50
PERCENT
The percentage of orders coming from mobile devices

According to Gartner L2's Digital IQ Index: Fashion Global 2018 report, the firm is pretty smart online. It promotes brands on Instagram, the best fit for its followers, as well as in email newsletters. "MATCHESFASHION.COM is one of the most active retailers on Instagram Stories, posting frequently and utilizing swipe-ups to drive customers to gallery pages for brands," notes Bill Duffy, Gartner L2's Associate Director. Despite its bricks-and-mortar heritage, MATCHESFASHION.COM scores like a digital native.

Delivering on the promise of fashion

The evolution from boutique to online retailer has also required setting up a strategy for delivering on the promises of expansion to 176 countries. The company provides a full slate of shipping options with top-flight service. This includes free delivery on orders above a certain amount, premium delivery within London, which allows the customer to pick the date and time for receiving their purchase, as well as the option for standard, express, or next-business-day deliveries. To allow for easy cross-border transactions, items are shipped on a delivery-duty-paid basis that is worry-free for consumers.

"We spend a lot of time on the optimization of the supply chain, the optimization of the delivery journey and the user experience around it," explains Jerome. "Reverse logistics is also very important. As an online business, we find that our customers often have to return items that don't fit or don't suit them. The easier we make it for the customers to return unsuitable goods, the more they order." To that end, the firm even offers free returns pick-up in certain markets.

Additionally, in 2016 the company became the first in the luxury retail sector to offer 90-minute delivery to select postcodes in London on its entire catalog, setting a new trend in the sector. "We really believe in making an e-commerce transaction as physical as possible," says Jerome, who regards the initiative as a passion project.

"Ninety-minute delivery service is as close as you can be to a physical experience, because you get your product in an hour and a half," he continues. "The customer is very demanding and on the go, and wants to touch and feel the product all the time. So we were very much looking in terms of on-demand delivery service and the power that it has to change customer behavior."

For Jerome, logistics is simply the backbone of the business. "You can do all the great things in the world, you can have all the best products in the world, you can have all the best teams in the world, but if your last-mile delivery isn't working, you don't have a business," he says. "For us, logistics is a business development opportunity."

MATCHESFASHION.COM's newest focus, curated offerings for home and lifestyle, has been a big hit, though it requires extra care when it comes to delivery. A €3,000 ($3,500) Gucci Décor porcelain vase or a Murano glass carafe doesn't travel quite as lightly as a Burberry trench or a Fendi clutch. Jerome says the company works closely with each brand so that products come extremely well packaged and protected.

Meanwhile, customers around the world are catered to, but the product selection isn't geographically tailored. "We think our point of view has a global reach," explains Jerome, noting that customers don't want to see what's already available in their market. "In luxury what people want is to experience curiosity, they want to experience discovery." ■ *Susanne Stein*

DRESSED FOR SUCCESS: Style from the MATCHESFASHION.COM Autumn/Winter 2018 Lookbook.

FASHION HOUSE: 5 Carlos Place features offerings from more than 450 designers.

Photos: Matches Fashion (2); Matches Fashion/Cat Garcia; Xinhua/Gamma/laif

TROUBLED WATERS: Devastating monsoon flooding in Thailand.

DEALING WITH DISASTER

The rate of natural disasters around the world is increasing. How can companies mitigate the impact to their supply chains when disaster strikes?

If it seems like natural disasters are getting more frequent and causing greater impact, that's because they are.

The world experienced an annual average of 335 weather-related disasters between 2005 and 2014, 14 percent more than in the previous decade and almost double the rate in the decade before that. Natural disasters, such as earthquakes and major weather fronts, caused almost $1.4 trillion in damage between 2005 and 2014.

Furthermore, rising global temperatures are forecast to cause higher-intensity storms and wetter Asian monsoons going forward. The Intergovernmental Panel on Climate Change estimates that monsoons will increase by 5-15 percent through the end of the 21st century.

And these disasters are having a big impact on businesses, which rely on global supply chains to secure their inbound materials and outbound product flows. Companies need to stay resilient, no matter what hits.

For many businesses, this reality dawned with the 2011 Tohoku Japanese earthquake and tsunami, followed a few months later by monsoon flooding in Thailand. "That was the turning point in supply chain risk management," says Mirko Woitzik, Senior Risk Analyst, DHL Resilience360.

These natural disasters were the first to affect multiple industries at once, he says. They showed companies how vulnerable they were, and spurred the movement toward better supply chain risk management in order to remain agile.

Multiple supply chain tiers make visibility difficult

Interruption of business, including supply chain disruption, has been the top global risk for five years, according to the Allianz 2017 Risk Barometer, which surveyed more than 1,200 risk experts in 50 countries. Natural disasters and fires are what companies fear most.

$1.4
TRILLION
The amount of damage caused globally by natural disasters between 2005-2014

4.2 MILLION

The number of vehicles scheduled but not produced due to supply chain issues in the wake of the 2011 Tohoku earthquake

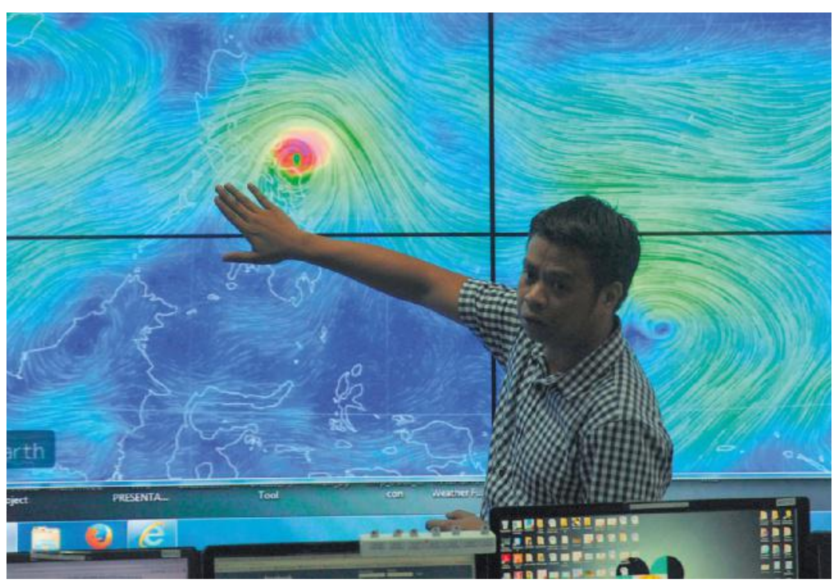
What's behind so much supply chain disruption? "We now live in a world that I describe as global sequential production systems," says Willy C. Shih, professor of management practice at Harvard Business School. "Intermediate goods are passed oftentimes from supplier to supplier and country to country. Value is added at each step." That complicates the supply chain.

Take semiconductors. They may be fabricated on a wafer in Taiwan, sent to another location for testing and packaging, and then shipped to a distribution center. A manufacturer puts them on circuit boards and ships them elsewhere.

"The biggest challenge for many firms is the visibility of the supply chain," Shih says. A manufacturer or retailer may know their tier 1 supplier, and maybe even their tier 2. "A lot of companies don't know who their more distant tier suppliers are because the world is so complicated," he says. Added to the complex division of labor on so many parts and elements is the fact that lower tiers sometimes subcontract the work without telling the upstream customers.

During disasters, though, the lower-tier suppliers can be the ones most exposed. A prime example comes from the 2011 Japanese earthquake. Semiconductor company Renesas in Japan supplied around 40 percent of the world's automotive microcontrollers at that time. Some automakers had to shut down due to damage to the Naka fabrication facility, which was the sole source of engine controllers for some of their vehicles.

In another example, Merck Chemicals is the only producer of Xirallic, a specialized pigment used to make auto paints shiny. After the earthquake, at least eight automakers couldn't source it. In fact, the impact of the earthquake on auto components overall led to an estimated global production shortfall of 4.2 million vehicles, half of which were slated for production in Japan. According to Shih: "This example shows that multiple tier 1 suppliers may have a common source for a critical component in the supply chain several tiers down without knowing it."



STORM FRONT: Hurricane monitoring and forecasting in the Philippines.

Advanced warning can make a difference

Disasters like hurricanes and snowstorms often allow for advanced warning; companies can proactively reroute supplies to other ports or roads, stock up on parts for production and communicate with clients and vendors. Prior to Hurricane Florence in September 2018, for example, Boeing moved some Dreamliner airplanes from South Carolina to Washington to avoid damage.

As hurricanes are common in certain areas each year, monitoring and forecasting should be part of the normal process for companies operating there. Earthquakes, on the other hand, can strike at any moment. There's no time to prepare for them, although certain spots in the world are more prone to them. Still, in a 2015 Supply Chain Management World Future of Supply Chain survey, only 12 percent of automotive respondents said that earthquakes were a major concern for them.

Planning for disaster

Formulating a backup or continuity plan long before disaster strikes is a good way to ensure minimal supply chain disruption. "I advocate that companies do an assessment of what those risks are and create disaster risk profiles for each supplier," says Archie Lockamy III, a professor of business at Samford University. That requires visibility into the supply chain and an understanding of risks and their probability.

He also recommends using the assessment to measure the revenue risk exposure of the company's supply chain. "Is the risk such that you have to either terminate your relationship with that supplier and find an alternative, or work with that supplier and find ways to mitigate that?"

If certain suppliers are in earthquake zones, the risks should be examined, says Woitzik. Companies should consider data from the last 100 years, not just the last two or three, and then choose suppliers based on the level of risk exposure. For example, Taiwan and Japan are in the Ring of Fire, yet the risk of an earthquake in one part of Taiwan is greater than another. That can help determine where to place a warehouse or which supplier to choose. Companies can use databases and heat maps, for example in a tool like DHL's Resilience360, to understand risk profiles for specific companies and regions. This provides greater visibility into the supply chain tiers and interdependency between locations.

When selecting suppliers, companies can allocate orders based on the supplier's level of risk. "I wouldn't give 80 percent of my business to a highly risky supplier," says Lockamy, adding that the decision must be balanced by any alternative supplier's ability to provide the necessary level of quality and service.

AFTERSHOCK: Shipping containers washed up by a wave caused by an earthquake in Chile.

Photos: Jay Directo/AFP/Getty Images; Jose Luis Saavedra/Reuters

If manufacturing garments, it may not be difficult or expensive to find capacity in other countries or regions. However, in some parts of the electronics industry, only one to three sources worldwide manufacture specific products.

The downside of adding redundant suppliers is the expense, which might involve duplicating set-up costs for an alternate producer. Specialized tooling is time-consuming to produce. "If you want spare capacity, it costs you money and goes into the product cost," Shih says. Using a single-source vendor is less expensive and a tradeoff companies often make, however risky.

Meanwhile, changing suppliers right after a disaster may also require additional time. It is imperative to look at critical components and their lead time for production or specialized tooling. The company should understand their strategy for handling interruptions in advance.

Suppliers also need to consider a natural disaster plan in order to protect their customers and their outbound product flow. A Novo Nordisk factory outside of Copenhagen, for example, makes nearly half the world's supply of insulin at one location. "That's scary. If something happens to that factory, a lot of people are dependent on it," Shih says. However, for many years, the pharmaceutical company has stored a multiple-year supply in case of emergency. For the past two years, they've also been expanding production of their diabetes products at a North Carolina site. "They understand the criticality of the supply world," Shih remarks.

Maintaining visibility and monitoring risk

Visibility into the supply chain is usually easier for small companies as they have fewer suppliers compared to an organization with, say, 10,000 global suppliers. "We see a much larger push to drive toward risk management tools for automating things with large companies, where it's hard to keep track of everything around the world on a daily basis on all continents," says Woitzik.

DHL's Resilience360 is one example of the new tools being developed to analyze the risks and probabilities of natural disasters in the supply chain. Whether due to a natural disaster or just some debris causing a traffic jam, visibility tools allow users to see specific transportation and supplier information and can enable them to quickly reroute a shipment or assess a supplier's risk exposure.

12 PERCENT

The percentage of automotive respondents who said earthquakes were a major concern

"You can simply look at your supply chain locations in a hurricane's path, for example, to allocate resources more efficiently and effectively depending on which suppliers or distribution centers are in the area," Woitzik says. With near real-time global monitoring of incidents capable of disrupting supply chains, cloud-based platforms can help companies reduce risk and stay agile.

"If we understand the risk and can plan for the risk in advance," says Lockamy, "we should be in a better position to respond." ■ *Deborah Kaplan*