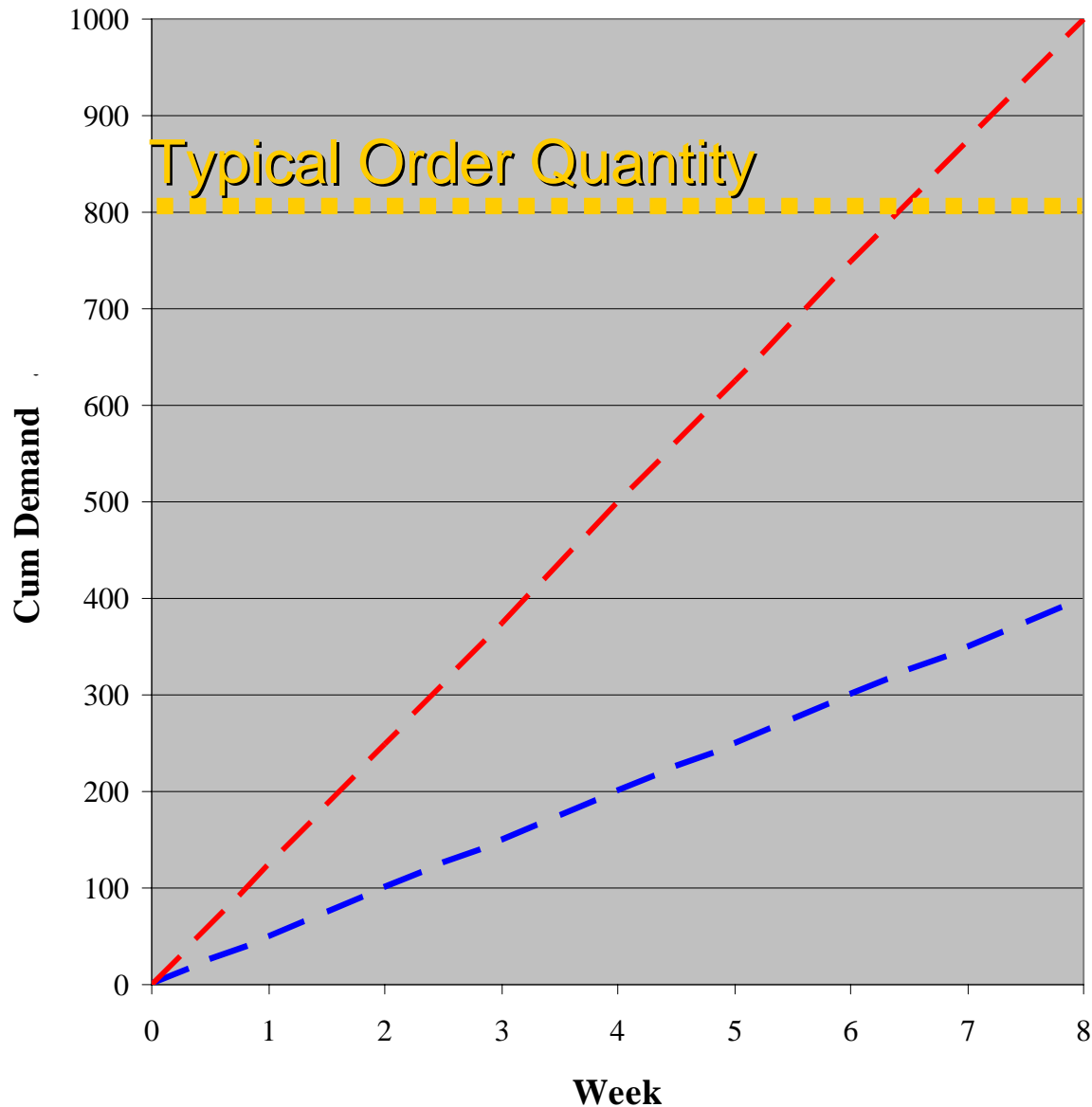
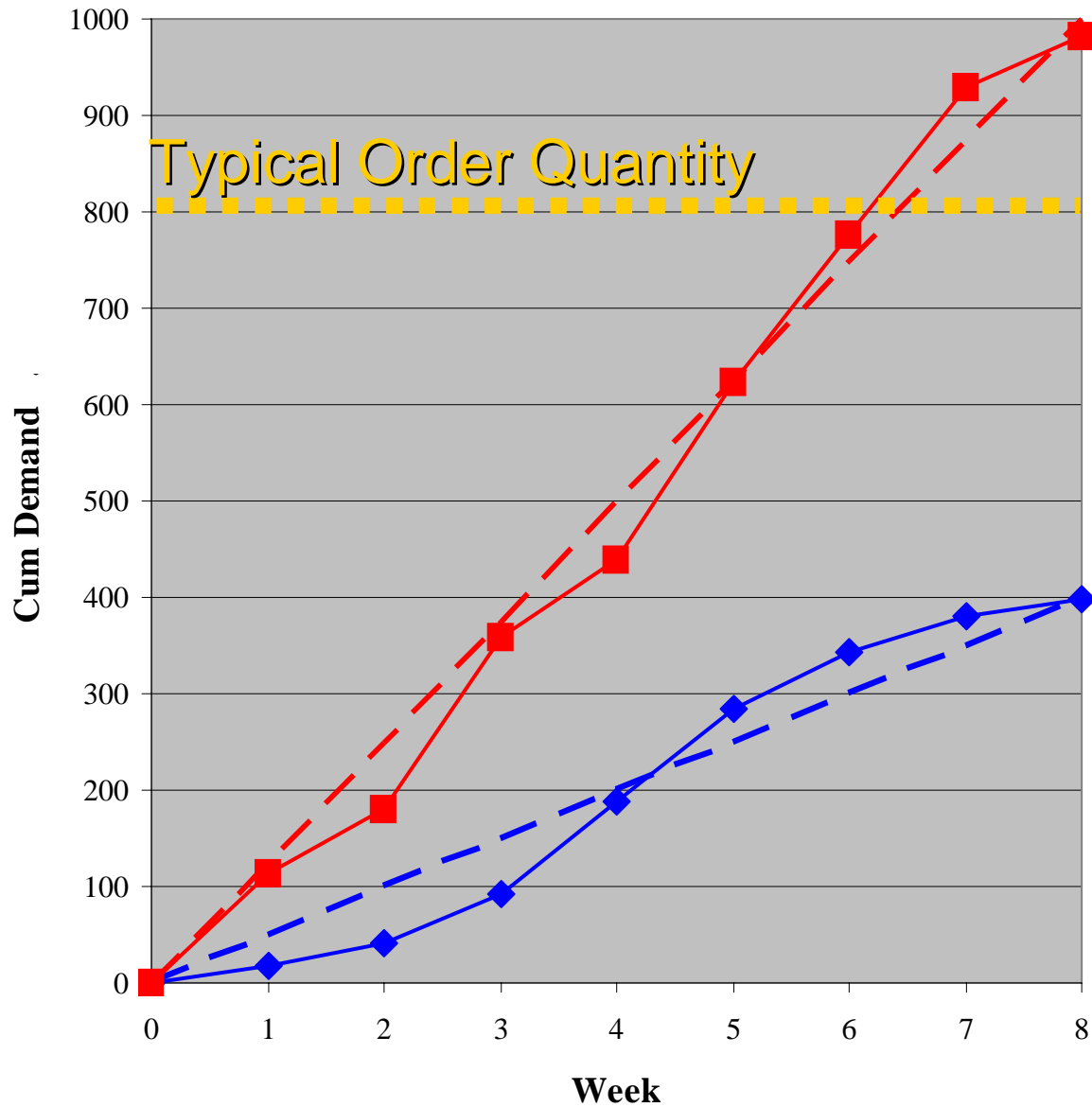


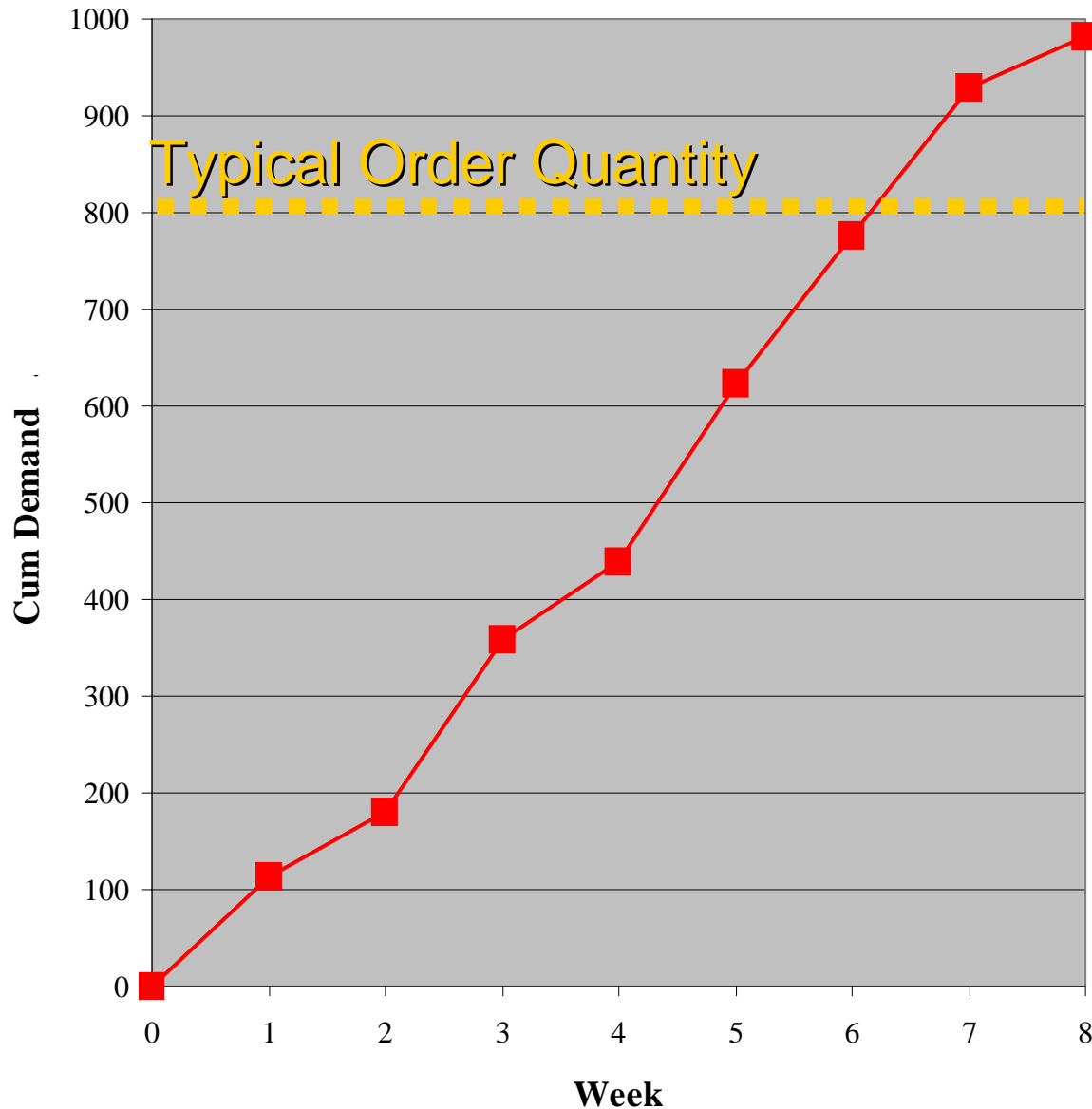
In Fashion, the extreme difference in potential demand levels for a style is the main source of **RISK** when developing a supply strategy.



Due to the short selling season and the low cost associated with distant suppliers, a Single Order Quantity is typically decided upon in light of these two very different potential demand outcomes.

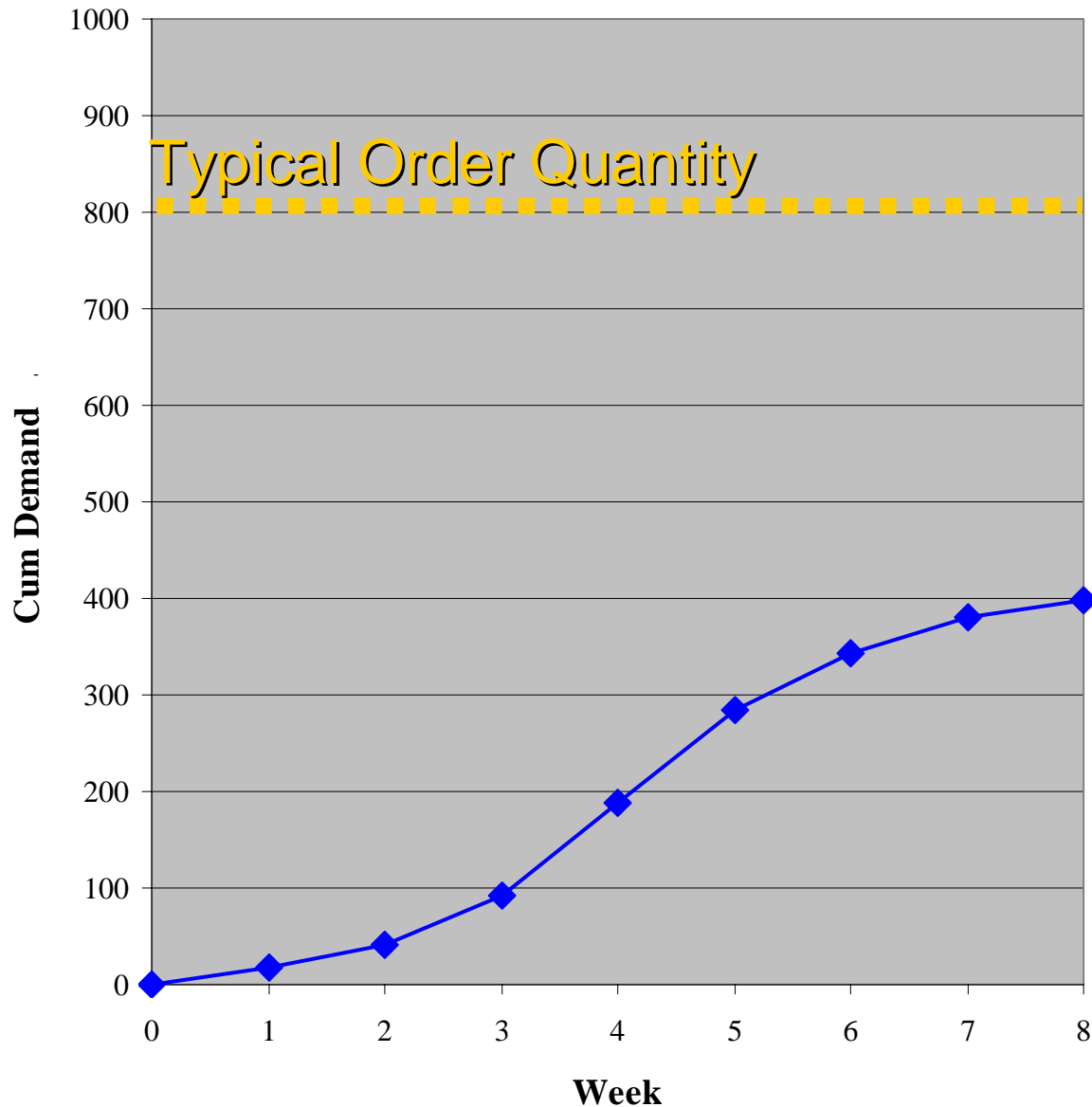


The “compromised” order quantity is sub-optimal whether a High-Demand or Low-Demand season is ultimately realized.



Missed Sales

High-Demand Products will Stock-out, resulting in missed sales and low customer service levels.

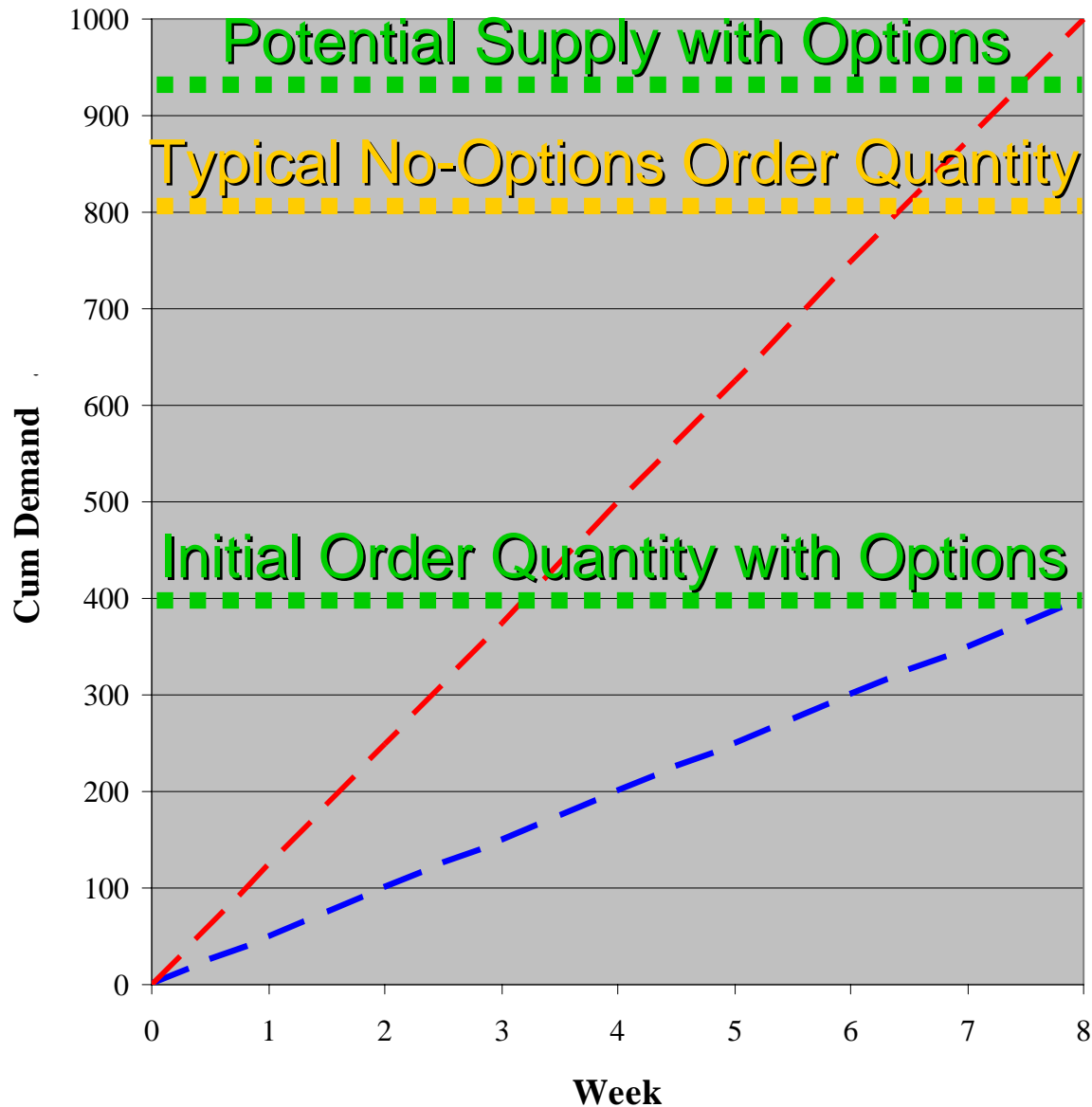


Overstock to
be Liquidated

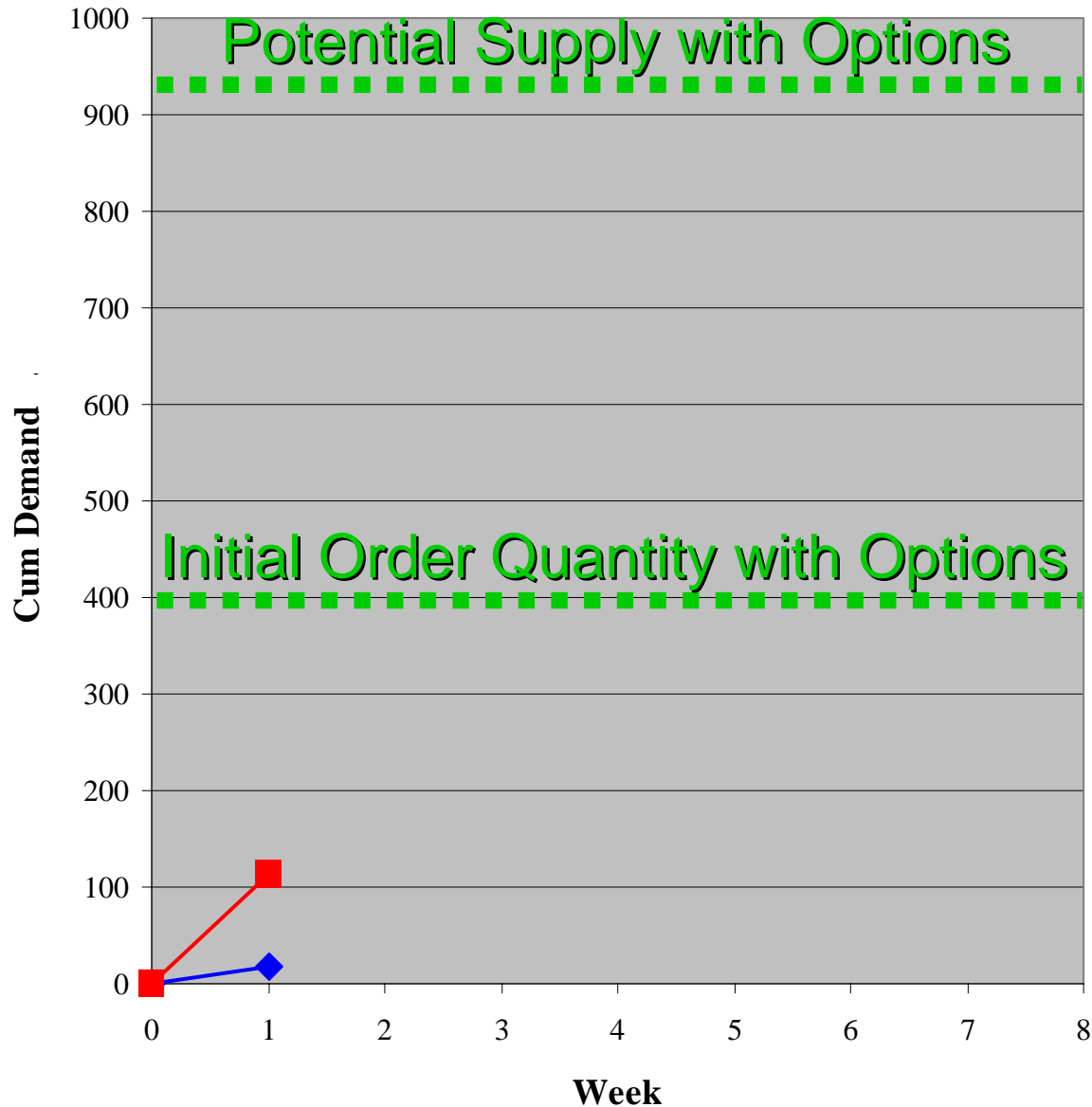
Low-Demand
Products must
be Liquidated,
resulting in profit
losses and
brand
diminishment.

Getting Value from Supply Options

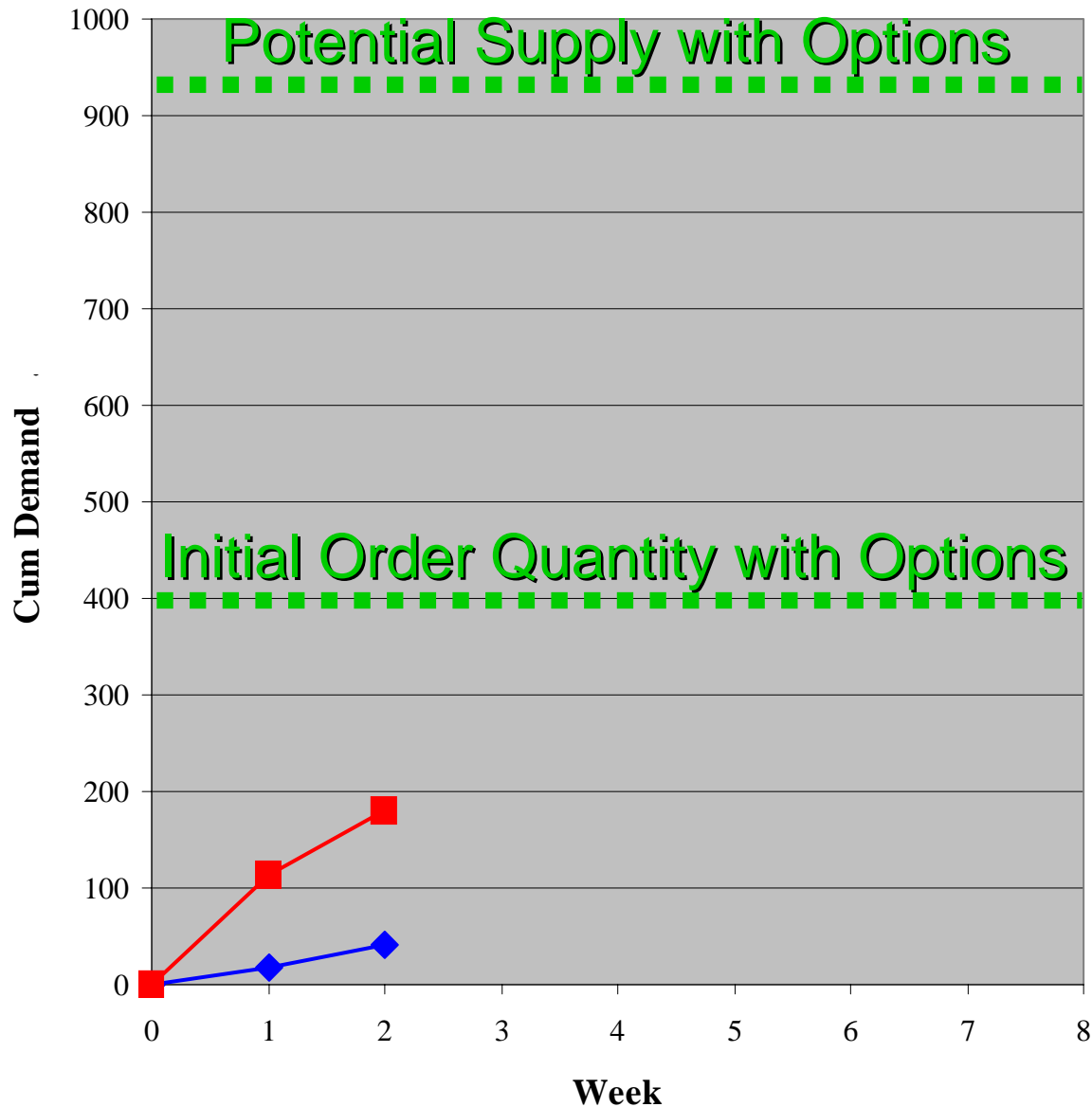
- Supply Options are valuable because they take advantage of improved information derived from early season POS data.
- The Initial Order Decision from the standard low-cost supplier is made with the understanding that replenishment is possible if necessary.



Initially, a smaller order is placed from the standard supply source, while options are purchased that will be exercised if demand is high.

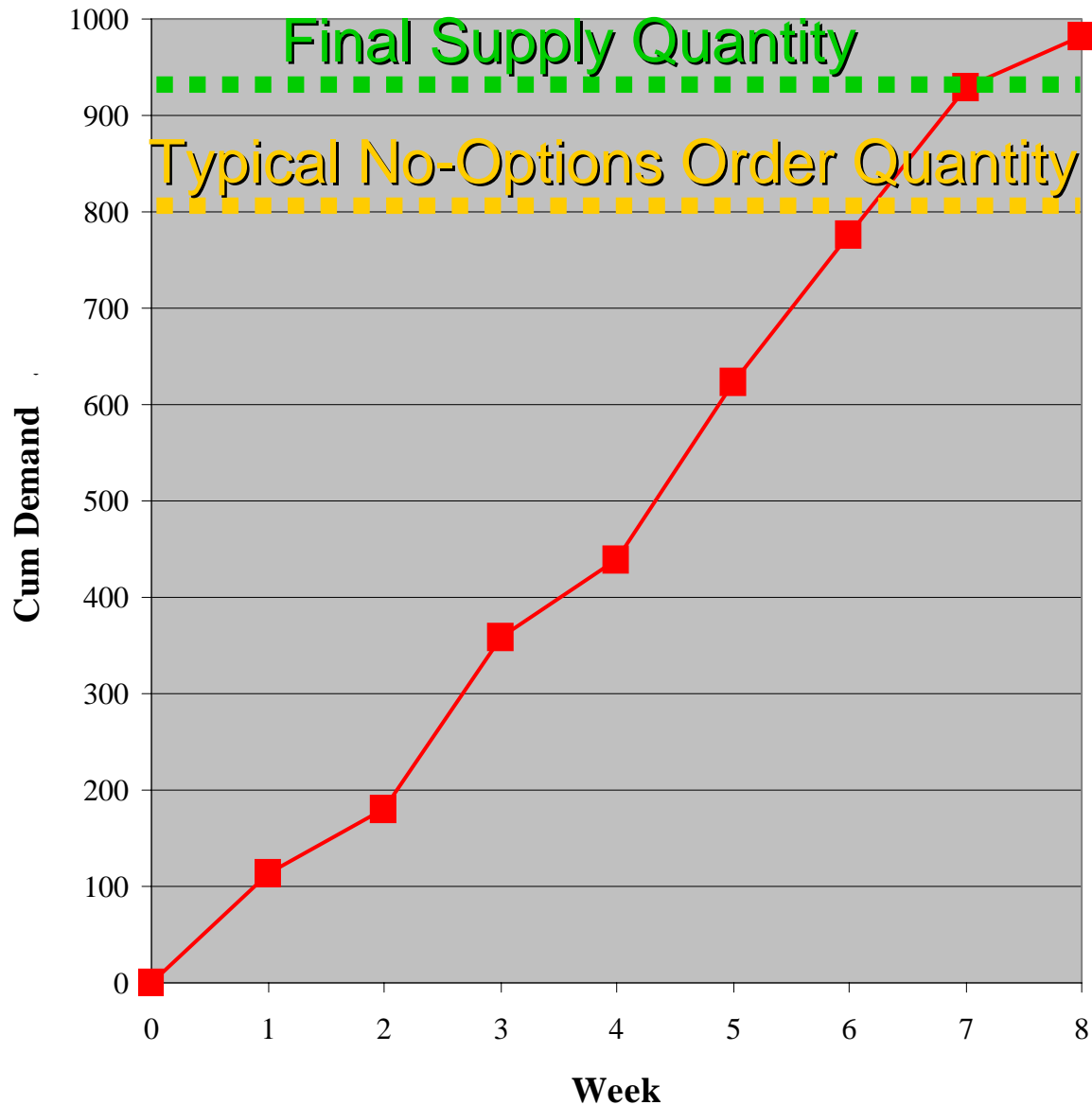


After 1 Week of Sales, it is likely that a Boom/Bust Distinction can be made from POS Data.

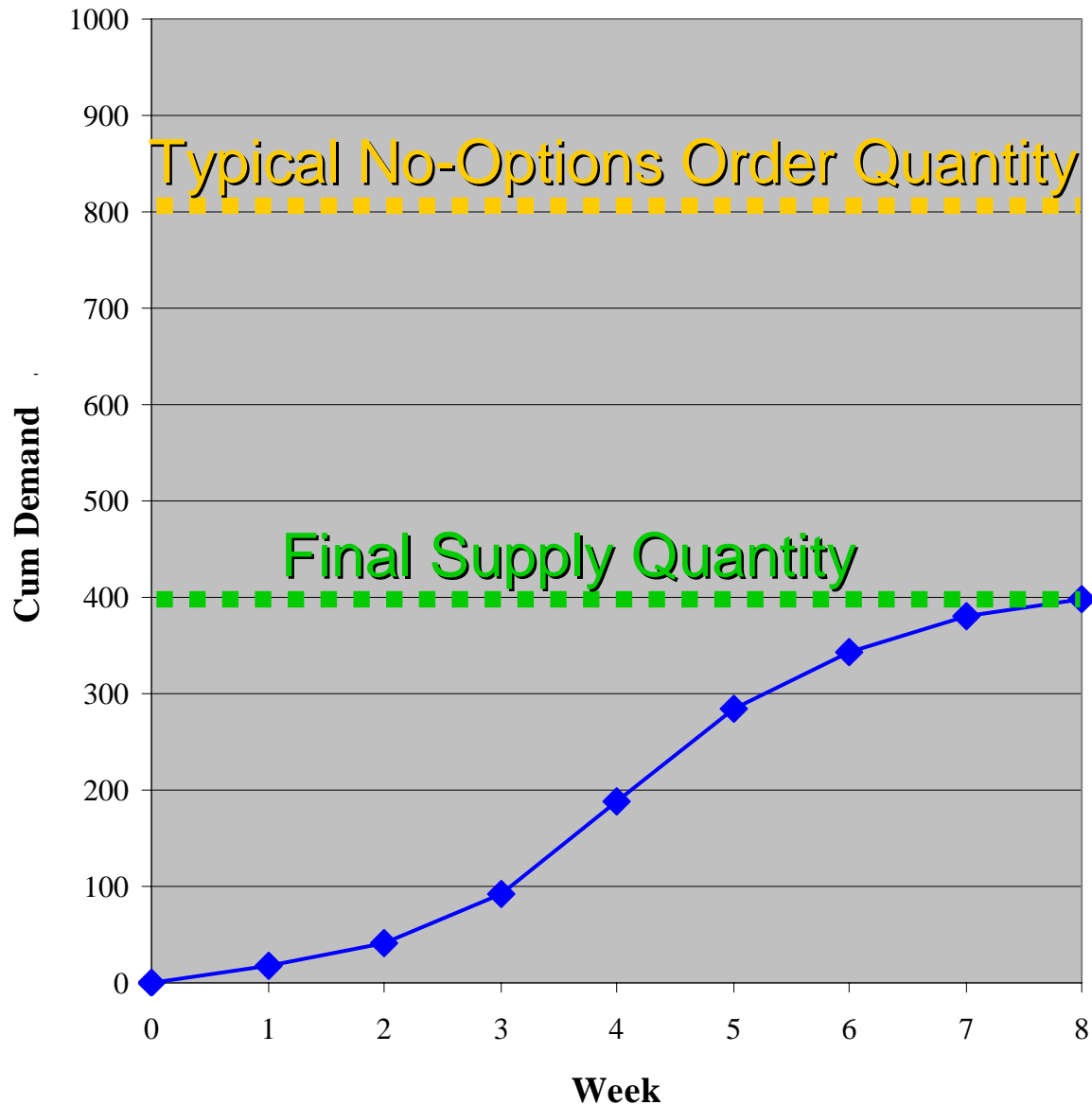


After 2 Weeks of Sales, it is nearly certain that a **Boom/Bust** distinction can be made from POS Data.

This distinction determines the exercise decision.



If this style is recognized as a **High-Demand** product, Options are exercised and higher sales will be achieved.



If this style is recognized as a Low-Demand product, Options are not exercised, and less inventory will have to be liquidated.

To Learn More About
Flexible Supply Options and How
They Can Be Used to Improve
Service Levels While Reducing Risk,

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