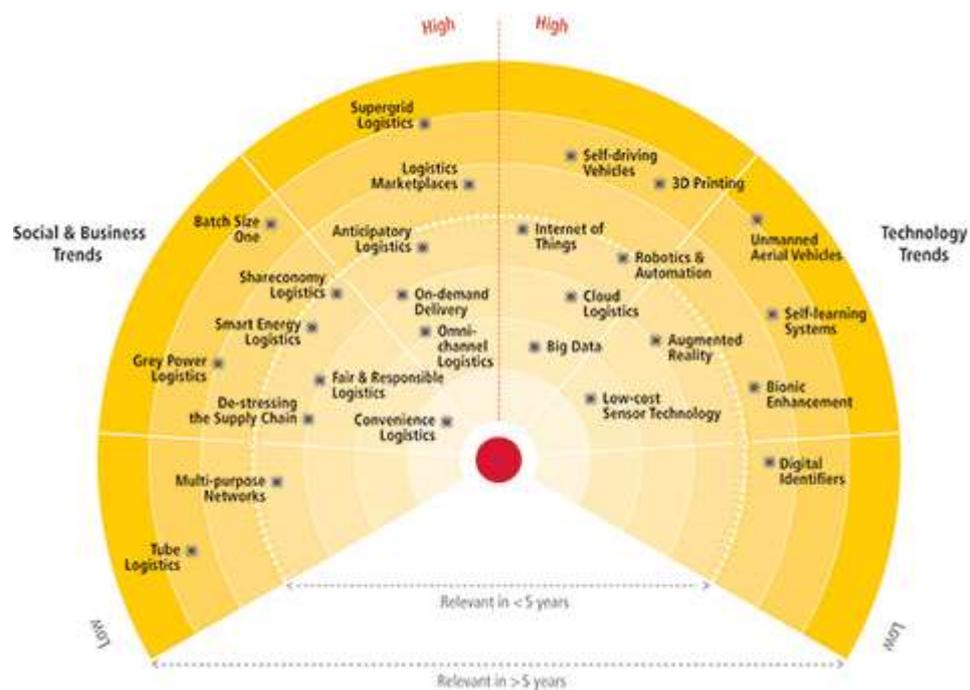


Figure 4 (DHL.com, 2018)

Many authors have stated almost the same patterns as DHL in figure 4. DHL used an approach to benchmark social and business trends to technology trends in the industry which are relevant within the next five years and to those which are relevant in 5+ years.

In the Supply Chain Digital magazine Han Nabben listed trends that were shaping the future of logistics in 2017. In his article the following trends came up: growth patterns, flexibility, complexity, sustainability, information technology, multi-channel sourcing, globalization, near shoring, continuity, compliance and partnerships. Logistics is very traditional field which means that there is not very deviant knowledge or opinions. It is not fast changing market, but rather new solutions and ideas are slowly entering the field. Biggest and the most ground-breaking innovations is automation in delivery as well as in the warehouse. As mentioned in the chapter 3.2 automated delivery is part solution for that issue. By using drones, the delivery gets more efficient and the costs will get lower. Flying drones will be greener option than using trucks to make short deliveries.

Automated warehouse may not be the best solution for small companies as it is costly activity. Instead smaller companies are encouraged to use partly automated warehouse where costs are not too high, but operations stay still a lot more efficient. Automated warehouse is more efficient than using traditional picking from the shelves (Intralogistics, 2017).

All the future trends support the idea of increasing efficiency and customer satisfaction by decreasing the costs in the long run. All the trends also support the fact that consumers are more eager to buy products that are produced domestically or in countries nearby. Consumers are more aware of the production process than ever due to cases like H&M where it was discovered that they violated the labor rights in several countries (The Guardian, 2017).

Therefore, consumers prefer to pay more to support sustainability throughout the process. If production facilities would move towards Europe or United States it would decrease the lead-time remarkably. Logistical trends all support the same ideology of cost efficient, sustainable and time efficient logistics. Customer demand increases year by year and they are willing to pay less than ever for a service even though they prefer more sustainable services. Companies are driven to the corner to find better and faster solutions that solve these issues one by one. Most of these actions are costly and it takes a lot for companies to invest but within the years to come these trends will become more daily operations. In ten years, most of the warehouses will be automated since the need drives demands which drives all the logistical companies towards the same operations and choices on how to operate (DHL.com, 2018).

### 3.4 From bricks to clicks

In the recent years there has been a clear shift from brick-and-mortar to e-commerce business. Holidays have become more commercial and one more reason to spend more money. Black Friday and Cyber Monday have increased the e-commerce business. There is a clear pattern in consumptions times. Consumers spend more in the beginning of the month during 4 and 5pm (Forbes, 2018). Recent numbers can support the fact that consumer prefer easier and faster solutions to support their daily consuming habit.

E-Commerce is predicted to grow to 12% in 2018 and to 17.5% by 2021 (of total retail). B2C e-commerce sales are expected to grow from \$2,3 trillion to \$4,5 trillion by 2021. The B2B market is to exceed \$7,7 trillion in 2018 which makes it three times the size of B2C. (Shopify, 2018.)

Consumers have less time to spend than ever before. Therefore, companies want to provide faster and easier solutions to them. For Reima Oy, which produces kids wear the actual customers are the parents. Modern day parents do not have the time to use for shopping therefore they prefer easier solutions from brands they have experience of. For example, when shopping winter overalls parents may use the same brand they have used for years. They know the brands sizing and how it fits their own child and if they need new winter gear, it is more likely that they will turn to the brand they have used before. When they know what to buy and in which size, they need to figure out where to buy it and since time is limited, they turn to e-commerce. Therefore, companies focus has moved from good customer service at brick-and-mortars towards good solutions in supply chains (Bayles, 2001).

Retail supply chains are not built to support e-commerce since consumers demand fast delivery of two days lead time. In order to deliver in two days companies should have multiple distribution centres in order to be cost-effective. Also, consumers want free delivery which means that the company needs to cover the delivery costs. Without multiple distribution centres companies only, option is to use express deliveries which are more expensive. Due to this the price of the product will increase since the costs need to be covered somehow.

In e-commerce there are new problems arising constantly (Bayles, 2001). One issue or problem-solving leads to another and one decision has effect on multiple things. Today's supply chains are set up for stores not online stores and this can be seen as out of stock markings on a website. When there is a peak season large inventory is needed but as peaks come and go it makes predicting stock inventory hard.

To be able to answer to peak times, high inventories are needed but that is not cost efficient and again increases costs. To be able to build effective supply chain it takes time and effort especially for online retailing. Companies who offer stores and e-commerce need to rethink their supply chain in a way that it supports both activities (Bayles, 2001).

Many manufacturers are building and preferring direct-to-consumer channels. This creates additional revenues and profitability and also savings when the supply chain is leaner and faster. Companies can focus on their own webstore and sell through their own store. Of course, companies will not only focus on themselves and will continue selling through middlemen and marketplaces but having another option creates more opportunities. Even though the focus has moved towards e-commerce and marketplaces, companies can still bring more value to their customers by having special collections that are only sold in brand's own stores and webstores (Bayles, 2001)

As mentioned before the supply chain in e-commerce is faster and leaner than in traditional retail, which follows the multi-tier structure in which goods move from manufacturer to the centralised warehouse and then to regional distribution centre and finally to physical stores. This flow moves bigger inventories in the entire chain and operating costs of various facilities are substantial (McKinsey & Company, 2014).

Brick-and-mortars are not going anywhere but online retailing allows companies to explore the opportunities of different supply chain operations. They can split their inventory which means less costs when they don't need to move big inventories at once. Companies that mainly focus on e-commerce platforms can have smaller inventory in their main distribution centres since the supply chain is leaner. In direct-to-consumer approach goods go from manufacturer to the distribution centre and then to the end customer. Big inventories are not moved at once and they do not have high operating costs from facilities. Moving from brick-and-mortars towards e-commerce has set up the bar up high.

To be able to fulfil consumers' needs in a way that supports the company's own ideology and costs is hard and it makes the competition even harder. As mentioned earlier the importance of competitive supply chain is emphasized here. The supply chain is not changed in a blink, it takes time and effort. It may be a revolution, but it must be an evolution (McKinsey & Company, 2014).

## 4 Case study

### 4.1 Reima Oy's supply chain today

In this chapter, the observations are based on the author's work in Reima Oy, and interviews of Reima Oy' employees as well as the sources referenced in the text.

For a Finnish family-based company the growth has not always been self-evident. The company has grown rapidly within the past ten years. Ten years ago, the biggest market for the brand was its homeland, Finland. In 2011 when the US based company, The Riverside Company, bought the business almost 50% of Reima sales came from Finland. Only five years later over 80% of the company's sales came from global markets. When a company grows this fast its logistics and supply chain management need to be competitive and smoothly operated (Kauppapolitiikka, 2017).

In Reima's supply chain there are several intermediaries. The clothing and apparel are produced in Asia. Shoes come from Italy and India. Reima has carefully chosen its manufacturers and monitors their processes regularly. Same applies for its supply chain. The company is prompt and demands the same from the third-party logistics providers. A big part of the company's supply chain management depends on the actions of their partner. Reima has been in collaboration with Varova since 2015. Varova is a Finnish company established in 1948. The companies share the same. The collaboration has been strong ever since it started (Osto & Logistiikka, 2018).

Varova handles Reima's import deliveries from Asia by sea freight, Europe by road freight and by rail freight from China. Due to tight schedules in fashion industry the use of rail freight has increased. Due to Reima's sustainable ideology air freight is being avoided as long as possible but due to hectic industry the use of air freight is not avoidable.

Air freight is often used when the new season has started but some of the goods are still in the Asian hub. Varova provides strong delivery strength especially in the seasonal sales which is crucial for Reima in the fashion business. When the sales are based on the seasons, it is vital for the goods to arrive in time to stores. Reima has their regional hubs in China and Russia and Europe's central warehouse in Germany. Warehouses are centralized in a way it offers good reach to customers globally. The warehouse in Hamburg, Germany serves the Central Europe. The warehouse in Germany is crucial for the lead times. Competitive lead time and delivery strength is the key. These are the core competencies when thinking about the costs. To cut the additional costs, the timing is everything in order to avoid the intermediate storing and for seasonal products to arrive on time (Osto & Logistiikka, 2018).

Varova plans cost efficient and optimal delivery solutions. It is all about the right products arriving in the right time for both e-commerce business as well as distributors. In the seasonal sales the timing is everything. If a winter overall arrives to the stock when it is snowing already, the consumers have already purchased the winter gear for the kids. The timing is vital especially in the kids wear markets where the parents are consumers who plans their kids winter clothing early in the autumn. In the shipment follow up the digitalization is the key. Varova offers services for Reima where they can follow up each container and its whereabouts and estimated time of arrival. This offers plenty of opportunities for Reima to optimize their warehousing operations. When you know when one specific container arrives you are able to plan inbound operations that are time efficient. Even when there are delays the tracking enables predictability.

The communication between partners is vital since it effects the customer satisfactions. Varova communicates about the deliveries with Reima's Shanghai office. Varova handles the delivery control for Reima's purchase order deliveries from Asia together with its partners in Asia and India. This enables the transparency and predictability. If there are delays in the deliveries due to force majeure and traffic, Varova informs Reima's Shanghai office who informs the office in Finland where the message goes to customers and European hubs (Osto & Logistiikka, 2018).

Reima has four hubs in Europe. Rhenus in Switzerland, Geodis in Germany, Prime in Denmark and Logistikas in Finland. Operations for these hubs are run by Reima's logistical team located in Tampere.

The logistical operational team in Finland ensures that the operations are smooth, and they handle deliveries from the European hubs to customers. All the information from and to the warehouse goes through logistics coordinator who then informs the clients and sales support.

In Reima Oy's physical distribution channel, the goods are first moved from the manufacturer's warehouse to the Asian hub. Asian hub prepares the goods for the departure to Europe. Since Reima uses cross-docking operations some of the goods are already prepared for certain B2B orders. In cross-dock operations when the goods arrive to Europe the warehouse needs only to pick and pack the parcels on pallets and deliver them to customers. When goods are not for cross-dock operations the Asian hub packs the goods and Varova will deliver the goods from there. When the goods arrive to European hubs, the goods are prepared for the final destinations towards the local delivery. From the local delivery the goods go to stores and to the end-customer. In the e-commerce business the goods go from Asia to Germany and from there to the end-customer. Reima's supply chain has many steps along the way which makes it flexible.

#### 4.2 Reima Oy versus H&M

The following chapters are based on the primary data and qualitative research materials gathered through the research process as well as company material.

Reima Oy and H&M differ from each other in the size but as fashion industry is wide, it makes H&M the biggest competitor for many companies in the field. Especially in the ever-growing kids wear markets. Reima and H&M are not the biggest competitors for each other, but both are entering each other's markets. H&M is producing more and more outerwear for kids and Reima is every now and then making fast collections. In fact, these two companies have more differences than similarities but still they are in the same competition.

H&M has been one of the first companies to enter the fast fashion markets in the 1990's. H&M has been focusing on fast collections which may have become their curse. In the recent years they have been left behind in the competition when other brands are going forward in full speed. It is hard to make good collections when you do not know exactly what the consumer wants. It is either hit or miss which can be costly.

Reima has advantage of this since they focus on making good and strong collections which they know will sell. Reima is not eager to try totally new designs like H&M and that is why they have been doing such a good results year after year. Now H&M is trying to get rid of the fast fashion label by doing more exclusive collaborations and investing on high-end materials (Supply Chain Dive, 2018).

H&M has been in the headlines lately in negative perspective. They have had many accusations about child labour which have been proven to be true. Also, their designs have been in the headlines because of inappropriate texts. Reima Oy and H&M differ in many ways especially in sustainable sourcing. H&M has not been ranting about their values while Reima is constantly investing on proper research to find the best and most ethical fabrics. Also, they are monitoring their manufacturers carefully. Reima Oy has made a big corporate social responsibility report which builds trust between the brand and the consumer. H&M has only a very narrow CSR report on their website. The recent years have been tough for H&M and they have struggled with their sales. The company's inventory is lagging, and they have currently over \$4 billion worth of unwanted clothing (The Business Insider, 2018).

It is known that there will always be discount racks when you enter H&M store. That tells more about their inventory issues than any figures. It's not only the sales that are struggling but H&M has to compete on the price. Known as a discount chain they need to balance their profitability and execute a plan to get the balance for the prices. Here we have a major difference between H&M and Reima Oy. Of course, Reima has to validate the prices and see where the markets are going. Although, they have found their fit in the market and pricing. They offer high-end outerwear for kids and the price needs to match the quality and the customers knows that as well. When comparing the supply chain's and lead times of these two companies, we can discover H&M lead time is shorter since they mostly produce fast collections.

As seen in figure 5, H&M's lead time varies from 2-3 weeks to 6 months. Since the company is producing fast fashion, they must have a lead time that is competitive and flexible. Reima Oy's lead time is 19 months. The company operates also in the business to business markets where as H&M only sells directly to consumers. This makes the biggest difference between these two companies especially in the lead time. In B2B sales it takes six months more to sell the collections to retailers and since H&M does not have any operations in B2B they can have significantly shorter lead time. As mentioned before Reima's operations are moving towards more e-commerce and in the near future e-commerce sales will have bigger role than B2B sales.

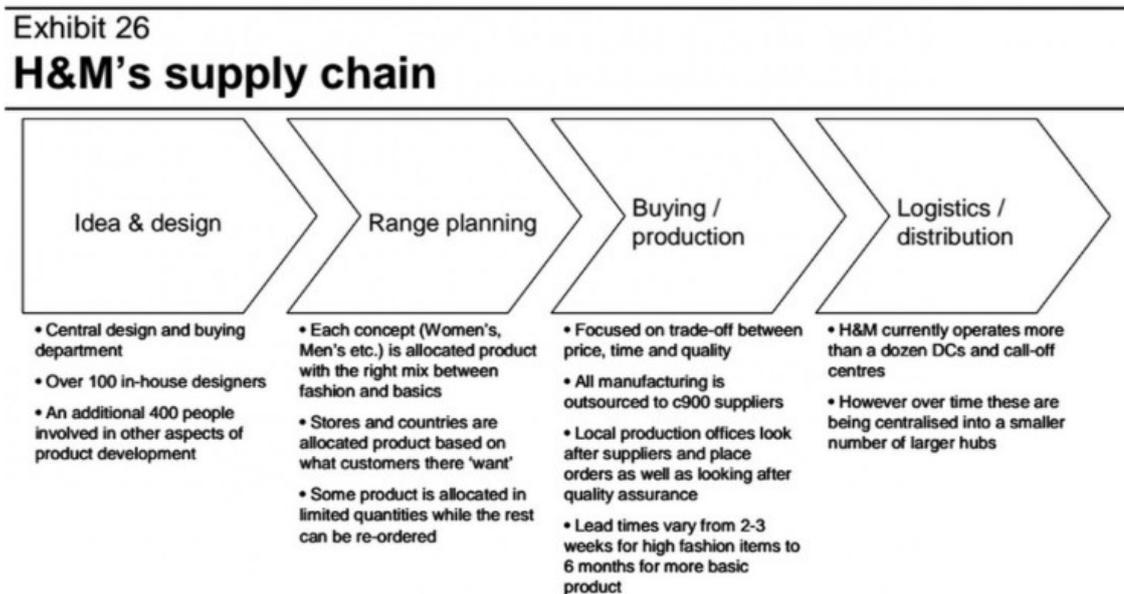


Figure 5 H&M Supply chain from Business Insider 2014

Also, H&M has shorter lead time since the process does not involve any particular testing whereas Reima Oy's process does. Since Reima is auditing its products and fabrics carefully they must test every fabric and item before adding it to the collection. As Reima is producing kids wear for them it is highly important as a brand that they produce goods that last time and use. Especially, for outerwear the testing process is wide since all overalls, jackets and trousers must have the optimal qualities in waterproof properties, warmth, breathability and durability.

Even though the procurement process in both companies is similar, the difference comes in the size of the phases, for example in figure 5 we can see that H&M uses over 100 in-house designers when Reima has six in-house designers. In the range planning process, the steps are relatively same in Reima than in H&M. Reima Oy has products they re-order like for example rain gear. The design and colours can change a little, but the style stays the same. Also, Reima offers the basics which have a little twist in them for example the fabric or patterns.

The buying and production processes in the two companies varies a bit. When H&M is ready to trade-off the quality, Reima is not ready to trade the quality for faster production. Therefore, the lead time is longer for them than what H&M has. Manufacturing in both companies is outsourced and both companies monitor the facilities and its working conditions.

Logistics and distribution process in the companies have the same outlines. Reima does not have distribution centres rather warehouses and hubs. The size of the warehouses and hubs is the same in both if it mirrored against with the size of the company. H&M will centralise their hubs and that is what Reima has done and might focus more in the future. Right now, Reima Oy has six hubs; two in Asia and four in Europe. When the hubs are centralized it allows good range of deliveries to customers globally. Both companies produce their goods in Asia which slows the process a tad. H&M is in the fast fashion markets, but they are in the bottom of the competition since they have one of the slowest supply chains because their production is off-shore when their competitors are getting production facilities in Europe (Fashion United, 2017).

When comparing to relatively different companies but in the same markets we can see that the processes in the fashion industry are close to each other. The differences comes from the size of the company, production process and values.

#### 4.3 Results of interviews

To get good scope of the supply chain in the company the interview was made to two employees in the logistics department. Both interviewees were author's colleagues. One of the interviewees was the supply chain manager who has been in the company for eight years.

The other interviewee was logistics coordinator who brings the operation aspect on the research results and also the fresh angle since she has been in the company for six months. Both interviewees answered to the same questions but in a different time one was made in October and the second in December. Interviewees did not know what the other one had answered. The interview questions are listed in the appendix 1. Both interviewees had similar answers. However, the answers from the logistics coordinator were little more critical since she pointed the issues in the supply chain well.

At first, both interviewees were describing the supply chain as diverse and changing. The difference here was that the one who had been longer in the company responded that the supply chain is also flexible when the logistics coordinator answered that it was slow. The opposite opinions can be explained by the different work tasks and experience in the company. Both interviewees described Reima Oy's logistical process as complex since the company has many different options in the supply chain. Two different ERP systems and six logistical hubs. Different variants in the process gives it the flexibility since there is always many things affecting and causing delays in the supply chain.

For purchase orders they use two ERP systems at the same time and the items go to Asian hub or straight to the European hubs. Understandably both interviewees say it is complex. Example of its complexity can be that one item from one supplier might have four different ways of handling.

When speaking about how the supply chain can be successful, both agreed that good visibility throughout the process is crucial. Good planning with supportive technology and efficient handling is the key to answer to the needs of the changing market. Both also agreed that the supply chain has major role in the company's success. Since in the retail industry the key is to fulfil consumers' needs. If it was not for a good supply chain the goods would not be in the right place in the right time and that could be seen in the sales results.

Both interviewees agreed that change in the supply chain is good, but the logistics coordinator also stated that lot of changes in small time gap can be also crucial since the implementation always takes time and may cause new issues the company needs to tackle. Supply chain manager described this matter well. She said that the change comes from other teams and logistics department aims to solve these.

As for an example she used new suppliers. When new supplier is discovered from a new country or when there is fast collections the logistics need to find solutions to these. How fast we can deliver the fast collection to customers or how to deliver from the new supplier and what is the best route to do it. In the logistics field the improvement is essential since those effect on overall operations and improvements make room for more lean processes. As spoken earlier lean strategy in retail business has been stated to be part of competitive strategy for other companies.

The next big steps for Reima Oy could be to take the goods straight from the suppliers to European hubs, according to supply chain manager. This would save shipping and handling time since the handling all good in the Asian hub before shipping to Europe, takes time especially in the peak times when the turnaround is big. According to logistics coordinator there has been already big changes within the last years that the company should focus to implement. Since the company moved their warehouse from Denmark to Germany and changed their ERP system, the implementation of these should last a bit longer before making any new changes. Following the next big step could be simplifying the supply chain like which has been a topic at Reima. Simplifying would have positive effects says the supply chain manager. Then the supply chain would be more effective and faster and especially it would save costs. Both interviewees agreed that time is money. Logistics coordinator also pointed out that since the goods would need a re-packing in Europe, that could be costly as well. We can agree that this matter is not unambiguous.

Reima has taken steps towards the competitive supply chain. Both interviewees agreed about on the influence and importance of the growth of e-commerce and digitalization. The company is constantly taking smaller matters into account to match the supply chain with consumers and customers needs. Logistics coordinator pointed that reliable partner in warehousing is crucial especially when investing more to e-commerce.

When talking about the sustainability effecting customers' purchasing behaviour, the interviewees did not agree to a certain level. Supply chain manager does not think that this affects on consumers buying behaviour remarkably since the company already provides comprehensive corporate social responsibility report but still the company needs to keep this in mind when making decisions regarding supply chain.

The other opinion provided by the logistics coordinator was that consumers think about this to a certain extent. Although, the consumers will be more curious about the material choices and production than the logistical aspect.

Fast fashion has entered the kids wear markets and many companies are now producing fast collections for kids as well as for adults. Reima Oy has a strong position in the kids wear markets the author was curious will Reima Oy take part of that competition and would that affect the supply chain. Logistics coordinator did not have any opinion on this matter since she has not been in the company for long.

Supply chain manager told that Reima Oy has been making fast collections every now and then but is not focusing on those or trying to compete on that field. Fast collections requires flexibility in the supply chain. Those special collection need extra attention since company is not doing those on daily bases and the supply chain operations is not prepared for those. Extra solutions are being made when delivering fast collections since those are not going through normal routing.

Biggest question in the interview was to get a glimpse of what the supply chain management and logistical operations of Reima Oy would look like in five years. Since the field is undergoing some changes as for example automation and digitalization, the author wanted to have employees opinion on how they see the future. Both interviewees think the processes will be simpler and even hope that it would be so. Both brought up simplicity in their own way. Logistics coordinator thinks that the company might have outsourced operations like warehousing and sales support to a third-party logistics service provider. She thinks also the processes will be automated and more efficient after the changes and learnings. Supply chain manager could not say what the future would hold for Reima Oy's supply chain, but she thinks it will be different from today's. She hopes the supply chain would be more direct and more simple what it is today. Both agreed that it will not be the same as it is today.

## **5 Conclusions**

During this research many sides of Reima Oy have been investigated. The Finnish company has a lot to teach to other fashion companies but also, they have something to learn from other companies as well. The company's growth has been consistent.

They are eager to grow not just globally but as a company. Reima Oy provides winning solutions for kids wear, which their growing sales throughout the years can prove. They have produced great items for parents during the seventy years that they have been in the business. Reima Oy's story is something new that fashion businesses can take notes from. Success does not come overnight; consistency and hard work has driven the company where it is now. They have showed how you can be successful with great values and keeping the quality standards high in times of fast fashion. When you are not ready to compromise on the quality, consumers will see that and this brings the loyal customers in.

Reima Oy is a global company that needs to constantly check their logistical processes to make sure those still serve the company's needs. Since the company has been growing steadily it is crucial that the supply chain supports daily actions. When companies are growing, they need to re-evaluate supply chain management and make changes that support the growth strategy. Reima has recently done this by moving their central warehouse from Denmark to Germany. This was done to support the growth of e-commerce. The warehouse can have the same stock for e-commerce customers as well as business-to-business customers. By doing this the company shared a great deal of costs compared to having two separate stocks.

This is a fine example of how the logistics aspect supports the company's strategy. Also, this shows how the logistics trends are affecting companies and how companies can adapt into those. Reima responded to the consumers' needs by moving the central warehouse to Germany in order to have a great scope on the global customers and shorten the delivery times. The latest investment on changing the warehouse had multiple effect on different areas. It is saving costs when the stock is not divided, it is better solution for e-commerce customers and when thinking about the future and simplifying the supply chain the new warehouse supports those improvements as well. The company's logistical processes are under constant inspection. One cannot say that they are not investing on the competitive strategy since the company has recently invested on new ERP solution and new central warehouse. For Reima the next big step towards more competitive strategy is simplifying the supply chain. It has now many various routes for the goods to arrive since everything goes first through the Asian hub except goods produced in Europe.

By removing this extra stop, the supply chain would become more direct, faster and clearer for all involved. The Asian hub is preparing the goods for some business-to-business orders, but the same operations can be done in the European hubs as well. Removing one extra hub along the way it reduces the possibilities for mistakes. If there is packing error in Asia, the company does not know it until the business customers opens their boxes. In ideal situation when the orders would be packed ready in European hub the company would know sooner if some items are missing. Therefore, the customer can be notified before the order is shipped about the missing quantities. The probability for errors would be smaller. This improvement would bring more visibility to the process. As discovered earlier the logistics field is constantly living and changing. In logistics, companies need to think few steps forward when making new solutions. Reima has found the perfect forwarding company for them but now the next step is to find the perfect solutions on how to make the supply chain more effective and how they can reduce errors along the way.

Fast fashion has a great deal affecting the supply chain since it creates the competitive advantage. If the lead time is long, the company will drop out of the fast fashion competition since other companies have been able to sell latest trends before your items even arrive to the stores. In fast fashion the supply chain needs to be effective, flexible and straight-forward. In the competition the supply chain is the one which gives the advantage. If the supply chain is better than competitors, it allows the other phases in the process be less precise. Reima Oy is not fully entering the fast fashion competition which is best for the company since their core competence is making quality outerwear which needs proper research and designing. The company cannot participate the competition without losing quality. Since the company tests all items before adding them to the collections it does not support the idea of fast fashion which is good since it would not fit the company's ideology of sustainability. As we have witnessed the company is strongest when focusing on what they do best. Making fast collections is refreshing for the consumers as well as the company itself but on the long-run they should not focus on these.

Reima Oy has found their fit in the markets and now the next step would be how they can start to compete with others using other resources than the products. Reima Oy is the leading brand in premium kids performance wear because of their quality, timeless design and the history.

When the implementation is finalized for the new warehouse, company should start thinking about the simplification of the processes. What points actually needs to be considered when importing goods straight to Europe. What it takes for the warehouse to prepare the goods before sending to them customers and how they should do these improvements the most efficient way. Also, not to forget the main strategy of growing in e-commerce. Would it need automation to prepare the e-commerce orders the quickest way possible, would the growth need special collections only sold in the Reima's website. There are endless possibilities but what needs to be seen through is the whole process.

Company cannot start making any new improvements before seeing all the possible issues it may cause along the way. As can be read through the lines of the interview with logistics coordinator, the latest big step in the supply chain improvement has not gone as well as planned. It is crucial to minimize the errors before those even occur and most importantly how those cannot effect on the end-customer. In the supply chain everything has affect on everything. For example, one short delay on the process of the third-party logistics company will have an effect on Reima's customers as a delay. One can seldom affect outsourced operations, but one can minimize the errors in their own processes.

The research process was interesting since the author is an employee of the case study company. The research will influence the author's own work in the company and has brought up new angles to the daily work. The greatest effect of this research was that the author has been able to use the knowledge received from own work experience and the company materials. It brought the scope to a new level and also allowed the author to use information that cannot be found in the published literature nor the articles made by Reima Oy.

Collecting the primary data with the help of the interviews was the basis for the research. The author wanted to get different angles by choosing two totally different backgrounds; an employee who has been long in the company and an employee who has recently joined the team. This can be seen in the answers of the interviewees. The interviews were made in a way that the second respondent did not know what other had answered. This way the results were what the author wished to be; honest. For secondary data the author received old presentations from the case study company which gave new perspectives and information to the research.

Secondary data collected was just as versatile as the field of logistics is. To draw a line around the topics made the process harder. Since the field is wide, it would be easy to get on a side track.

The research process had many phases and lasted months, yet it was interesting to dive deep into the fashion industry and discover new lengths of logistics in the retail industry. To be able to do the case study about a global Finnish company and to research what similarities it has compared to other retail companies, made the process interesting. The author sees the retail industry in a bit different light after the research.

## 6 References

Alexander, B. 2017 5 Top Trends Shaping the Future of Retail Logistics, *Multi channel merchant*, Available at: < <https://multichannelmerchant.com/blog/5-top-trends-shaping-future-retail-logistics/>> [Accessed 7 December 2018]

Asikainen, J. 2018 Harva tietää halpavaatteen todellisen hinnan: Pikamuoti saastuttaa enemmän kuin lento- ja laivaliikenne, koska vaatteita ei tehdä kestäväksi, *Yle Uutiset*, Available at: <<https://yle.fi/uutiset/3-10309581>> [Accessed 30 December 2018]

Bayles, D. 2001. *E-commerce logistics & fulfillment*. United States: New Jersey.

Bonn 2018 The future of logistics depends on four key elements: customer-centricity, sustainability, technology and people, *DHL.com*, [online] Available at: <[http://www.dhl.com/en/press/releases/releases\\_2017/all/logistics/the\\_future\\_of\\_logistics\\_depends\\_on\\_four\\_key\\_elements\\_customer-centricity\\_sustainability\\_technology\\_and\\_people.html](http://www.dhl.com/en/press/releases/releases_2017/all/logistics/the_future_of_logistics_depends_on_four_key_elements_customer-centricity_sustainability_technology_and_people.html)> [Accessed 25 October 2018]

Bowersox, D.J., Closs, D.J., Cooper, M.B. 2007. *Supply chain logistics management*. United State: New York.

Brewer, A.M, Button, K.J., Hensher, D.A. 2001. *Handbook of logistics and supply-chain management*. Elsevier Science Ltd.

Chamberlain, G 2017 How high street clothes were made by children in Myanmar for 13p an hour, *The Guardian*, [online] Available at: <<https://www.theguardian.com/world/2017/feb/05/child-labour-myanmar-high-street-brands>> [Accessed 26 November 2018]

Churchill, F. 2018 H&M invests in supply chain after poor results, *Supply Management* [online] Available at: < <https://www.cips.org/en/supply-management/news/2018/february/hm-invest-in-technology-after-disappointing-results/>> [Accessed 7 December 2018]

Denning, S. 2015 How Agile and Zara Are Transforming the US Fashion Industry, *The Forbes*, [online] Available at: <<https://www.forbes.com/sites/stevedenning/2015/03/13/how-agile-and-zara-are-transforming-the-us-fashion-industry/#28584d2e7e82>> [Accessed 27 November 2018]

Dolan, S. 2018 The challenges of last mile logistics & delivery technology solutions, *Business Insider* [online] Available at: < <https://www.businessinsider.com/last-mile-delivery-shipping-explained?r=US&IR=T&IR=T>> [Accessed 30 December]

Fashion United 2017 Has the Rapid Pace of the Fashion Industry Left H&M behind? [online] Available at: < <https://fashionunited.uk/news/business/has-the-rapid-pace-of-the-fashion-industry-left-h-m-behind/2017090725757>> [Accessed 2 December 2018]

Fernie, J. & Sparks, L. 2009. *Logistics & Retail Management. Emerging issues and new challenges in the retail supply chain*. 3 rd Edition. Kogan Page.

Fernie, J, Grant, B (2015) *Insight into the fashion retail supply chain*, Fashion Logistics. [Accessed 30 December 2018]

Glatzel, C., Niemeyer, A., Röhren, J. 2014 Three ways CEOs can improve the supply chain, *McKinsey & Company* [online] Available at: <<https://www.mckinsey.com/business-functions/operations/our-insights/three-ways-ceos-can-improve-the-supply-chain>> [Accessed 7 December 2018]

Gorrepati, K. 2016 Zara's agile supply chain is source of competitive advantage, *Digitalist Magazine* [online] Available at: <<https://www.digitalistmag.com/digital-supply-networks/2016/03/30/zaras-agile-supply-chain-is-source-of-competitive-advantage-04083335>> [Accessed 25 November 2018]

Hanbury, M. 2018 H&M is caught in a 'vicious cycle' of discounting, and now it's found itself with a mountain of unsold clothes — here's how it got there, *The Business Insider* [online] Available at: <<https://nordic.businessinsider.com/why-hm-business-is-struggling-201804?r=US&IR=T>> [Accessed 4 December 2018]

Hugos, M. 2006. *Essentials of Supply Chain Management*. United States: New Jersey

H&M. 2018 H&M GROUP LAUNCHES ITS SUSTAINABILITY REPORT 2017 [online] Available at: <<https://about.hm.com/en/media/news/general-news-2018/hm-sustainability-report-2017.html>> [Accessed 7 December 2018]

Intralogistics, 2017 Warehouse optimization is not just for the big players [online] Available at: <<https://intralogistics.tips/warehouse-optimization-is-not-just-for-the-big-players/>> [Accessed 25 October 2018]

Juntunen, J. 2017 Reima suuntaa ulkomaille, *Kaupapolitiikka* [online] Available at: <<https://kaupapolitiikka.fi/yritykset/reima-goes/>> [Accessed 4 December 2018]

Lopez, A. 2018 H&M's turnaround runs through its supply chain, *Supply Chain Dive* [online] Available at: <<https://www.supplychaindive.com/news/HM-turnaround-runs-through-supply-chain/520495/>> [Accessed 4 December 2018]

Lui, H. 2018 What Is the Future of Ecommerce in 2018 and Beyond? 10 Trends, *The Shopify* [online] Available at: <<https://www.shopify.com/enterprise/the-future-of-ecommerce>> [Accessed 26 November 2018]

Mellery-Pratt, R. 2016 The 'Fashionisation' of Childrenswear, *The Business of Fashion*, [online] Available at: <<https://www.businessoffashion.com/articles/intelligence/the-fashionisation-of-childrenswear>> [Accessed 20 September 2018]

Mentzer, J. 2007 Achieving Competitive Advantage Through Supply Chain Management, *Industry Week* [online] Available at: <<https://www.industryweek.com/companies-amp-executives/achieving-competitive-advantage-through-supply-chain-management-0>> [Accessed 17 October 2018]

Myerson, Paul. 2014 A Lean and Agile Supply Chain: Not an Option, But a Necessity, *Inbound Logistics* [online] Available at: <<https://www.inboundlogistics.com/cms/article/a-lean-and-agile-supply-chain-not-an-option-but-a-necessity/>> [Accessed 9 October 2018]

Nabben, H. 2017 12 Trends that are shaping the future of logistics, *Supply Chain Digital*, Available at: <<http://www.supplychaindigital.com/logistics/12-trends-are-shaping-future-logistics>> [Accessed 30 December 2018]

Peterson, H. 2014 5 Charts That Show H&M's Explosive Growth, *The Business Insider* [online] Available at: <<https://www.businessinsider.com.au/charts-showing-hms-explosive-growth-2014-9>> [Accessed 7 December 2018]

Rauturier, S. 2018 What Is Fast Fashion? *Good on you*, [online] Available at: <<https://goodonyou.eco/what-is-fast-fashion/>> [Accessed 19 September 2018]

Remes, P. 2018 Oikea kumppani on kuin hyvin istuva haalari, *Osto & Logistiikka* [online] Available at: <<http://www.ostologistiikka.fi/kategoriat/kuljetukset/oikea-kumppani-on-kuin-hyvin-istuva-haalari>> [Accessed 2 December 2018]

Ringstrom, A. 2017 H&M invests in supply chain as fashion rivalry intensifies, *Business Insider* [online] Available at: <<https://www.businessinsider.com/r-hm-invests-in-supply-chain-as-fashion-rivalry-intensifies-2017-3?r=US&IR=T&IR=T>> [Accessed 2 December 2018]

Rosenblum, P. 2015 Fast Fashion Has Completely Disrupted Apparel Retail, *The Forbes*, [online] Available at: <<https://www.forbes.com/sites/paularosenblum/2015/05/21/fast-fashion-has-completely-disrupted-apparel-retail/#77b372e57e3e>> [Accessed 21 October 2018]

Rushton, A., Croucher, P., Baker, P., 2006. *The handbook of logistics and distribution management*. United Kingdom: London

Slack, N., Chambers S., Johnston, R. 2010 *Operations management*. Harlow, England, 550.

Vogue, 2018 Fast Fashion definition [online] Available at: <<http://www.vogue.it/en/news/encyclo/fashion/f/fast-fashion>> [Accessed 30 September]

Waters, D. 2007 *Global logistics: new direction in supply chain management*. United Kingdom: London

Webb, J. 2017 How To Create An Agile Supply Chain, *The Forbes*, [online] Available at: <<https://www.forbes.com/sites/jwebb/2017/12/26/how-to-create-an-agile-supply-chain/#1e45b45862f4>> [Accessed 2 October 2018]

Weinswig, D 2017 Retailers Should Think Like Zara: What We Learned At The August Magic Trade Show, *The Forbes*, [online] Available at: <<https://www.forbes.com/sites/deborahweinswig/2017/08/28/retailers-should-think-like-zara-what-we-learned-at-the-august-magic-trade-show/#519947273e52>> [Accessed 27 November 2018]

Wilkinson, J. 2013 Value chain definition, *The strategic CFO*, [online] Available at: <<https://strategiccfo.com/value-chain/>> [Accessed 26 November 2018]

## Interview questions

Interviews made to

Supply Chain Manager of Reima Oy, 05.10.2018

Logistics Coordinator of Reima Oy, 03.12.2018

Describe Reima's supply chain with three words?

In few words can you describe Reima's logistical process?

What makes supply chain process successful?

How big impact supply chain has in Reima's success?

For businesses it is important to stay in the same pace with the upcoming trends in supply chain management and logistics, how important it is to follow the trends and improve the supply chain process every once in a while?

What could be Reima's next big steps in this? or if not big then smaller but effective steps?

Reima has been thinking about simplifying the supply chain, what effects it would have in the business and how much value you think it would bring in the company?

H&M has said "invest in new technologies to make its supply chain faster, more flexible and more responsive to "mirror our customers' fast changing needs". Has Reima already taken steps towards more competitive supply chain? If so, what has been those steps? If not, could supply chain efficiency be one of Reima's competitive advantages in the future and what points of actions it would need?

Today consumers are more conscious about their carbon footprint than ever. Do you think consumers are interested in company's supply chain process and how eco-friendly it is? Do you believe that effective supply chain would be something that consumers take into consideration before making the purchase decision?

Fast fashion is slowly entering the kids wear markets as well. Since Reima is the globally leading brand in functional kids' wear, would Reima take part of the fast fashion competition and would it affect the supply chain? How?

Where do you see Reima's supply chain management and logistics operations in five years?