

**Dissertation**  
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*MSc Student:* MAHDI AZIMI

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*Name of supervisor:* Dr Mengqiu Cao

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**University of Westminster**

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## List of Acronyms and Abbreviations

DPP	Direct Product Profitability
JIT	Just-in-Time
ODM	Original Design Manufacturers
SCM	Supply Chain Management
GDP	Gross Domestic Product

## **Abstract**

This thesis aims to investigate the simultaneous management of suppliers and distribution channels in the fast fashion industry, which are considered essential components of a supply chain. Furthermore, the evaluation of a supply chain also results from the performance of this vital department.

As discussed in more detail below, agility is significant in a supply chain, especially in the fast fashion industry, and high efficiency can be achieved by establishing coordination and rational management between its components. Therefore, managing each component separately and creating coordination between them is crucial. Each of them has obstacles and important issues that must be considered. Including how to choose suppliers, how to interact with them, control their quality and efficiency, choose the best method for distributing products from the factory door to the distribution centres and also from the distribution centres to the stores and finally, managing all these components and creating coordination between them.

## **1. Chapter One: Introduction**

This chapter will present general background information about the competitive fast fashion industry and two superpowers in this field, namely Zara and H&M. Therefore, by examining and finding unanswered questions for these two brands that are known as research gaps, we address the shortcomings in the management of suppliers and distribution channels, as well as creating an effective and coordinated relationship between them. Also, the effective parameters in this industry and the need for supply chain management (SCM) and simultaneous coordination between the suppliers and the distribution channels have been stated so that they can deliver the required products to the sales centres as soon as possible and make them available to the consumers. Additionally, provide an overview of the dissertation's overall research aim, objectives, and structure.

By investigating their strategies, we can gain valuable insights into how these companies navigate the complexities of supplier management and distribution channel optimisation.

### **1.1. Background**

In the contemporary realm of the fashion industry, there has been a notable shift in consumers' fashion preferences, resulting in an increased desire to access the latest trends promptly. This phenomenon has placed considerable pressure on retailers, subsequently affecting their suppliers. The rapid pace of fashion and evolving consumer demands have reduced response time to emerging trends. Consequently, these transformations have had an impact on the intricate structure of clothing supply, necessitating management and strategic adaptations within this sector. In addition to effectively addressing the challenges along the extensive supply chain, it has become imperative for industry players to promptly cater to the evolving needs of consumers (Camargo, Pereira and Scarpin, 2020).

The concept of fast fashion is used as a commercial term that focuses on creating a fast and efficient supply chain in order to produce up-to-date products in line with



the needs of consumers (McNeill and Moore, 2015). Fast fashion is the solution of big companies to respond to the request for fashionable clothes with the right price and quality. Moreover, the shelf life of these products in stores is short (Meraviglia, 2015). Actors in this industry have always been trying to lower the prices of products in order to finally achieve a suitable consumer price (Meraviglia, 2015).

Several reasons have led to the evolution of the fast fashion phenomenon, one of which is the existence of countries with very low labour costs, which has led companies active in this industry to change their production and distribution strategies (Christopher, Peck and Towill, 2006).

Another and one of the most important reasons for the success of the fast fashion industry is the ability to respond quickly (short-term production and distribution time) and the ability to design products combined to reduce the production time and reach a high degree of responsiveness. Therefore, suppliers can continuously adapt to demands that are always uncertain and irregular (Cachon and Swinney, 2011). Therefore, the importance of coordinated management in the entire supply chain process, especially between suppliers and distribution channels, is evident. Because if there is no parallel management and a disruption in the product suppliers or distribution channels, it will lead to a delay in sending the final product to the seller. It also undermines the fundamental principles of the fast fashion industry, causing a loss of a market where time is an essential and competitive factor.

Therefore, according to the items mentioned earlier, we have investigated two prominent brands in the fast fashion industry in order to identify the existing problems and risks and, by finding an answer for them, to improve the management performance of suppliers and distribution channels in the Fast fashion industry.

Therefore, one of the existing risks is outsourcing suppliers and distribution channels, in which Zara and H&M brands are also involved. It is also possible to mention the timing and the way these two brands use the methods of transportation and distribution of goods. One of the other problems and risks

is cooperation with suppliers who, despite the low cost of labour in those countries, quality control of their products is essential. Therefore, by examining the above cases in the two brands, Zara and H&M and referring to their initiative in controlling the mentioned problems, it is possible to help increase the efficiency of this industry.

Zara emerged as a pioneering enterprise that successfully established a swift supply chain through innovative practices, thus attaining a prominent position within the fast fashion sector. Zara swiftly responded to customer demands by efficiently stocking its stores and adeptly adapting to evolving consumer preferences (Xuejie, Chang and GuangHao, 2019). H&M, positioned as a prominent player within the rapidly evolving fast fashion sector, has effectively navigated the competitive landscape with ZARA by employing astute supply chain management strategies. Additionally, the company has demonstrated ingenuity by implementing effective risk management practices in its supplier outsourcing activities (Rathore, Maheshwari and Jain, 2019).

Short times should be considered in supply chain management, as Christopher et al. (2004) define three vital times (Figure 1-1): 1. Time to market: This represents the time between identifying a market opportunity - turning it into a product - and delivering it to the market. 2. Service time: the time between receiving orders at distribution centres and delivering them to stores. 3. Response time: the time between detecting changes in actual demand and its application in production. Therefore, reducing these times is favoured by companies active in the fast fashion industry (Christopher, Lowson and Peck, 2004).

Figure 1-1: Three Vital Time



Source: (Author)

In this thesis, an attempt has been made to investigate the importance of coordination between the suppliers who are at the beginning of the supply chain and the channels of distributors who play a vital role. The performance of these two parts of the fast fashion industry's supply chain broadly defines the fashion industry's concept and gives it meaning.

## **1.2. Research Aim and Objectives**

### **1.2.1. Research Aim**

This study aims to investigate the best approaches for managing suppliers and distribution channels simultaneously according to the existing obstacles by using Zara and H&M companies as case studies.

### **1.2.2. Research Objectives**

This purpose has been addressed by developing the following focused objectives:

**RO1:** Investigating the reasons for the simultaneous management of suppliers and distribution channels in the fast fashion industry.

**RO2:** Examining the obstacles in carrying out this coordination, which, if not controlled, will cause damage to the entire supply chain.

**RO3:** Examining the existing risks in the case of outsourcing each of the mentioned departments.

**RO4:** Investigating customer needs and predicting them, which can lead to interaction between suppliers and distribution channels.

## **1.3. Research Structure**

The dissertation is organised into six chapters: an introduction, a literature review, a methodology, a case study, an analysis, and a conclusion.

Throughout this chapter, background information, aims and objectives, as well as the dissertation structure, are presented.

The literature review will examine existing knowledge and theories relevant to the overall purpose. Moreover, we will discover and review the gaps in the field of supplier management and distribution channels and how to establish coordination between these two critical parts of the supply chain.

In the case study chapter, this paper delves into the strategic management of suppliers and distribution channels by Zara and H&M, two prominent brands in the fashion industry. The investigation centres on their adept utilisation of innovation, particularly in light of their outsourcing practices, to effectively govern and mitigate potential risks within their operations.

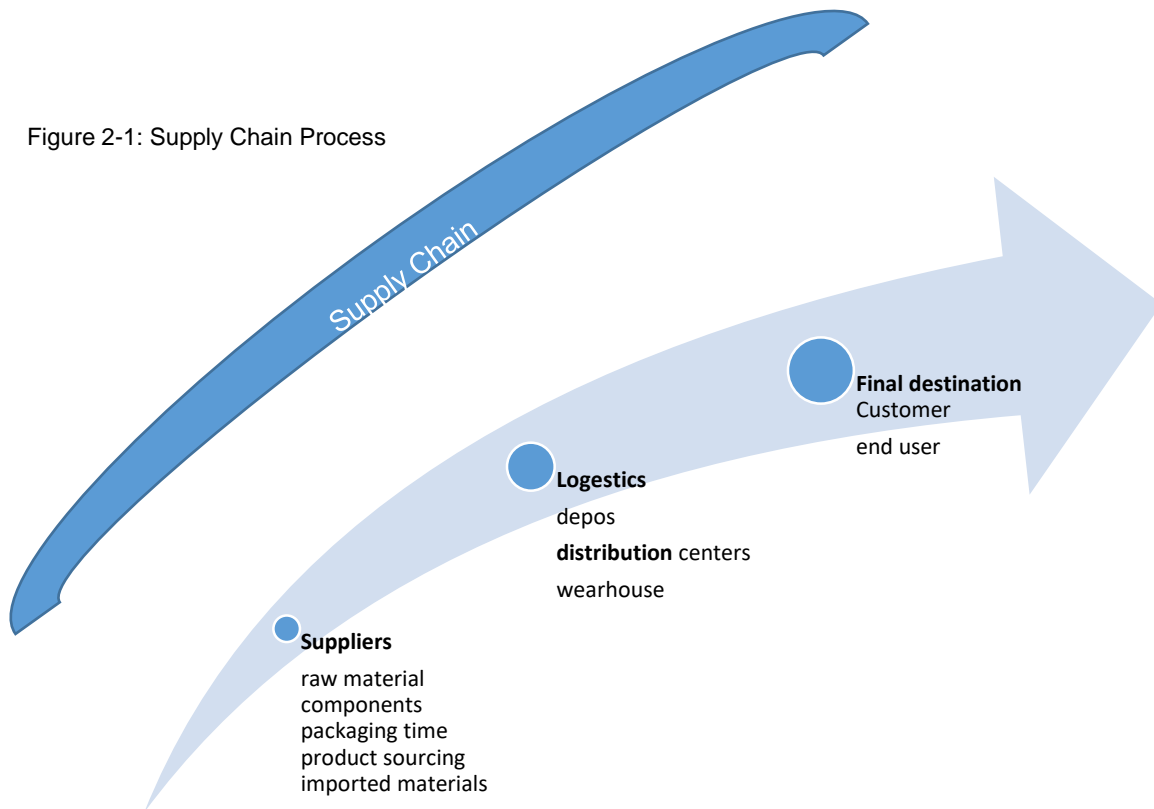
In the methodology chapter, the research method has also been used, and the information model used has been examined. In the analysis chapter, data analysis has been done.

Finally, in the conclusion chapter, the results obtained from the entire research process and the presentation of suggested solutions in the field of optimal management of suppliers and distribution channels, as well as creating coordination between them, have been discussed.

## 2. Chapter Two: Literature Review

In this chapter of the thesis, the existing theoretical contents have been used to understand and express more clearly the academic works that are the basis for this research. Figure 2-1 is a general description of the supply chain process in the fast fashion industry, and the purpose of this section is to provide general and specific knowledge and information in the field of fast fashion suppliers and distribution channels, as well as the importance of simultaneous management of these two sections during a supply chain process. Because the optimal performance of these two sectors can contribute to the dynamics of the supply chain, which is a vital part of the fast fashion industry. Also, two successful brands, Zara and H&M, have been investigated to understand the concepts better and use practical solutions.

Figure 2-1: Supply Chain Process



Source: (Author)

## **2.1. Introduction**

The fashion apparel industry has undergone a significant transformation in recent years when the boundaries of the industry began to expand. When the rise of fashion seasons, the disappearance of mass production, and structural changes in the supply chain forced retailers to desire low cost, flexibility in design and quality, delivery, and speed. One of the characteristics of quick response and greater flexibility is maintaining closer relationships between suppliers and buyers (Bhardwaj and Fairhurst, 2010). Which subsequently requires coordination between suppliers and existing distribution channels in a supply chain.

Considering that fashion retail is under competitive pressure, the emergence of a fast fashion strategy can help leading companies in this field to continue their existence in this competitive market. Fast fashion is a business criterion and concept and an integral part of the fashion industry that cannot be ignored (Barnes, Lea-Greenwood and Lea-Greenwood, 2006).

This industry aims to attract more customers to the stores to increase the number of times they purchase daily products. This is achieved through low-cost clothing that spends less time on store shelves than traditional products. Furthermore, this requires shortening the cycles in the supply chain process and several organisational requirements such as flexible production and design, an appropriate combination of raw materials and fashionable production, and, most importantly, coordination between different parts in order to reduce the time of the entire process (Turker and Altuntas, 2014).

The change in people's lifestyles and the subsequent consumer demand for novelty have put pressure on the supply chain process and made it more competitive than ever before. Moreover, retailers like Zara and H&M have shifted their competitive advantage from price to quick response to consumer needs (Barnes, Lea-Greenwood and Lea-Greenwood, 2006).

Therefore, to examine more closely, in this thesis, firstly, the management of suppliers and distribution channels, the strategies used, and the obstacles and

risks in each of these two units have been examined separately. And then, according to the conducted research and existing questions, the simultaneous management of these two critical units of the supply chain will be investigated.

## **2.2. Supplier Management in the Fast Fashion Industry**

### **2.2.1. Definition and Role of Suppliers in Fast Fashion**

Suppliers are crucial partners in the fast fashion industry, providing materials, components, and finished goods. H&M and Zara manage their suppliers differently to optimise efficiency and maintain quality. In the fashion industry, the supply chain includes extensive operations, including raw material procurement, distribution and production, and delivery to the market. This process comprises material suppliers, production facilities, logistics department and customers. In this industry and modern retail, the supply chain has become particularly important regarding the organisation, coordination between its different sections, and their agility (Moon, Lee and Lai, 2017).

Mandt (2019) believes that the cooperation of suppliers has a positive effect on the performance of buyers. By conducting research and development, suppliers help the innovation of companies. Therefore, they take part of the costs that every company has to spend on research and development from their shoulders. Finally, suppliers can provide better ideas to improve products and attract more customers (Mandt, 2019).

There is another point of view about fast fashion, and according to Guercini (2001), it is the integration of retailers with suppliers, which is conceptually similar to the concept of Just-in-Time (JIT). One of its advantages is the effect on efficiency and flexibility regarding repeated orders and inventory replenishment. Moreover, without a doubt, it responds to the changing styles, which is from the initial concept of fast fashion (Guercini, 2001).

As Barnes and Lea-Greenwood accurately point out, due to changes in the fashion industry and expansion in consumer needs, the life cycle of outsourced products is shortened, and the time chain has become more complex than before (Barnes and Lea- Greenwood, 2006). Therefore, considering the complexity of the supply chain, it is essential to pay attention to the different parts of this process, and one of those parts is the suppliers, who are active in this industry.

As the explanations and reviews of previous researchers show, the supplier sector in a supply chain is of particular importance. Moreover, with their rational management, as can be seen, positive feedback in the buying process of consumers because they alone can be responsible for a significant part of the idea, design and attraction of customers. This is a preeminent part of an investment in the fast fashion industry, which is considered for development and competition in this market.

Therefore, coordinating different units with suppliers can positively affect suppliers' performance and ultimately provide updated products on time and at the right price.

### **2.2.2. Critical Challenges in Supplier Management**

The sourcing process to find suppliers and the contraction of the supply chain is accompanied by special stresses related to supplier selection, evaluation and management (Doyle, Moore and Morgan, 2006). Also, Lasch and Janker (2005) mention that the defining parameter for a company's success or failure is its suppliers' ability level (Lasch and Janker, 2005).

Christopher et al. (2004) mention the unstable exchange rate and lack of flexibility as the risks of offshore suppliers (Christopher, Lowson and Peck, 2004).

Among the other challenges in supplier management, it has been well presented by Varley (2001). That is because the more prominent suppliers are in a particular position where they can manage the situation; they will abuse that power to



improve their market share (Retail Product Management: Buying and merchandising, no date).

Fast fashion brands often work with a vast network of suppliers scattered across different countries. Ensuring transparency throughout the supply chain can be challenging due to the complexity of operations, multiple tiers of suppliers, and varying regulations in different regions. Lack of transparency can lead to ethical concerns, such as poor working conditions or environmental issues, which can negatively affect a brand's reputation (Barnes and Lea- Greenwood, 2006).

Ensuring suppliers comply with labour and environmental standards is crucial for responsible sourcing. Conducting regular audits to monitor compliance can be resource-intensive and time-consuming, particularly when dealing with a large number of suppliers.

As Bhardwaj and Fairhurst (2010) mentioned, the fast fashion industry is highly competitive, with consumers expecting low prices and frequent discounts. Suppliers often face pricing pressures from brands, which may affect their ability to maintain fair wages and invest in sustainable practices. Fast fashion companies require suppliers who can quickly scale up or down production volumes based on market demands. Maintaining a balance between capacity and flexibility can be a significant challenge for suppliers, especially during peak seasons (Bhardwaj and Fairhurst, 2010).

Building and maintaining strong supplier relationships is essential for smooth operations and collaboration. However, in the fast fashion industry's competitive environment, suppliers might need more support to maintain quality and ethical standards, which can strain relationships. Suppliers operating across international borders may face geopolitical challenges, such as trade disputes, tariffs, or changes in government regulations, which can disrupt the supply chain and impact sourcing decisions (Xuejie, Chang and GuangHao, 2019)

### **2.2.3. Strategies for Effective Supplier Management**

The goal of a responsive supply chain is to focus on methods and strategies that enable the company to be responsive and flexible to the changing needs of consumers (Camargo, Pereira and Scarpin, 2020).

Nowadays, by using technology, consumers' information can be quickly provided to suppliers to inform them of rapid changes. Furthermore, there is no need for traditional methods based on forecasting and ordering purchases. After that, the products reach the stores and contain information such as barcodes, security codes, and other items, and in this way, the time between sales and inventory replenishment is reduced. It also reduces the cost of transportation and distribution and increases accuracy. It also improves delivery and inventory (McMichael, Mackay and Altmann, 2000).

According to the research of Christopher et al. (2004), the parameters that have affected the supply chain include the product's short life, the large volume of impulsive purchases and high fluctuations in demand. Therefore, such a trend leads to a demand-oriented supply chain. Christopher et al. (2004) consider the existence of suppliers and internal sources to be the best option in terms of access (Christopher, Lowson and Peck, 2004).

According to Seuring and Müller, the supplier evaluation for risk and performance is done by focusing on cooperation risks and obstacles in the supply chain. The evaluation process has two goals: to improve the timing performance and avoid supply chain risks. Furthermore, it is necessary to mention that dependence, flexibility, speed, and quality are essential parameters for evaluating supplier performance improvement (Seuring and Müller, 2008).

## **2.3. Distribution Channel Management in the Fast Fashion Industry**

### **2.3.1. Definition and Role of Distribution Channels in Fast Fashion**

The distribution channel is a term for how a product or a group of products is transferred from the place of production to the consumer. Product distribution is not just the transfer of a product from the origin to the destination; various elements are coordinated and combined to make a distribution operation (Rushton, Croucher and Baker, 2022). The final destination for the products is mostly retailers and fast fashion sales centres, but in some cases, the final destination is the consumers. A good distribution channel is one of the most important aspects of staying in business for a fashion business. Retail distribution includes making products available by setting them in stores and other places with an extended consumer footfall.

The characteristics of fashion industry products, such as having a short life of products, current styles and being cheap, have influenced not only the market trend but also the supply chain systems of active companies. Therefore, to survive in this competitive industry, they must have agile and cost-effective management on all parts of the supply chain. And one of those departments is the logistics unit and supply chain distribution channels (Cachon and Swinney, 2011).

According to Christopher, companies used to consider suppliers and distributors as cost centres and even their enemies. However, today they are actively looking for their partners to achieve mutually beneficial strategies (Christopher, Lowson and Peck, 2004).

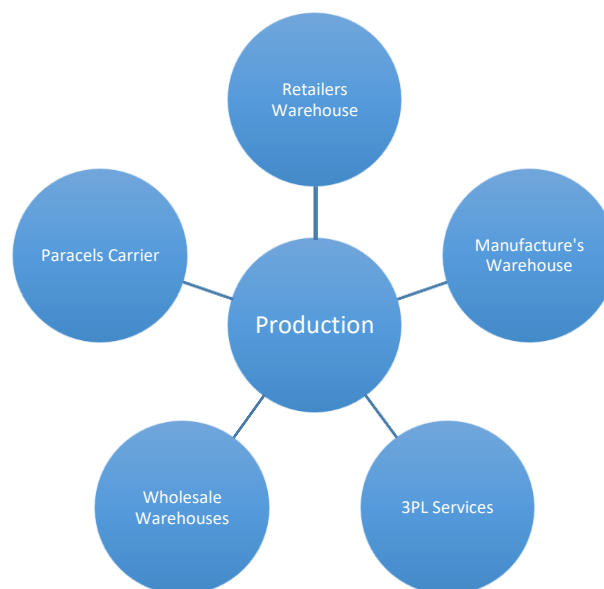
### **2.3.2. Challenges and Strategies for Effective Distribution Channel Management**

One of the challenges in product distribution is the costs involved. Moreover, all distribution costs (storage, transportation) are considered for a specific product, not average costs. Furthermore, this issue is also evaluated by the direct product profitability (DPP) technique. (Rushton, Croucher and Baker, 2022).

After preparing the products, the suppliers send them to distribution centres or central warehouses through different transportation methods, including air, marine, road, and rail transportation. After that, the products are sent to sales centres through distribution channels.

Efficient distribution channel management is essential for fast fashion companies to ensure the timely delivery of products to customers. Zara and H&M adopt different strategies in this regard. Rushton et al. (2022) state that a supply chain has different distribution channels; sometimes, a combination is also used. Figure 2-2 also shows the different channels of physical distribution of the product, and as it is clear, the final destination of all of them is retailers. (Rushton, Croucher and Baker, 2022).

Figure 2-2: Different Distribution Channels



Source: Author (Adapted from Rushton, Croucher and Baker, 2022)

In general, there are two distribution methods: one is manufacture-to-retail, and the other is direct deliveries. The selection of distribution channels in each company differs from another company and is based on the types of intermediaries, the levels of intermediaries and the intensity of distribution at each level. Small and medium-sized companies may have a more straightforward distribution channel than larger companies (Rushton, Croucher and Baker, 2022).

## **2.4. Simultaneous Management of Suppliers and Distribution Channels**

### **2.4.1. The Interdependence Between Suppliers and Distribution Channels**

In the supply chain context, cooperation includes a process in which two or more companies, by organising their operations, move toward common interests and perspectives and achieve success and the ultimate goal (Moon, Lee and Lai, 2017).

Barratt (2004) stated vertical, horizontal and lateral integration as supply chain cooperation strategies (Barratt, 2004). Vertical integration occurs at the level of a supply chain. This includes the integration between suppliers, manufacturers, and distributors, which leads to improved physical flow, information, improvement in service level, inventory control and improvement in the transportation system (Soosay, Hyland and Ferrer, 2008).

### **2.4.2. Importance of Coordination and Integration**

A fast fashion company's success depends upon managing suppliers and distribution channels simultaneously. Managing suppliers effectively can improve product quality, reduce lead times, and respond more quickly to market demands. Similarly, efficient distribution channel management enables companies to deliver products swiftly, enhance customer experiences, and maximise sales.

Ngai et al. (2011) emphasise that the agility of a supply chain system and the creation of coordination and cooperation between different departments will help textile and clothing companies to grow in an unpredictable environment. Also, they argued that in order to achieve this coordination, companies should have active IT, operational and management departments. Moreover, cooperation and coordination between supply chain organisations are possible by creating a communication and integrated platform (Ngai, Chau and Chan, 2011).

Due to the end of inventory and the need to replace them, the need to plan for the distribution of products and their timing is one of the parameters that must be

communicated with the suppliers in order to create this coordination between the supplier and the distribution channel (Rushton, Croucher and Baker, 2022). This should be done most accurately in the fast fashion industry due to consumers' constantly changing needs and high consumption.

According to Rushton (2022), different factors must be coordinated between suppliers and distribution channels, including the minimum order size, unit types, product handling characteristics, vehicle type, and delivery time limits (Rushton, Croucher and Baker, 2022).

#### **2.4.3. Challenges and Opportunities in Simultaneous Management**

In the supply chain, to create coordination between different parts, there are also problems, including the problems related to each unit, the existence of regulatory and executive laws and other cases. In order to achieve its optimal goals, each part seeks to solve them in its own way. Aligning solutions in different parts of the supply chain, such as suppliers and distribution channels, requires time and optimal management (Soosay, Hyland and Ferrer, 2008).

One of the most accurate descriptions in the field of cooperation, coordination and creating unity between the components of the supply chain is stated by Lorange and Roos (1991), which states that the formation of strategic alliances and coordination can lead to the rapid emergence of new technologies and penetration into new markets. Therefore, creating interaction and coordination between the two essential components of the suppliers who are at the beginning of the route and the distribution channels that are at the end of the route can help strengthen this chain. Moreover, it reduces the risks and concerns of entering new markets and changes (Stafford, 1994).

## **2.5. Key Finding and the Research Gap:**

According to a finding from previous research, the fast fashion industry is considered a very competitive market in which competition requires an agile and dynamic supply chain. Because of the excessive consumption of consumers in the clothing industry, therefore, on the other hand, in order to have an agile supply chain, there must be regular and coherent management and coordination between its components so that it can have high efficiency (Moon, Lee and Lai, 2017). The two essential parts of suppliers and distribution channels are considered critical components of a supply chain. In addition to managing each of the units, creating coordination and simultaneous management between them is necessary so that the products are available to consumers as soon as possible after production.

By examining the previous research and the information obtained about the fast fashion industry, ZARA and H&M, some things still need to be addressed in detail, and they can be mentioned as existing research gaps. Including:

Supplier and channel coordination: Investigating the level of coordination and collaboration between suppliers and distribution channels in both companies could help identify areas for improvement and highlight successful models for effectively managing these two critical aspects of the supply chain.

Technology adoption and innovation: Research could explore how H&M and Zara have embraced technological advancements in managing suppliers and distribution channels. This includes integrating digital tools, data analytics, and artificial intelligence to enhance efficiency and decision-making.

Global supply chain implications: Given the international nature of the fast fashion industry, the research could delve into how H&M and Zara manage their suppliers and distribution channels across different countries and continents, considering the unique challenges various markets pose.

### **3. Chapter Three: Methodology**

In this chapter, the research method will describe the approach and method used to achieve the research objectives, which the researcher has done. This section briefly introduces the structure of this project, the tools used, and its reasoning. Moreover, it is usually done in two qualitative and quantitative ways. According to Lakshman et al. (2000), the qualitative method is used to understand the conditions and behaviours as well as the arguments that control them, and the quantitative method also expresses the understanding of these conditions and their effects numerically (Lakshman et al., 2000). In this thesis, it has been tried to use both quantitative and qualitative methods.

#### **3.1. Research Philosophy**

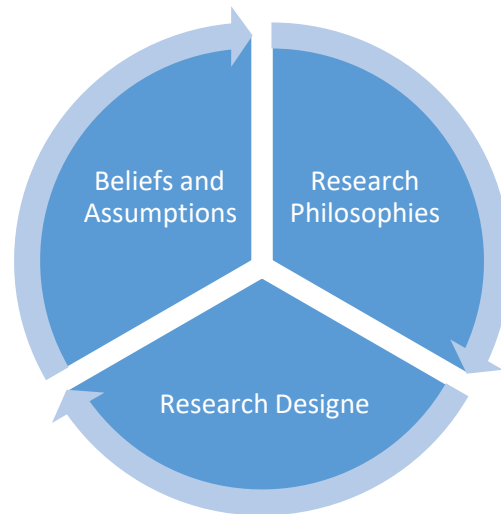
Research philosophy refers to a set of beliefs and assumptions in line with knowledge development. To start developing knowledge, it is necessary to make some assumptions, which are the facts will encounter during the research process (Saunders, Lewis and Thornhill, 2009). These assumptions will contribute significantly to understanding the research questions, methods, and interpretation employed (The Foundations of Social Research, 2023).

In general, four main parts of research philosophy are included in the research: pragmatism, positivism, interpretivism and realism. In order to express the position of the philosophy of a project and to be able to express it in line with conducting research, one must act in two ways (Saunders, Lewis and Thornhill, 2009).

1. Questions should be raised about the assumptions of the research and in line with the goals of that research.
2. Familiarise with the major philosophies in that field.



Figure 3-1: Developing Research Philosophy: A Reflexive Process



Source: (Saunders, Lewis and Thornhill, 2009)

This thesis examines the objective data that is based on the existing reality and has been implemented by the leaders of the fast fashion industry. In other words, the investigations of this research are based on the models that have been discussed separately in previous studies in the departments of suppliers, distribution channels and management of each of them in the fast fashion industry. Therefore, the research idea of this study is based on the philosophy of positivism because examining the management models of suppliers and distributors leads to a solution for integrating this management. Moreover, the philosophy of positivism also uses the existing theory to develop the theory.

In conclusion, the literature review is presented to support the understanding of the academic concepts, the models used and the maximum of this research.

### **3.2. Research Method**

A research method is a technique defined to help find solutions to answer research questions. Therefore, the research method refers to the method or techniques that the researcher uses during his research. And it includes sampling, questionnaire, survey, data collection, and data analysis (Goundar, 2012). As mentioned in the

previous section, the positivism method used in this research has benefited from combining qualitative and quantitative data (Saunders, Lewis and Thornhill, 2009).

In the qualitative method, the performance of two big brands in the fast fashion industry has been used. Their successful performance has been investigated, and the quantitative method has been used to use data and statistics to strengthen the results obtained from the qualitative data.

In this project, at first, by using an online survey in order to answer the questions and objectives of the thesis, the participants (specialists in the field of business, graduates of logistics and supply chain management and professors in this field) were asked about their familiarity with the Fast Fashion brand and the performance of the Zara and H&M brands. According to the answers received, the analysis has been done, and the thesis objectives have been mentioned. On the other hand, according to the case study used in this thesis, a more detailed analysis related to the performance of Zara and H&M in the supplier units and distribution channels and the simultaneous management of these two units has also been analysed.

Therefore, in this thesis, in order to investigate and respond to the objectives, the survey method has been used to complete the case study method.

### **3.3. Data Collection Method**

In addition to collecting data based on secondary information, which is based on previous researchers' collections, company statistics and business articles and publications. This research also used a survey to investigate these two brands' performance in the simultaneous management of suppliers and their distribution channels. In the case of optimal performance and accurate and correct management of these two parts, the output result is the satisfaction of consumers who have always been able to find their desired product on store shelves.

A survey is a consideration of the opinions or experiences of a group of people based on a series of questions. Therefore, this survey aims to help achieve the research goals (Nayak and K A, 2019).

Among other advantages of the survey, it is possible to target a larger statistical population in different parts of the world. Also, it saves time for sending and receiving questions and answers. And in addition to the above, saving money compared to other methods. Of course, it is worth mentioning that it can have problems, such as the low participation rate and its reliance on the Internet. (Bryman,2012).

### **3.4. Online survey**

In this research, an online questionnaire has been designed and considered for customers, especially students and business managers who are familiar with the fast fashion industry. Therefore, here, the answers include the opinions of some experts in this field. Also, an attempt has been made to distribute this questionnaire among different classes of consumers.

The data collected in this research has been converted into numerical data that can support the research results. This is one of the reasons for choosing an online survey: you can get many answers in a relatively short time.

#### **3.4.1. Sampling for Online Survey**

The researcher of this thesis has designed and distributed the existing survey based on the Qualtric software that is provided by Westminster University to students for free. At the beginning of this questionnaire, it was announced that if you want to know the survey result, the researcher should be informed so that the result can be sent via email. As expected, the request to get the result has also been sent.

The desired sample size to achieve reliable results was around 100 responses. According to Fisher (2007), a higher sample size reduces the risk of error in the collected samples and gives them credibility. The desired sample size to achieve reliable results was around 100 responses. According to Fisher (2007), a higher

sample size reduces the risk of error in the collected samples and gives them credibility.

#### **3.4.2. The Design of Survey Questions**

As mentioned in the previous chapters, in the fast fashion industry, the target market and consumers are this industry's last and most important destinations. Therefore, if they are satisfied with a brand, it is possible to understand the correct management of that brand's supply chain. In other words, if the suppliers, manufacturers and distribution channels of a supply chain are appropriately managed, it can be expected that when a customer enters a store, the desired product will be available in terms of quality, design and being up-to-date, which can keep the consumer happy. If this trend is correct, that fashion brand can continue to compete in this big industry.

Therefore, for this purpose, in the survey designed, an attempt has been made to ask consumers, experts in the fast fashion industry, and graduates of business and supply chain about their experience in buying from fast fashion brands, especially Zara and H&M. It is worth noting that the answers to the questions have been chosen in the form of multiple options to make it easier for the participants to decide on the answer.

At first, the participants were asked about their familiarity with the fast fashion industry as well as the two brands Zara and H&M. In the following, how they were familiar with these two brands was questioned (customer or employee of these two brands). Further, they were asked about their satisfaction regarding the design and stock of these two brands' products, and their preference to buy from Zara or H&M brands was questioned. These questions are designed to evaluate the efficiency of this dual brand from the customer's point of view.

Also, the preference of customers over online or face-to-face shopping has been asked to determine the importance of distributor channel management according to the answers received. In the following, the number of questions has taken on a

more specialised nature and asked the participants' opinions about suppliers, distribution channels and their simultaneous management.

In the end, the opinions and views of the participants regarding the management of suppliers and distribution channels of these two brands have been questioned in the open text. (Please see Appendix A for the full questionnaire).

### **3.5. Research Ethic**

In the academic environment, a researcher should always try to adhere to ethical principles and consider many cases. Therefore, to provide the answers, one must be completely honest and very careful in checking the answers. Also, he should provide data without any particular direction and be receptive to criticism.

Therefore, before the start of the survey, a text has been prepared for the participants, which gives them the right to leave it at any moment of answering if they do not want to continue. It has also been mentioned that they can request information from the researcher if they want to know the survey results. (Please see Appendix B for ethical approval).

It is also mentioned that if you want to cooperate more in providing information, you can cooperate with the researcher.

And for the purpose of secure communication for the participants, the university email has also been used.

## **4. Chapter Four: ZARA and H&M Case Study**

This chapter will first outline the reason for choosing Zara and H&M as case studies before examining and describing the method.

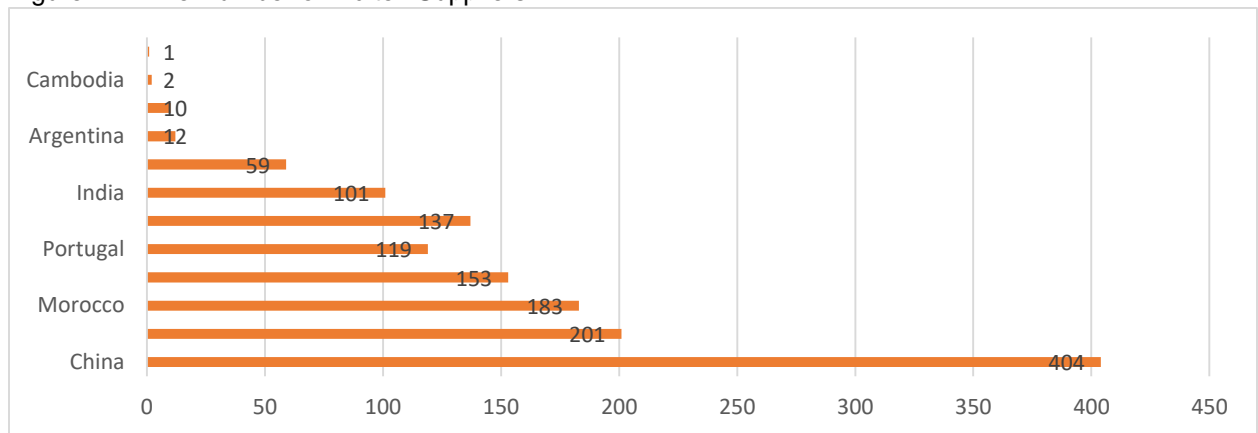
### **4.1. Case Study: ZARA**

Zara is a Spanish multinational retailer founded in 1975 by Amancio Ortega. This brand specialises in fast fashion, shoes, accessories and beauty. Moreover, it is also the largest company of the Inditex group (Zara (retailer), 2023). With several thousand stores in 96 countries, this brand has become a leader in the fashion industry. Zara's distinctive feature is its ability to develop a new product and make it available to consumers in just two weeks. On the other hand, other retailers need about a few months to finalise this process (Zara | Company Overview & News, no date).

Zara's success lies in the unique communication and coordination between its supply chain's various components, including its stores, designers, suppliers and distribution channels. With this coordination, it has been able to reduce its speed in responding to the consumer's daily needs. Furthermore, on the other hand, by encouraging its customers to make quick decisions in purchasing, it reduces its production surplus, increases the speed of sales, and also does not need to reduce the price in its program (The Industry vs The Indie: The case of Zara vs Tuesday Bassen, no date).

As Sitaro (2020) stated, Zara has developed a complex network of manufacturers, suppliers, and distribution channels to respond quickly to consumer needs (Sitaro, 2020). Collection Inditex is cooperating with more than 1000 suppliers in different places. (Figure 4-1) And also implements strict social and work standards for them.

Figure 4-1: The Number of Inditex Suppliers



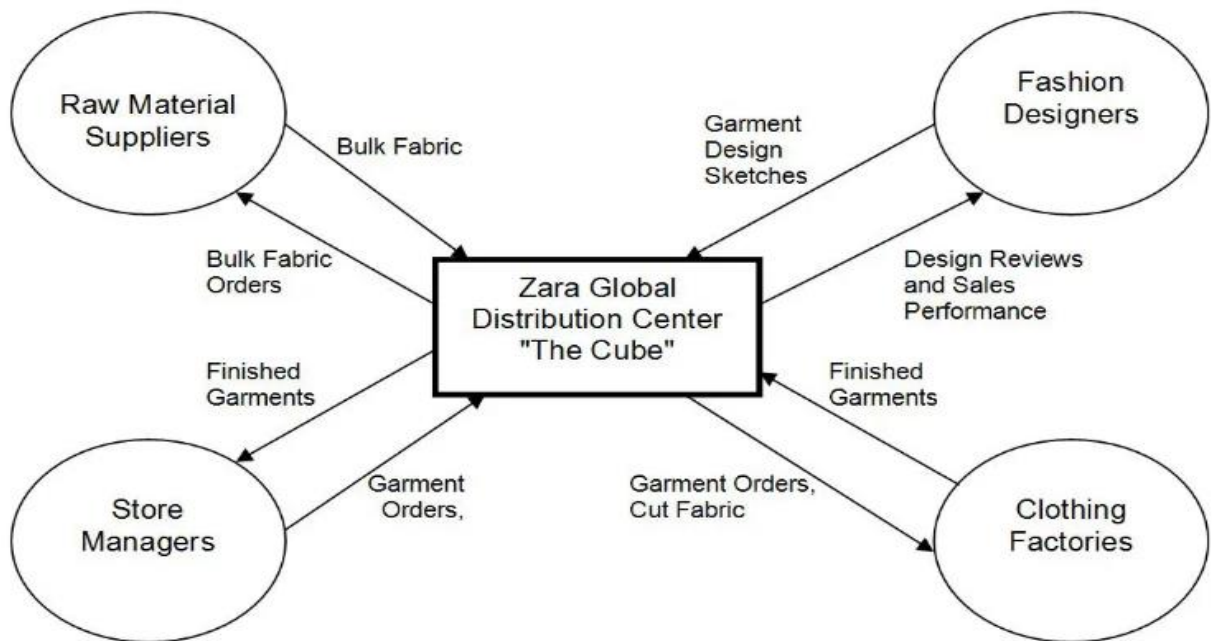
Source: (Statista, 2022)

In terms of dependence on suppliers, Zara has always tried to keep this dependence at the minimum possible level. Ferdows et al. (2003) mention that Zara's fabric suppliers provide only 4% of Zara's needs, in order to reduce the dependence on a single supplier and increase the efficiency of the supplier's response (Ferdows, Lewis and Machuca, 2003).

Khan, Christopher, and Creazza (2012) raised this issue when the coordination and cooperation between the design units and the components of the team, such as buyers, suppliers and other components of the supply chain are low; it causes delays in planning for new areas and, as a result, increases production (Khan, Christopher and Creazza, 2012).

The logistics centre of Zara, named Cube, and 11 factories belonging to Zara, which are located 16 kilometres away, have been built around it and are connected to the distribution centre through underground monorail links (Figure 4-2). At first, ready-made fabrics are sent to the factories, then from the factories to the main distribution centre for distribution to the stores.

Figure 4-2: Zara's Supply Chain Model

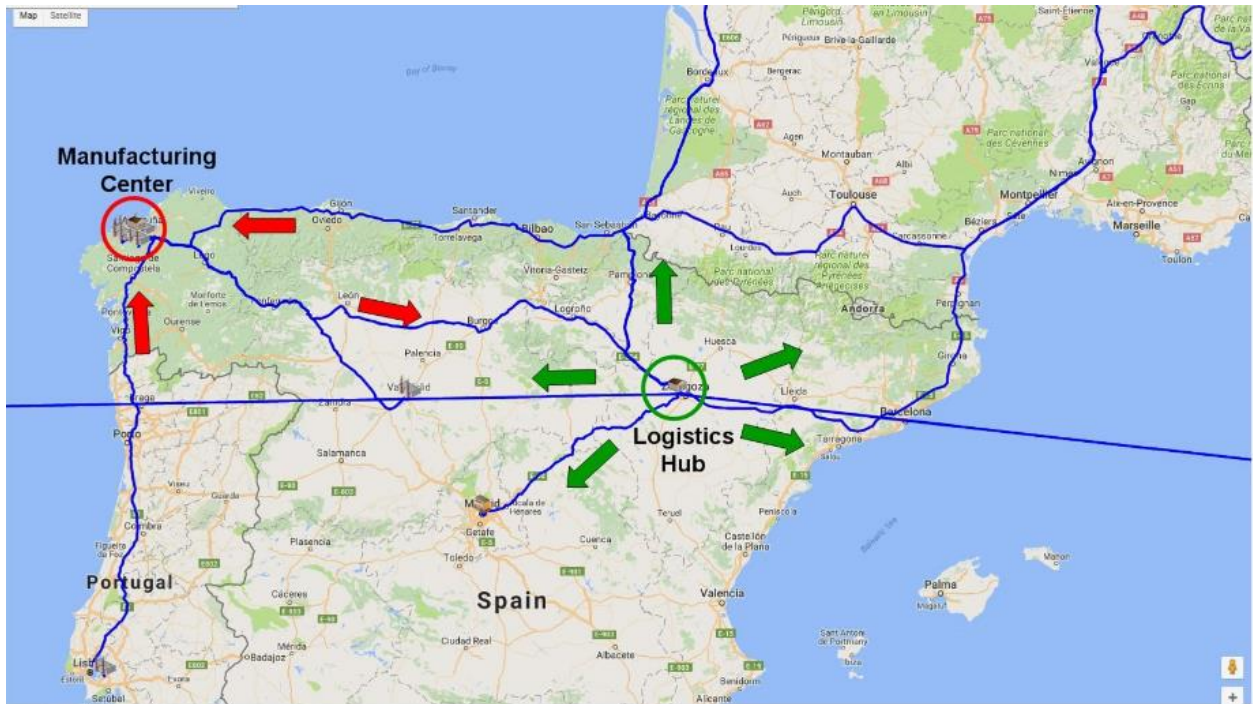


Source: (mhugos, 2020)

One of the differences between Zara and competitors in logistics and product distribution is the use of low-cost transportation methods by competitors. However, considering the costs, Zara uses the best and fastest method for shipping and distribution so that the products reach the distribution centres and then move from there to the desired stores. After the packages are prepared in the distribution centres, they are transferred to Zara's advanced logistics centre located in Zaragoza, near the local airport, which has access to roads and railways. From there, it is transported by truck to nearby markets and by air to distant markets (Figure 4-3). (Aftab et al., 2018).



Figure 4-3: Communication of Manufacturing Centre and Logistics Hub



Source: (mhugos, 2020)

Zara's success is in the form of working with the least inventory, design, production and distribution, and the whole supply cycle of Zara is 22 to 32 days (Zhang, Onal and Das, 2017) 20% of the productions are related to the considered designs that have reached the production stage. The remaining 80% are related to responding to market changes. Zara's shorter supply chain enables it to deliver its products to consumers in an average of two weeks (Camargo, Pereira and Scarpin, 2020). Despite its competitors who outsource their production, Zara pioneered the vertical integration model. in which a high percentage of products are produced and marketed by itself (Sitaro, 2020). This will only be possible with proper coordination between different components, including suppliers and distribution channels.

As mentioned by Farney and Sparks, Zara is focused on its domestic production and suppliers in its supply chain, and about 80% of its products are made in Europe with the quick response of its suppliers (Fernie and Sparks, 2009).

Having many production assets in the Zara collection has increased the flexibility of Zara's supply chain. If it was highly dependent on suppliers, it could not have such a flexible chain (Aftab et al., 2018).

Aftab et al. (2018) point out that Zara outsources fashion category products to original design manufacturers (ODM suppliers) in countries in geographical proximity, such as Turkey, Portugal, Morocco and Bulgaria, which points to the compression of delivery time. It also points out that outsourcing to these countries is ultimately more expensive for Zara than countries with lower labour costs. However, this increases the flexibility in the supply chain (Aftab et al., 2018).

#### **4.2. Case Study: H&M**

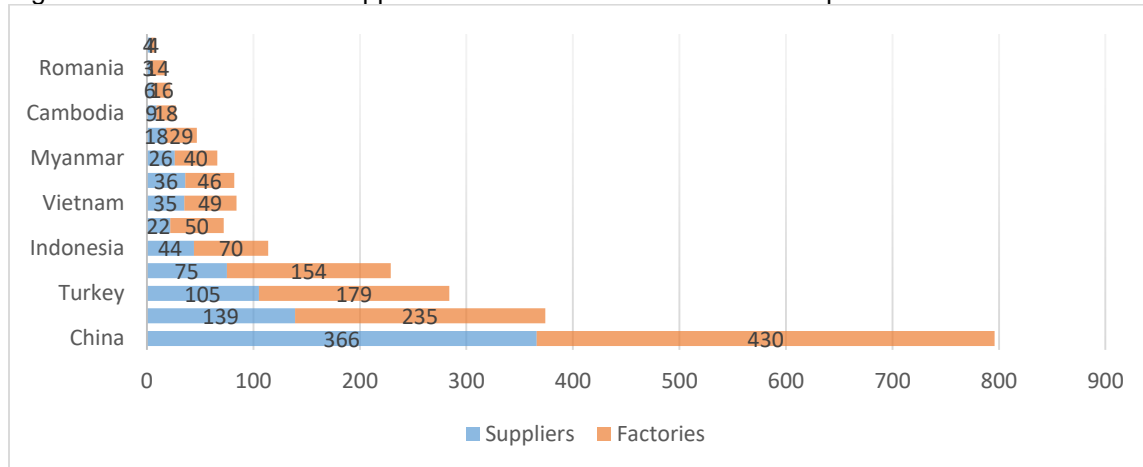
The story of H&M began with the opening of a small shop by Erling Persson in Vasteras, Sweden, in 1947. H&M Hennes & Mauritz (H&M) is a Swedish multinational company known for its fast fashion products for men, women, and children. It sells its products through various e-commerce channels. After INDITEX (ZARA's parent company), it is the world's second-largest clothing manufacturing firm (Waller and Waller, 2018).

In the company's Stockholm headquarters, over 100 in-house designers create clothing collections for women, men, teenagers, and children. Instead of having its own manufacturing facilities, H&M collaborates with about 702 unaffiliated suppliers, mainly in Asia and Europe (H&M, 2021). Moreover, one of the success factors of H&M has been the ability to manage its suppliers because it does not have its own manufacturing facilities.

H&M uses a strategy similar to Zara, except that instead of having its own factories, H&M has used the outsourcing method and is cooperating with different countries (Camargo, Pereira and Scarpin, 2020).

H&M does not have its own factories and cooperates mainly with Asian countries. As can be seen in Figure 4-4, H&M is cooperating with 888 suppliers and 1334 manufacturing plants (Statista, 2023).

Figure 4-4: The Number of Suppliers and Factories of The H&M Groups



Source: (Statista, 2023)

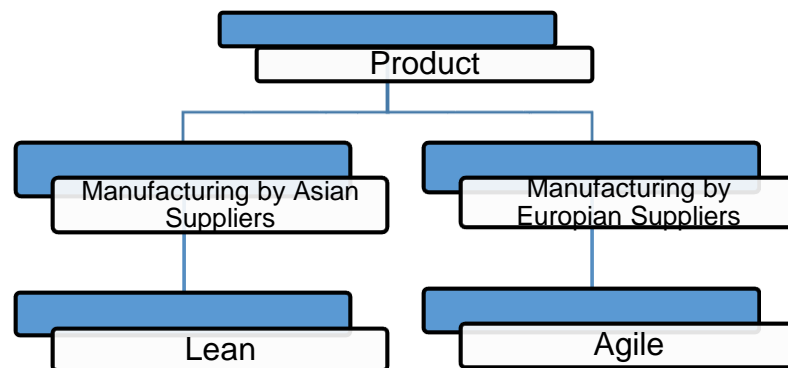
One of the capabilities of this retail giant in providing suitable products at competitive prices is its strong relationship with suppliers and its production strategies in reducing delivery time (Rathore, Maheshwari and Jain, 2019).

H&M mainly categorises its suppliers into three classes. Platinum/Gold - Silver - others. The platinum/gold category, which produces 60% of all products, is assigned to these suppliers. The suppliers of the silver category have a long history of cooperation with H&M, and to develop this category, H&M organises training programs. The suppliers in the other category are at the beginning of the path, and very few productions are entrusted to them, and the continued cooperation and confidence in them is based on analysing their efficiency (Rathore, Maheshwari and Jain, 2019).

Outsourcing has created an essential role in the fast fashion industry, and in addition to that, it has also brought complications to the supply chain. Examining them makes it possible to help reduce the cost during the supply chain process and increase its productivity (Sardar and Lee, 2015).

In the H&M supply chain process, those products that are in Lean strategy and that are production-oriented and whose purpose is to optimise costs, eliminate waste, and increase efficiency are carried out by mainly Asian countries, which include 60% of the products. The production that is in the Agile strategy of those products that take more time and are more sensitive to fashion is done by European countries (Figure 4-5) (Saini, 2007).

Figure 4-5: Product Design of H&M



Source: (Munzo and Gonzalez, 2015)

To control the quality of products produced by suppliers, H&M has established its office at the source to ensure the quality of its products before entering the distribution channel and market (Rathore, Maheshwari and Jain, 2019).

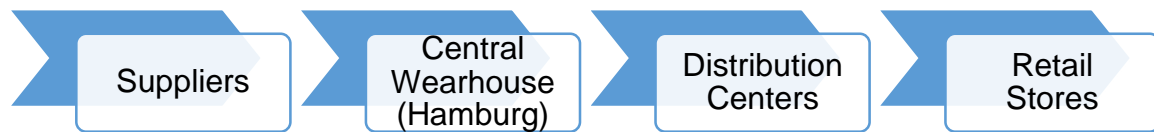
After the design and production of products, those products that are included in the basket of particular products and are produced in limited quantities are mainly distributed in big and main cities. And the rest of the products that are needed by the public and produced in large numbers are sent worldwide (Rathore, Maheshwari and Jain, 2019).

According to reviews by Rathore et al. (2019), H&M uses road, sea and railway routes to transport its products. And when there is an increase in demand for new fashion trends, it also uses the air route (Rathore, Maheshwari and Jain, 2019).

The products produced by European and Asian suppliers are transported by ship to the central warehouse in Hamburg, then sent to distribution centres in different geographical locations, and from there to stores by distribution channels and by truck or railway. Therefore, the distribution centres are located near the stores

so that they can quickly transfer the products to the stores. (Figure 4-6). (Rathore, Maheshwari and Jain, 2019).

Figure 4-6: The Products Rout



Source: Author

According to statements Sandybayev (2015), the results of the research on the success of H&M show that this brand by adopting a commercial and integrated approach and also by using the integration of the supply chain, which includes reducing costs, increasing the level of flexibility and time to respond has achieved essential successes (Sandybayev, 2015).

### 4.3. Comparison of H&M and Zara

In agile supply chains, the system must be flexible against changes or deviations; on the other hand, the goal of a lean strategy-oriented system is to reduce any internal and external changes as much as possible. Regarding the two-brand H&M and Zara, it should be noted that both of them use a combination of these methods in their supply chain, which, due to the sensitivity and complexity of the combination of these two methods, requires more coordination in their supply chain and between manufacturers and distribution channels (Camargo, Pereira and Scarpin, 2020).

On the other hand, Christopher points out that the amount of savings made in the cost and in the outsourcing method (due to the low cost of labour in some countries) is much lower compared to the costs of inventory transportation, and this is a deceptive issue (Christopher, Lawson and Peck, 2004).

The high flexibility of Zara's supply chain, due to its very low dependence on suppliers, is one of the factors that has made it more successful compared to H&M.

Fast fashion requires the simultaneous management of suppliers and distribution channels, and H&M and Zara are prominent case studies in this regard. Each company has succeeded in its respective market by adopting different strategies and leveraging technology and innovation. The findings of this literature review emphasise the importance of effective SCM and highlight potential avenues for further research in the fast fashion industry.

On the other hand, creating a balance between global and local sourcing can be a factor in managing supply chain agility and costs (Doyle, Moore and Morgan, 2006).

According to Sandybayev (2015), Zara and H&M have a powerful advantage. Not only can they predict the fashion trend and demand in each geographical area, but they can also shape a range according to the conditions without additional resources (Sandybayev, 2015).

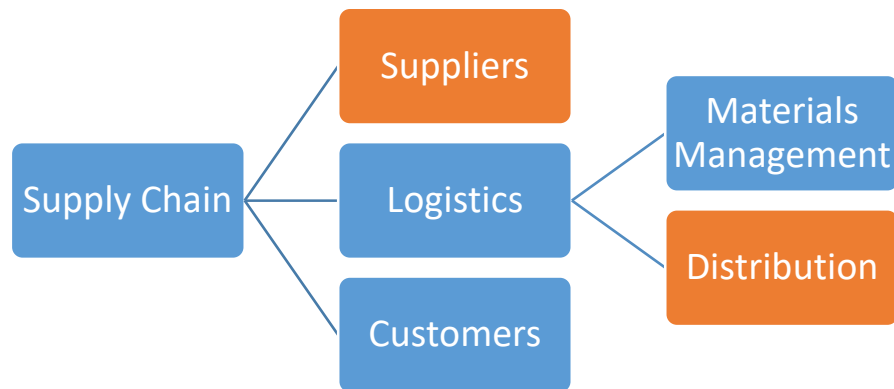
As a result, this chapter has covered the existing knowledge and relevant theories related to the dissertation's overall purpose and objectives. It will then discuss the selected methodological tool and the different themes that need to be investigated in the methodology chapter.

## 5. Chapter Five: Results and Discussion

In this chapter, the results, information and data collected from secondary data, literature review conducted in this field, case study on Zara and H&M, as well as the survey conducted, will be examined and analysed. In this thesis, all the information collected was to answer the objectives and questions of the research so that it can also cover the lack of information in this field.

Analysis of performance and coordination between the two parts of suppliers and distribution channels is actually the examination and analysis of two crucial parts of a supply chain, and as seen in Figure 5-1, distribution channels in the subset of the procurement process. Procurement is also under the supply chain. Moreover, for major European and North American economies, logistics accounts for between about 8 per cent and 11 per cent of the Gross Domestic Product (GDP). This shows the importance of this sector and the need to use practical solutions in this field (Rushton, Croucher and Baker, 2022).

Figure 5-1: The position of Suppliers and Distribution



Source: (Rushton, Croucher and Baker, 2022)

### 5.1. The online survey result

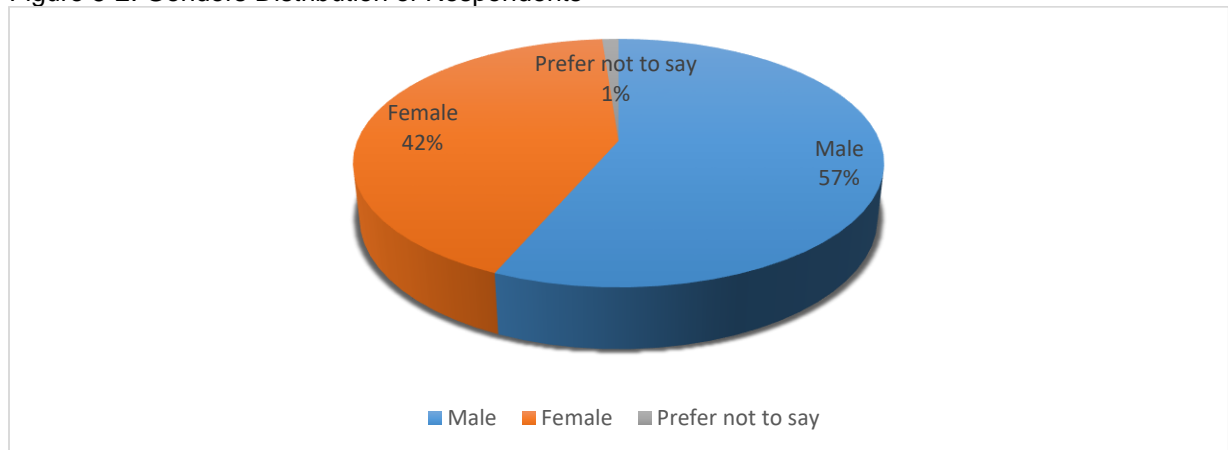
The subject of the thesis is related to the fast fashion industry and how to coordinate between two critical parts of the supply chain (suppliers and distribution channels). In the case of proper management and coordination between two

crucial components, the result and performance of the whole complex are at the best level. Therefore, any company in the fast fashion industry that can implement and manage this coordination and communication in the best way can reach its target market, which is the people and consumers of this field. Therefore, collecting fast fashion consumers' opinions regarding inventory, quality, and up-to-date designs can be very important.

#### 5.1.1. Statistics on Socio-demographics

The number of participants in this survey was 95, which included fast fashion consumers, supply chain management and logistics students, and professors in this field. Moreover, as can be seen in Figure 5-2, out of the 48 men, 36 were women, and one person did not want to declare their gender, which, according to the moral commitment in this thesis, all opinions have been taken into account. Moreover, in total, the number of male participants with 57% of the total, was more than 42% of women.

Figure 5-2: Genders Distribution of Respondents



Source: Author Survey

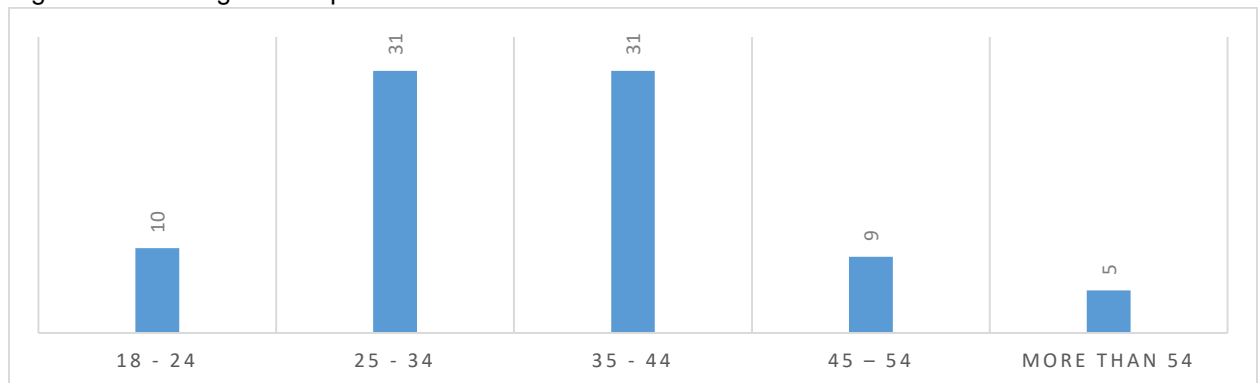
In the following, it can be seen the age range of the participants in Figure 5-3. Specifically, the number of participants between the ages of 34-25 and 44-35 (31 people) is more than the number of participants between 18-24 years old, which was 10 people. There were also five participants over 54 years old, which was a small number. It can be mentioned here that people of different age groups are



familiar with the fast fashion industry, and therefore, all ages have participated in this survey.

Therefore, in this part, the answer to questions 1 and 4 of the thesis, which is the importance of coordination between the two units of suppliers and distribution channels, as well as the correct prediction of the needs of consumers, is well known. Because by creating this coordination and its management, the fast fashion industry has been able to be effective among the different ages of consumers in society. Also, by correctly predicting the needs of the consumers, it has been able to create an essential role in their daily lives. All of them are willing to participate in a survey related to this industry.

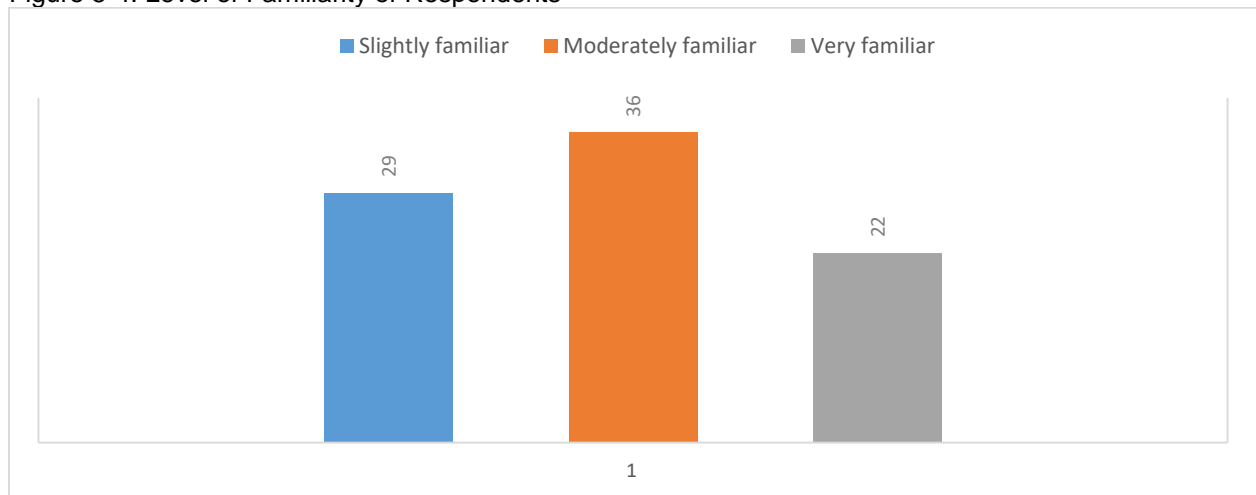
Figure 5-3: The Age of Respondents



Source: Author Survey

In addition to the importance and role of fast fashion in people's lives, in the second question of the survey, the level of familiarity of the participants with this industry was also asked; according to Figure 5-4, 22 people were very familiar, 36 people were Moderately familiar, and 29 people were slightly familiar. It means that nearly 66% of the participants were familiar with the fast fashion industry. Furthermore, as already mentioned in the previous chapter, some of them are graduates of this field, workers in this industry, and also professors related to the field of business.

Figure 5-4: Level of Familiarity of Respondents



Source: Author Survey

Further, according to the question related to the participant's familiarity with the two brands, Zara and H&M, it was found that 7 of the participants were employees of Zara's sales department, and 4 of them were employees of H&M's sales department.

### 5.1.2. Comparing the Performance of ZARA and H&M

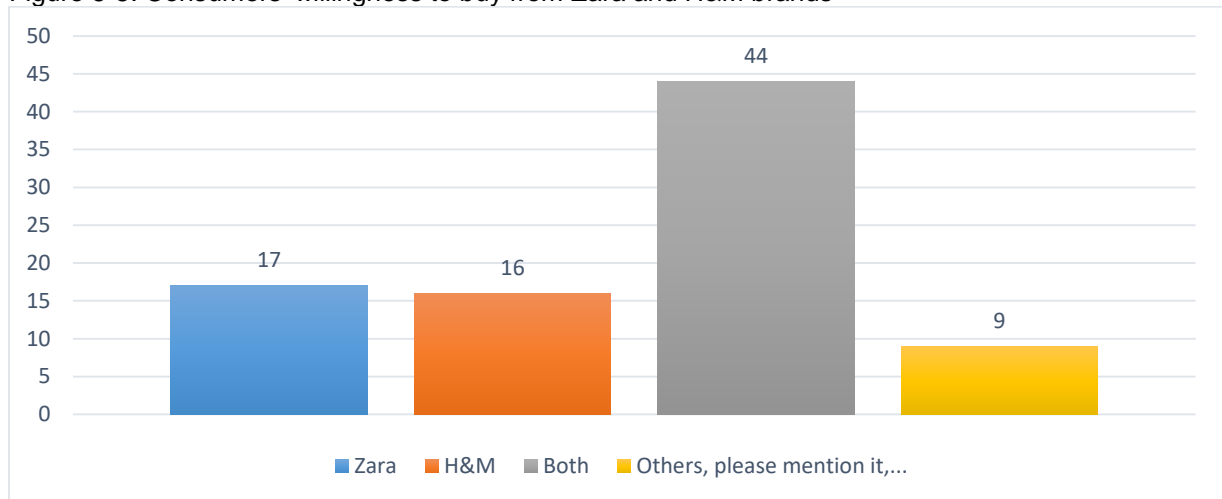
In the third question, the participants were asked to declare which of the two brands, ZARA and H&M, they usually buy. As you can see in Figure 5-5, 17 people tend to buy from Zara, 16 people buy from H&M, and a large number of 44 people buy from both brands. In this question, there was also an option (Others) so that the participants could suggest another brand if they did not like these two brands, and 9 people mentioned this option.

Also, good performance and appropriate coordination between suppliers and distribution channels can be seen in these two brands. Because both brands have attracted the attention of the participants relatively equally, and on the other hand, despite the existence of Other options, only 9 people have chosen this option, and

also half of the participants indicated their desire to buy from both brands. have chosen both).

As it was announced in chapter two, Zara and H&M outsource part of their suppliers and production, so in this part, according to the participant's willingness to buy from these two brands, it is quite clear that these two brands have been able to completely overcome the risks in the outsourcing method and attract the consumer's opinion.

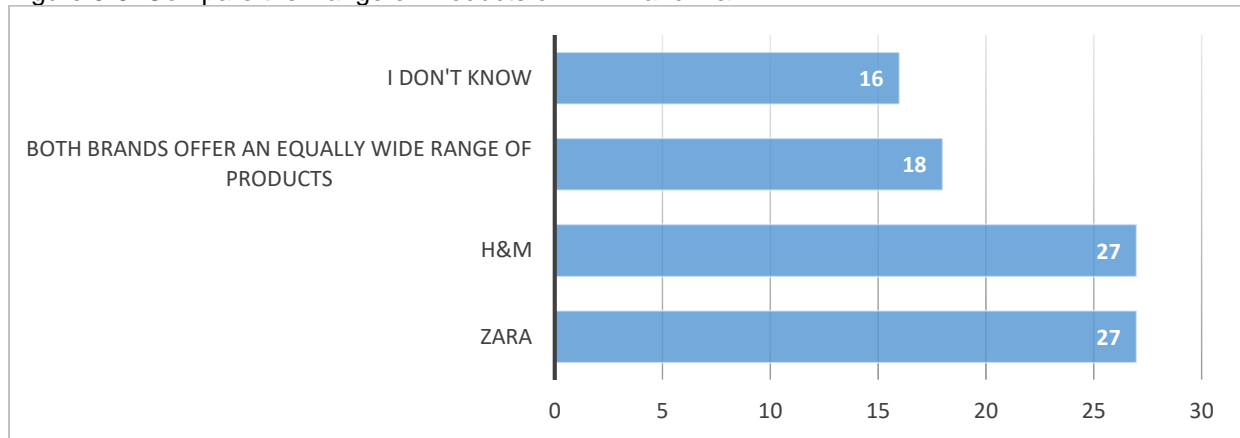
Figure 5-5: Consumers' willingness to buy from Zara and H&M brands



Source: Author Survey

Participants were asked about the range of products offered by Zara and H&M, and as can be seen in Figure 5-6, the number of participants who voted for both brands is coincidentally the same. 27 people voted for both Zara and H&M, which convinced them in terms of the product range. On the other hand, 18 people chose the option (both), which shows that about 80% of the participants were satisfied with the variety of Zara and H&M products. And again, in this part, we can mention the coordination between suppliers and distribution channels, which have been able to provide the product to the consumer at the right time in terms of the variety of products.

Figure 5-6: Compare the Range of Products of ZARA and H&M

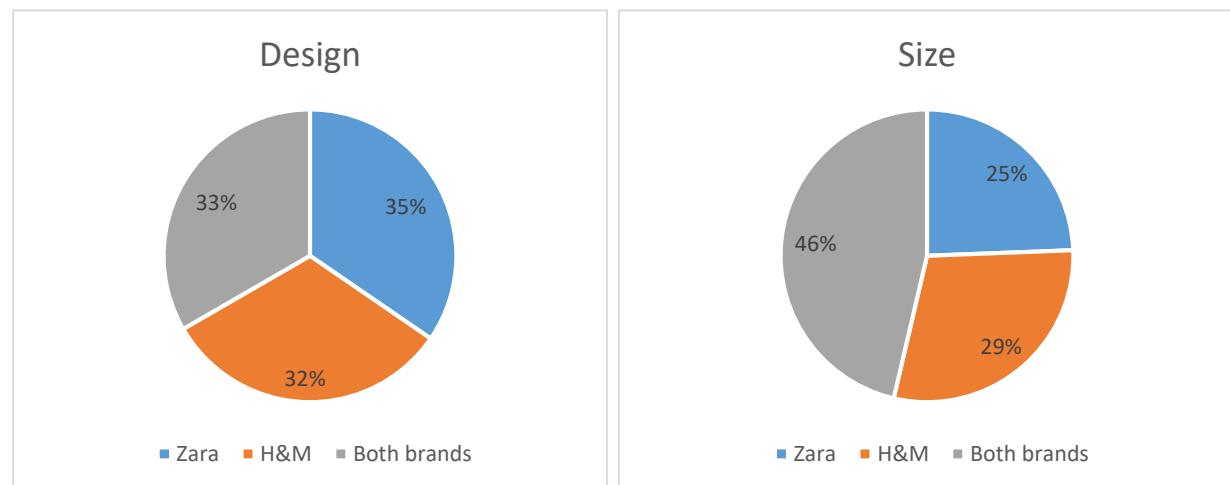


Source: Author Survey

In question 5, the inventory of products is questioned in terms of different designs and sizes, which indicates the performance of distribution channels. As seen in Figure 5-7, for different designs, 28 people voted for Zara, 26 people voted for H&M, and 27 people voted for both. And as it is known, more than 90% of the participants have declared their satisfaction regarding the stock of products in different designs by answering this question. And the same question was also asked to the participants regarding the stock of different sizes of products, and in this part, H&M got 24 votes, Zara 20 votes and 38 votes for both of them.

All these numbers are not formed except by establishing coordination between different units of a supply chain, especially suppliers and distribution channels.

Figure 5-7: Comparing the availability of ZARA and H&M products in different designs



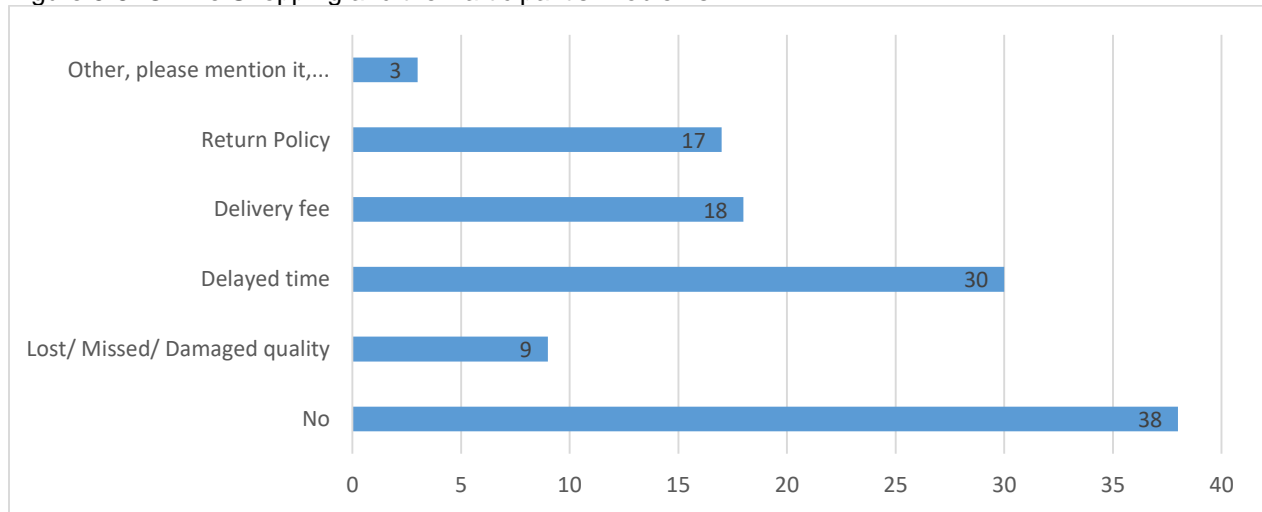
Source: Author Survey

In the conducted survey, the participants were asked about their desire to shop in person and online, the number of times they shop and the reason for their desire to shop in person and online. Only 10% of them, because of saving time and using Internet discounts, have tended to buy online. And most of them, and nearly 60% of the participants, had the desire to buy in person, and that was for the reasons of examining the designs closely, examining the size of the products closely, using the guidance of the sellers in person, and a social experience. The high percentage of participants' willingness to buy in person in the fast fashion industry makes the importance of distribution channels more colourful. It is an answer to the first question of this thesis, which should always be able to deliver the products to the stores at the best time so that the consumers will face the shelves full of products when they are in the stores and shopping centres.

On the other hand, the participants were asked about the problems they experienced in online shopping. As can be seen in Figure 5-8, 30 participants related to the delay in sending products, 18 related to delivery fee, 17 related to The terms of the return policy, and 9 people also mentioned that the products were damaged during delivery. Of course, it is worth mentioning that 38 people, equivalent to 33% of the participants, declared that they had no problem in this regard.

From the above results and figures, it can be seen that these two brands have not fully agreed on online shopping and have faced problems and risks, and it refers to the answer to the second question of this thesis. The delay in sending has been one of the most important. Therefore, this indicates a weakness in the distribution channels of these two brands, which should be able to distribute from their nearest distribution centres.

Figure 5-8: Online Shopping and the Participant's Problems

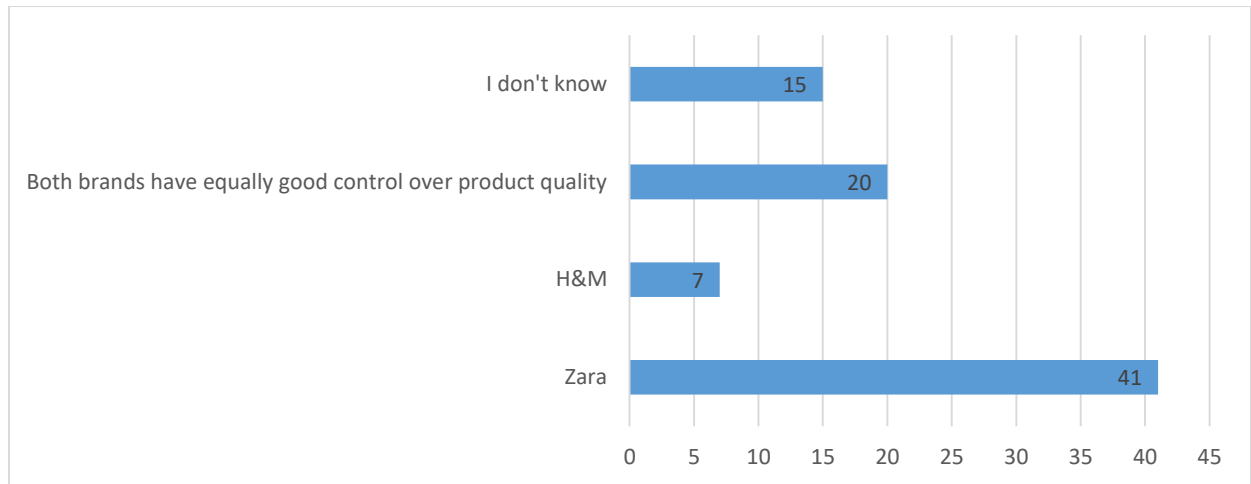


Source: Author Survey

The participants were asked about the comparison of the two brands, Zara and H&M, in terms of the quality of the products. Zara was able to get 41 votes, with a considerable difference, and H&M only got 7 votes in this regard.

The answer to this question can be found in outsourcing H&M products to foreign suppliers, which, despite the company's outstanding efforts in controlling its products and classifying its suppliers, still lags behind its long-time competitor by a large margin. The answer to this question can be a suitable answer for the third question of this thesis, which is about the risks of outsourcing. Therefore, as seen in Figure 5-9, this difference in the quality comparison between Zara and H&M is one of the outsourcing risks. Of course, 20 participants voted for the (both) option, but the difference between these two brands is vital in this question.

Figure 5-9: Comparing the Quality of the ZARA and H&M



Source: Author Survey

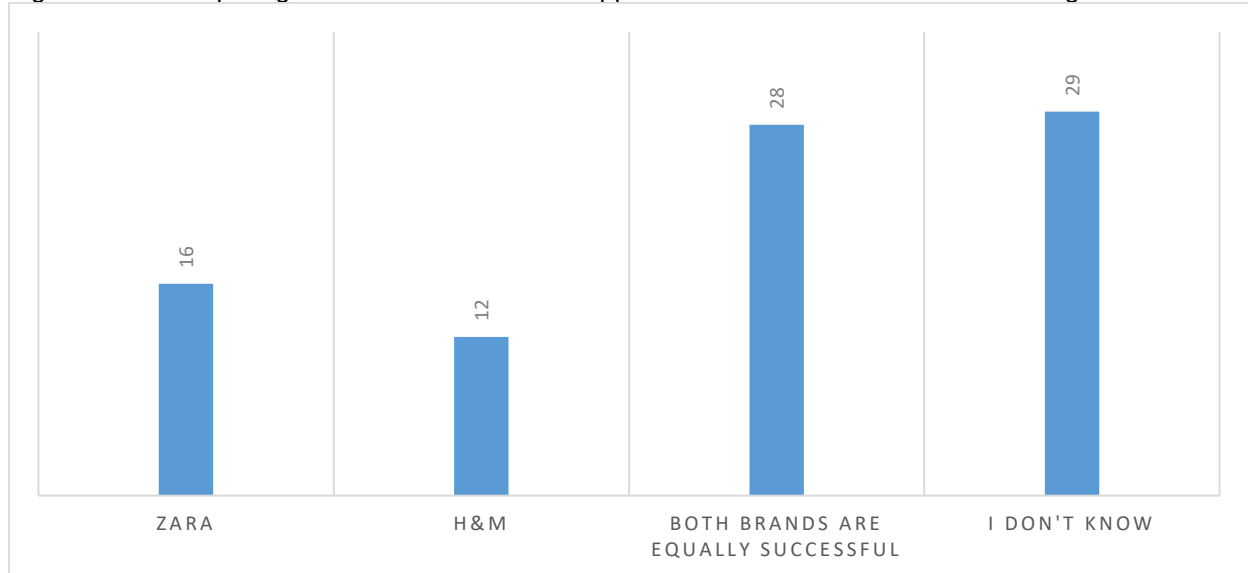
As mentioned in the case study chapter, Zara also uses air transportation to distribute its products to distribution centres that can deliver them to their destination at the best time. However, on the other hand, H&M mostly uses sea, ground and rail methods, and only if there are special conditions regarding the products, it uses air transportation to distribute the products. Therefore, in this question and the answer given by the participants, the difference between the two brands can be seen in the effectiveness of distribution channels. The participants gave 22 votes to Zara and 14 votes to H&M in response to which brand has a more effective distribution channel and 23 votes were also given to the option (both).

Because some of the participants are business graduates and professors in this field, and some of them have worked in Zara and H&M brands. Some specialised questions are also considered.

The participants were asked about the comparison of these two brands in terms of simultaneous management performance, suppliers and distribution channels, and due to the specialisation of this question, 16 people chose Zara, 12 people chose H&M, and 28 people chose the option (Both). (Figure 5-10). The answer to this question is also dynamic in that both brands have been able to perform

successfully in the simultaneous management of suppliers and distribution channels.

Figure 5-10: Comparing the ZARA and H&M in Suppliers and Distribution Channels Management



Source: Author Survey

Regarding the challenges in simultaneous management, suppliers and distribution channels have also been asked in an open text form, and answers such as the risks in outsourcing, the issue of sustainability and its risks in outsourcing have been received, as well as Zara's local factories and better delivery timing.

## 5.2. Discussion of ZARA Case Study

ZARA, a global fashion powerhouse, has captured the hearts of fashion enthusiasts with its trendy designs and lightning-fast supply chain. A crucial aspect of its success lies in meticulously managing suppliers and distribution channels.

ZARA's supplier management forms the bedrock of its agile supply chain. By employing a multi-faceted approach, ZARA maintains its inventory levels, responds swiftly to fashion trends, and keeps its shelves stocked with the latest styles.



Figure 5-11: ZARA Suppliers Management Process



Source: Author

Effective communication is the linchpin of Zara's supply chain. Real-time information sharing enables Zara to adjust production and distribution strategies rapidly, ensuring that the right products are available at the right locations.

ZARA's unique approach to vertical integration allows it to control every aspect of its production process. ZARA owns a significant portion of its supply chain from design to distribution. This enables the company to cut lead times, respond to market demands faster, and reduce dependence on external suppliers. In the online survey and in the question of comparing H&M and Zara regarding the product inventory in terms of design and sizing, it can be seen that Zara has been successful with 35% in design and 25% in product sizing. Also, in partnership with H&M, it has 46% and 33% of the joint votes. And all these numbers reflect the timely availability of products to consumers.

ZARA's "fast fashion" model is propelled by its just-in-time production strategy. Instead of producing large quantities of a single design, ZARA creates smaller batches of various designs. This approach minimises overstocking, reduces waste, and constantly refreshes the shelves with new arrivals.

ZARA nurtures collaborative relationships with its suppliers. Regular communication shared forecasts, and mutual trust empowers ZARA to adapt to sudden changes in demand. This flexibility is crucial in the unpredictable world of fashion. In the online survey, Zara received 41 of the votes related to the quality of the products, and it shows the quality control of the products produced by its suppliers and local factories. And it also has 20 of the joint votes with H&M.

Efficient distribution channels are the arteries through which ZARA's products flow to reach its eager customers. ZARA employs several strategies to optimise its distribution process.

ZARA's distribution network is anchored by centralised warehouses strategically located near its production facilities. This proximity ensures rapid movement of goods from manufacturing to distribution, minimising transit times.

ZARA takes an innovative approach by treating its retail stores as extensions of its distribution network. Stores receive new shipments multiple times weekly, allowing them to stay well-stocked with the latest styles. This blurs the line between online and offline shopping experiences.

ZARA leverages real-time data and analytics to make informed product allocation and distribution decisions. By monitoring sales patterns, ZARA can allocate inventory to specific stores, ensuring popular items are readily available where demand is highest.

In the fashion world, where trends are as fleeting as the wind, ZARA's management of suppliers and distribution channels stands as a beacon of innovation. The company's vertical integration, just-in-time production, collaborative partnerships, and data-driven distribution strategies collectively create a dynamic and agile supply chain. ZARA's ability to seamlessly connect suppliers, production, and distribution ensures its products reach fashion enthusiasts with astonishing speed and style.

### **5.3. Discussion of H&M Case Study**

With its trendy designs, affordable prices, and widespread presence, H&M has become a household name for fashion-conscious individuals. Behind the scenes, the effective management of suppliers and distribution channels plays a pivotal role in ensuring that H&M's products reach the hands of eager shoppers worldwide. At the heart of H&M's triumph lies a symbiotic relationship between its suppliers and distribution channels. We dissect the inner workings of this collaboration, highlighting the streamlined production processes and agile

inventory management that drive the brand's efficiency. H&M also received 27 votes from the participants and 18 votes from the common votes in the question related to the variety of products.

H&M's success begins with its careful selection of suppliers. The company focuses on partnering with suppliers who can provide high-quality materials and craftsmanship at a competitive price. Suppliers are evaluated based on their production capacity, reliability, and ability to meet strict deadlines. It is worth mentioning that in the survey conducted, out of 95 participants, only 7 people considered the quality of H&M to be better than Zara and 20 people considered the quality of the products of both brands to be at the same level. Therefore, in this field, Zara has the better performance of H&M.

Maintaining strong relationships with suppliers is crucial for H&M's operations. Clear communication, transparency, and mutual respect characterise the brand's interactions with suppliers. This collaborative approach fosters innovation and agility within the supply chain.

H&M's extensive network of brick-and-mortar stores remains a cornerstone of its distribution strategy. These stores are strategically located in high-traffic areas, allowing customers to engage with the brand physically. H&M's collaborations with renowned designers and celebrities have become highly anticipated events in the fashion calendar. These partnerships not only create a buzz around the brand but also diversify its distribution channels through limited-edition collections.

Integrating technology, such as RFID (Radio Frequency Identification), enhances inventory visibility and accuracy. This technology enables real-time tracking of products throughout the supply chain, optimising inventory management.

Timely transportation is a linchpin in H&M's distribution process. The brand employs various modes of transportation, including sea, air, and land, to optimise delivery times and reduce operational costs. Moreover, Last-mile delivery solutions, including partnerships with local delivery services, enhance the customer experience by ensuring swift and reliable product delivery.

## **6. Chapter Six: Conclusion**

In the conclusion chapter, which is also the final chapter of this thesis, the contribution of the study is discussed. In addition, the research objectives, which are stated in the first chapter, are addressed, and the research limitations are examined. At the end, suggestions for further studies are provided.

### **6.1. Summary**

In the fast fashion industry, speed and agility are essential parameters for companies active in this industry, which can be competed with by rational supply chain management. Zara and H&M, as the leaders of this industry, Zara and H&M have achieved this critical position and meet the needs of their consumers by establishing proper management and the necessary coordination between the components of their supply chain.

This thesis examines four objectives, which are discussed in detail in the next section. And to get the desired answer, a case study of Zara and H&M, as well as a survey, have been used. In fact, this thesis has been done by examining the performance of these two brands in previous research, how to manage suppliers and distribution channels, their simultaneous management, the obstacles in this path, the risks in outsourcing these two units, as well as performance evaluation among the consumer. And in the end, according to previous researchers' findings and this thesis's findings, it has raised topics that need more studies and investigations as (further studies).

### **6.2. Respond to each of the research objectives.**

-Responding to Objective 01: The agility of the supply chain and the creation of coordination between the different components of a supply chain are considered as two strategic tools so that the companies in this industry can use these advantages to increase their competitiveness at the global level (Moon, Lee and

Lai, 2017). Therefore, it is crucial to establish coordination between the two units of suppliers and distribution channels, which are located in the downstream and upstream of the supply chain. Because the time parameter plays a vital role in the fast fashion industry, creating coordination and agility between these two units at the same time can help the entire supply chain process.

As can be seen in the case studies of Zara and H&M, in addition to managing their suppliers, they have been able to deliver their products on time and at any point of the world by coordinating between suppliers and distribution channels, as well as by using different distribution sources.

-Responding to Objective 02: In examining the second goal set for this thesis, which refers to the obstacles and problems in conducting simultaneous management of suppliers and distribution channels. These obstacles can be pointed out in different ways, including external environment, outsourcing, distribution and consumers. In this industry, essential factors are mentioned as challenges, but the most important of them is the cost of service for the consumer. And companies that have been able to control and manage coordination and dynamics in their supply chain and between its components have created a balance between these two parameters and have benefited from them (Rushton, Croucher and Baker, 2022).

-Responding to Objective 03: Outsourcing is one of the common methods among companies active in the fast fashion industry, and Zara and H&M are no exception. Of course, H&M's share of outsourcing is much higher than Zara's, which has its own factories.

Usually, the outsourcing strategy aims to create value through low cost by freeing up financial resources. That is, using suppliers in countries with lower labour costs. Exploiting this advantage is not without risk and requires high-risk management, especially in the fast fashion industry. And the most important things that are referred to as risk are the quality of the products and the delay in the preparation and delivery of the products. This can lead to high costs for companies without

control and management. (Doyle, Moore and Morgan, 2006). Another existing risk is hidden costs associated with unsustainable practices in suppliers, which companies operating in the fast fashion industry should be cautious about (Arrigo, 2020).

-Responding to Objective 04: Fast fashion has expanded technological capabilities and, using them, has been able to turn to production based on consumer needs. Therefore, in view of this, the time for products to be available through distribution channels has been minimised (Camargo, Pereira and Scarpin, 2020). By creating cooperation between companies and their suppliers and providing the information suppliers need, products are supplied according to the daily needs of consumers. And then, by establishing coordination between suppliers and distribution channels, the products are available to consumers as soon as possible.

In general, it is clear that the two brands, Zara and H&M, have overcome the existing problems and risks due to the proper management of their supply chain and coordination between their components, especially suppliers and distribution channels. They have also maintained their position as prominent leaders in this competitive industry.

### **6.3. Contributions**

This thesis, which examines the simultaneous management of suppliers and distribution channels in the fast fashion industry, was prepared based on the performance of two brands, Zara and H&M. It provides crucial findings and information from the performance of these two brands to other companies in this industry, so that they can use these two giants of the fast fashion industry in advancing their goals. This is particularly relevant, as two important parts of a supply chain are discussed: suppliers and distribution channels. Also, the importance of simultaneous management of these two units and the obstacles in this process are discussed.

#### **6.4. Limitations and Policy Implications**

This research has certain limitations, the most important of which is the research scale. In addition to obtaining information on the cooperation between two essential parts of the supply chain in this thesis, there were also limitations. For example, the impossibility of conducting expert interviews with managers of suppliers and distribution channels of Zara and H&M companies. It is also worth noting that these findings are related to large companies such as Zara and H&M, which are known as leaders in the fast fashion industry, and it cannot be provided to small-scale companies, which are not comparable to these two brands in terms of financial and executive power. Therefore, the generalizability of the findings may be limited.

#### **6.5. Suggestions for Further Research**

In addition to the general review of the fast fashion industry, this article has addressed the management structure and performance of suppliers and distribution channels of two leading companies in this industry, namely Zara and H&M. Therefore, other studies can include other collections and provide models for companies with a different scale from these two companies. Also, future research can be on the influencing factors in the sourcing of retail companies, as well as examining the costs in the distribution channels and finding solutions to minimise them. Therefore, considering the importance of the concept of fast fashion for retailers and companies active in this industry, future research can provide insight into the profitability of this company by minimising costs in the sector of suppliers and distribution channels.

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## **Appendix A**

### **Dissertation Survey Questioner**

Dear participant,

Thank you for participating in this survey. Your feedback is significant and greatly appreciated.

This survey is part of a research project designed to investigate Fast Fashion and their suppliers and distribution channels with a focus on Zara and H&M.

Please be assured that your responses will be kept strictly confidential and anonymous, as no personal information will be gathered during this survey. The survey should take around 10 minutes to complete. Participation is completely voluntary, and you are free to withdraw from the questionnaire at any point if you feel uneasy or encounter ethical concerns. Your participation in this survey implies your informed consent.

Please note that the data collected from this survey will solely be used for academic purposes.

Thank you for your valuable time and contribution. If you have any questions regarding this study or if you wish to receive the final report, please do not hesitate to contact me via my university email at (w1912245@my.westminster.ac.uk).

If you work in Zara or H&M and if you would like to contribute more information to this survey, please let me know via email at (w1912245@my.westminster.ac.uk).

Researcher: Mahdi Azimi,

MSc Logistics and Supply Chain Management

Supervisor: Dr. Mengqiu Cao

Institution: University of Westminster

Q1 How familiar are you with the fast fashion industry?

- ☐ Slightly familiar (1)
  - ☐ Moderately familiar (2)
  - ☐ Very familiar (3)
- 

Q2 How do you know Zara and H&M?

- ☐ Customer (1)
  - ☐ Zara Sales department (2)
  - ☐ H&M Sales department (3)
  - ☐ Other, please mention it,... (4)
- 

Q3 What types of fast fashion brands do you usually buy?

- ☐ Zara (1)
  - ☐ H&M (2)
  - ☐ Both (3)
  - ☐ Others, please mention it,... (4)
-

Q4 Which brand do you think offers a wider range of products?

- ☐ Zara (1)
- ☐ H&M (2)
- ☐ Both brands offer an equally wide range of products (3)
- ☐ I do not know (4)

Q5 Which brand has met your expectations in terms of product availability in different designs?

- ☐ Zara (1)
  - ☐ H&M (2)
  - ☐ Both brands (3)
- 

Q6 Which brand has met your expectations in terms of product availability in different sizes?

- ☐ Zara (1)
  - ☐ H&M (2)
  - ☐ Both brands (3)
- 

Q7 Which method do you prefer to buy; online/in-store?

- ☐ Online (1)
  - ☐ In store (2)
  - ☐ Both Method (3)
-

Q8 How often do you shop online for fast fashion?

- ☐ Once a week (1)
  - ☐ Once a month (2)
  - ☐ Once in 3 months (3)
  - ☐ Once a year (4)
- 

Q9 Why do you like or prefer shopping for fast fashion online? (Multiple choices)

- ☐ Time savings (1)
  - ☐ Price/ Promotion (2)
  - ☐ Convenience (3)
  - ☐ Other, please mention it,... (4)
- 

Q10 How often do you shop in stores for fast fashion?

- ☐ Once a week (1)
  - ☐ Once a month (2)
  - ☐ Once in 3 months (3)
  - ☐ Once a year (4)
-



Q11 Why do you like or prefer shopping for fast fashion in-store? (Multiple choices)

- ☐ Check the size (1)
  - ☐ Check the designs closely (2)
  - ☐ Convenience (3)
  - ☐ Social Experience (4)
  - ☐ In-person Assistance (5)
  - ☐ Other, please mention it,... (6)
- 

Q12 Have you experienced any issues with the delivery in online shopping? If yes, please choose What kind of problems (Multiple choice)

- ☐ No (1)
  - ☐ Lost/ Missed/ Damaged quality (2)
  - ☐ Delayed time (3)
  - ☐ Delivery fee (4)
  - ☐ Return Policy (5)
  - ☐ Other, please mention it,... (6)
-

Q13 Which brand do you think has better control over product quality?

- ☐ Zara (1)
  - ☐ H&M (2)
  - ☐ Both brands have equally good control over product quality (3)
  - ☐ I do not know (4)
- 

Q14 Which brand do you think has a more extensive supplier network?

- ☐ Zara (1)
  - ☐ H&M (2)
  - ☐ Both brands have equally extensive networks (3)
  - ☐ I do not know (4)
- 

Q15 Which brand do you think has a more efficient distribution channel network?

- ☐ Zara (1)
  - ☐ H&M (2)
  - ☐ Both brands have equally extensive networks (3)
  - ☐ I do not know (4)
-

Q16 Which brand do you think is more successful in managing suppliers and distribution channels simultaneously?

- ☐ Zara (1)
  - ☐ H&M (2)
  - ☐ Both brands are equally successful (3)
  - ☐ I do not know (4)
- 

Q17 Are you aware of any specific initiatives or strategies undertaken by H&M or Zara to improve supplier management and distribution channels? If yes, please specify.

---

Q18 Are you familiar with any specific challenges faced by H&M and Zara in managing suppliers and distribution channels simultaneously? If yes, please specify.

---

Q19 Are you aware of any differences in supplier and distribution channel management practices between H&M and Zara? If yes, please specify.

---

Q20 Please indicate your gender

- ☐ Male (1)
- ☐ Female (2)
- ☐ Prefer not to say (3)

Q21 Please indicate your age group;

- ☐ 18 - 24 (1)
  - ☐ 25 - 34 (2)
  - ☐ 35 - 44 (3)
  - ☐ 45 – 54 (4)
  - ☐ more than 54 (5)
- 

Q22 What is your highest level of education;

- ☐ Undergraduate (1)
  - ☐ Postgraduate (2)
  - ☐ PhD/Dr (3)
  - ☐ Other (4)
- 

Q23 Where are you living now?

- ☐ Big cities (1)
  - ☐ Small town (2)
  - ☐ Rural (3)
-

### **Ethics ETH2223-2355: Mr Mahdi Azimi (Class 1)**

Researcher	Mr Mahdi Azimi
Project	Investigating the simultaneous management of Suppliers and distribution channels in the fast fashion industry. H&M and Zara Case Study
College	Design, Creative and Digital Industries
School	Architecture and Cities

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### **Ethics application**

#### **Proposal**

##### **Project title**

Investigating the simultaneous management of Suppliers and distribution channels in the fast fashion industry. H&M and Zara Case Study

##### **1.1 Please provide a description of the background with references to relevant literature (250 words)**

Fast fashion refers to a rapid business method that is based on the formation of a supply chain with high speed and efficiency in order to produce daily products and meet customer needs, which can be able to respond to the customer's needs and can move forward in line with the market trend, and avoid excess production of the product (McNeill and Moore, 2015).

Nowadays, fashion is well known among consumers, so consumers also tend to have access to new fashions in the shortest time. As a result, retailers put extra pressure on manufacturers to keep up with market trends and deliver new products to consumers in the shortest possible time. Here, the speed of fashion and the desire to consume clothes has increased, and the reaction time to new ideas has decreased, which has an essential effect on the strategy and planning of fashion retailers. Therefore, according to the extended supply chain process in the clothing industry, strategic moves have been defined in order to reduce and overcome this process (Camargo, Pereira and Scarpin, 2020).

In this field, Zara has been the first company that has been able to innovate through supply chain management. And by creating a strong supply chain and high speed of operation throughout it, it has turned itself into the leader of this industry (Xuejie, Chang and GuangHao, 2019).

On the other hand, H&M receives its products from manufacturers in other countries. Also, having internal design and logistics without intermediaries and buying the right products from the right markets guarantees the right price (Ambidexterity in the supply chain: studying the apparel industry, no date).

##### **1.2 Please provide a brief description and the aims of your study (250 words)**

The purpose of this study is to focus on the fast fashion industry and to investigate and identify the best approaches for managing suppliers and distribution channels according to the existing problems and obstacles. It also emphasizes the importance of balancing efficiency and consumer demands in this context.

In the world of fast fashion, speed and quality are influential parameters. There are successful and progressive companies in this field that can have good coordination in their supply chain. That is, after designing the needs of the consumer, they produce it as soon as possible and then deliver it to their sales centers in different countries as soon as possible. Success in this chain requires accurate knowledge of the path and existing obstacles and also the creation of new solutions to speed up the chain's performance. (In this article, the performance of Zara and H&M, as two leading companies in this industry, is discussed).

This article tries to answer the following questions.

1. What is the innovation of H&M and Zara to coordinate their suppliers and distribution partners to ensure timely and efficient delivery of goods?
2. What technologies and tools do H&M and Zara use to monitor and control their supply chains and suppliers?
3. How are the needs of fashion consumers and new designs predicted and requested for the production line?
4. What are the risks of outsourcing the production of products by fast fashion companies?
5. What lessons can other fast fashion retailers learn from H&M and Zara's supply chain strategies?

### **1.3 Please outline the design and methodology of your study and details of any invasive or intrusive procedures (400 words)**

In this section, I will explain the methodological design of the present study in order to answer the main research question: what is the innovation of big fast fashion companies like ZARA and H&M? In this paper, Qualitative methods are used to describe and explain the innovation method that is used to coordinate the supplier and distribution channels. Also, all analyses and results are based on research and the discus analysis available from reliable sources. To be able to express the desired concepts clearly. In the first step, analyse of the processes of supplying and distribution will be done, and then based on the data, recognize the risks and obstacles. And finally, it is clear to suggest a solution for that. Furthermore, based on analyses and results, this paper can suggest the ideal strategy for the other fast fashion company.

This paper uses secondary data collection because secondary data sources provide different types of expert views and insights from quality sources such as scientific articles, books, and journals.

Another advantage of secondary data is the breadth of research. Continuous and regular surveys and censuses are this type of information that can be relied upon to achieve good results. In addition, it is possible to obtain unexpected insights and results from the analysis of statistics and previous data(Perez-Sindin, 2017). The other advantage of secondary data is the large sample size of these data.

- General data and annual reports of companies in the fast fashion industry
- Corporate sustainability reports (CSR)
- Analysing statistics and figures obtained from consumers in this industry using the research method of content analysis and relationship building
- Correlation between statistical findings from reliable sites (Statista and Mintel) and annual reports of companies
- Using past research, industry journals, and Google Scholar searches.

**1.4 Start date**

10 Apr 2023

**1.5 End date of work**

31 Aug 2023

**External factors**

**2.1. Does your research include funding from an external organisation and/or external collaborator/s or co-Investigator/s?**

No

**2.2 Are you seeking ethical approval from the Health Research Authority (HRA)?**

No

**2.2.1 Are you seeking University sponsorship (as defined by Health Research Authority)?**

No

**2.3 Are you seeking ethical approval from any other external organisation (which is not the Health Research Authority)?**

No

**2.3.1 Select one option:**

**2.4 Have you been asked by an external organisation to produce evidence of ethical approval for your research?**

No

**Participants**

**4 Does this research proposal (as proposed to Research Ethics Committee in its current status) include Research Participants (humans and/or animals, either deceased or alive)?**

No

**5 If your research fieldwork (virtual or in person) will not be carried out on University premises, please state the location of your research.**

**Location**

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**Region**

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**Country**

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**Part A**

**6.7 Does your study raise any issues of personal safety for you or other researchers or participants involved in the project (especially relevant if taking place outside working hours or off-site e.g. not on University premises)?**

No

**6.10 Does your study involve issues relating to personal and/or sensitive data?**

No

**6.11 Does your research involve any 'security sensitive material'?**

No

**6.12. Does your research ethics proposal include off-site (i.e. not on University premises) research fieldwork and travel involving face to face interactions?**

No

## **Attachments**

Upload any additional files to support your application which have not already been uploaded within your application. For instance, Participant information sheet, Consent form, Photographic/video consent form, Indicative questions sheet, Insurance cover, Security sensitive research assessment, Health and Safety Risk Assessments, COSHH, Ionising Radiation, Display screens etc.