

Uniqlo Comparative Table

Triad 11

Matthew Bierman Marisa Ferguson-Hyams Matthew Kelemen

The Effects of Vertical Integration on Fast Fashion Supply Chains

	UNI QLO		INDITEX		HEM	
	Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
Overall Level of Vertical Integration	Key production processes under direct control which enhances coordination and reduces dependency	High transaction/ operational costs to manage partners, less flexibility to market changes	Highly vertically integrated allowing for high coordination and high responsiveness to demand	High overhead costs and potential barriers to expansion due to concentration of production	High flexibility in sourcing. low fixed costs, and ability to benefit from bulk ordering	Low ability for oversight and quality control, high coordination costs
Quality Control	High quality control systems, maintained through direct involvement and oversight (Takumi team).	Implementation of Takumi team is resource intensive and requires high training/labor costs.	Directly owned supply chain allows for oversight and ability for quality control	Quality control procedures don't align with focus on time-to-market; could delay distribution.	IT infrastructure and 30 directly controlled production centers to monitor supplier quality	High number of suppliers could lead to product quality issues and difficulty of oversight.
Supply Chain Responsiveness	Uses customer feedback to make product improvements and guide innovation.	Focus on clothing basics, rather than fashion trends, which could present risks in faster demand markets	Leveraged market data and direct control of most of supply chain to reduce time-to- market.	High coordination costs, potential risks to quality control, designs could misalign with demand	Centralized design/planning and focus on seasonal collections allowed low NPD speed.	Slower to market for new trends, presenting risk of missing early demand.
Inventory Levels	Advanced data analytics to efficiently manage stock and create coordination among units	High coordination costs among partners to manage inventory, especially for online sales	Low inventory levels due to quick stock turnover and monitoring demand.	High risk of missing demand and losing sales if unforeseen fluctuations occur.	Economies of scale due to bulk ordering and longer shelf lives of products	Risk of excess inventory leading to forced markdowns of products.
Market Adaptatio n	Standardized products allow for expansion into new markets without changing core product.	Scalable in current markets but risks in expansion; risks in adapting to new market trends	Low transaction costs, low bargaining costs and high coordination abilities	Highly localized supply chain which presents risk for market expansion	High scalability due to diversified supplier base and experience with varied manufacturers	Risks in maintaining uniform quality and company culture across markets



Transaction Costs in the Apparel Supply Chain

The Effects of Vertical Integration on Fast Fashion Supply Chains

Triad 11

Matthew Bierman Marisa Ferguson-Hyams Matthew Kelemen

UNI QLO

 A "fashion follower" in most lines (essentials), partnerships have assisted their innovation (Polar Fleece, Heattech, Air-Sim)

H&M

- Centralized design and planning enables maximizing on "in season" trends
- External coordination would slow down development cycle

INDITEX

- Competitive advantage from being a "fashionista" or market leader
- External coordination costs and loss of control over IP would put this in jeopardy

Low Control

New Product Development & Design

High Control



- Vast supplier network monitored by regional offices
- Contracts with suppliers enables high-volume/lower cost model



- "Counter-current" approach uncouples demand from seasonal cycles; enables wider material use
- Long-term contracts with suppliers

INDITEX

- Vertical integration allows for tight controls over product type, quality, and production scheduling
- Contracting would require relationship-specific investments

Low Control

Fabric/Materials





- Vast supplier network monitored by regional offices
- Contracts with suppliers enables high-volume/lower cost model



- · Small cadre of vetted suppliers
- Takumi team partners with suppliers to improve processes
- Relational contracting keeps transactional costs low

INDITEX

- Vertical integration allows for tight controls over product type, quality, and production scheduling
- Contracting would require relationship-specific investments

High Control

Low Control

Production/Cut & Sew



- Higher inventory levels than peers; not necessarily a bad thing given high SKU count of basics
- Large footprint stores, not as curated as peers_



High level of data sharing across supply chain allows for near JIT inventory; not possible without relational contracts and strategic partners

INDITEX

 Complete control over the entire supply chain enables low inventories and engineered scarcity

Low Control

Retailing

High Control