



The Journey from Concept to Consumer

7 Ways to Leverage Technology for Improved Efficiency, Collaboration, and Cost Reduction.

An Apparel Magazine Thought Leadership Report

Presented by K3 Business Technologies

In the fashion industry, there is a mighty sense of urgency to create a seamless consumer experience. Yet behind the scenes, wholesaling and retailing technologies are often anything but connected and synchronized. Data is frequently scattered across multiple systems.

With the prospect of steady growth, the incentive to conquer this challenge is powerful, and fashion businesses of all sizes and business models are vying for their share of the prize. Euromonitor International projects 2 percent growth in global fashion retail sales to 2022, driven primarily by Asia-Pacific region expansion. "Customer demand for omnichannel shopping is unlikely to slow down, and retailers operating in different regions of the world will need to overcome the technical and branding challenges of seamlessness to become truly omnichannel," the firm said. We have already seen a serious number of retailers disappear because they lost the connection to their consumer and/or were too slow to implement technological improvements.

To help on the road to concept-to-consumer seamlessness, this report takes a step-by-step look at seven key business processes and how end-to-end ERP technology can alleviate pain points and deliver business benefits. For every function and scenario described, the technology exists today to take this concept-to-consumer journey. The assumption is that all data resides in a single system, and associates across departments have access to that system to perform their jobs.

STEP 1: Business Planning

Business planning is the beginning of the retail lifecycle. It's the origin of the game plan for how the fashion business will succeed against the core objectives: right product, right price, right quantity, right place and right time.

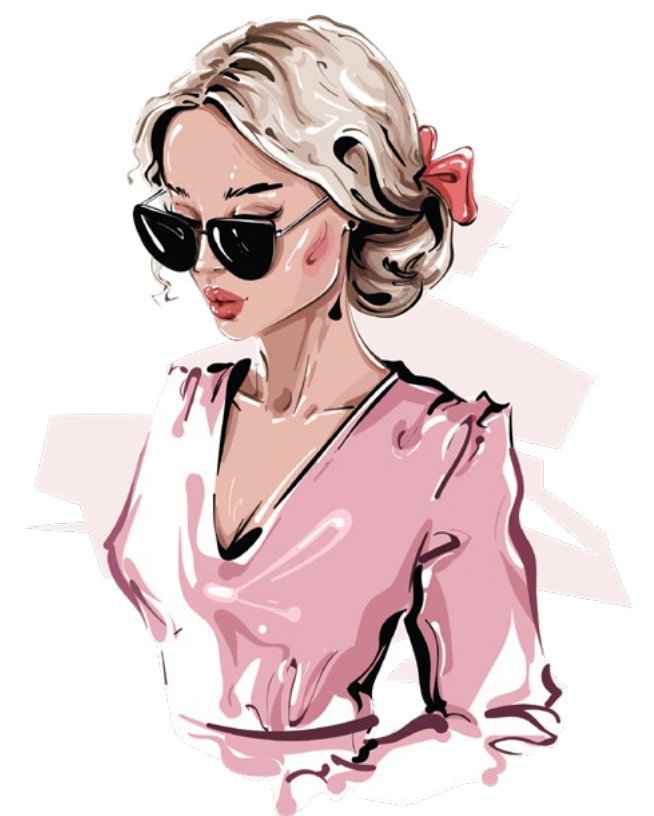
Right now, business plans tend to reside in large, complex spreadsheets, which are hard to share and update and are isolated from the system where the transactions actually take place. Packed with projections, spreadsheet-based



plans do not translate well across departments and are particularly difficult to digest for designers and product developers.

In a March 2017 report, Aberdeen Research said, "Arming more employees with access to key data, and enabling analytical capabilities, will create a more collaborative, informed and comprehensive plan." Aberdeen found that "leading" companies, as defined by their superior performance, were 3.2 times more likely than non-leading companies to enable collaboration in planning across departments and divisions. Leading businesses also were 90 percent more likely to have a centralized repository of financial, operational and performance data.

With a centralized, system-based approach to planning, fashion businesses bring all of their plan details into an ERP solution, where planners can easily manipulate projections at the product level, load plans across all channels and compare actuals to plan at every lifecycle stage. In newer ERP solutions, built-in business intelligence automatically takes fashion seasonality into account. This is important because year-to-date sales or even quarterly metrics can be relatively meaningless for fashion planners. Instead, they value a clear view of the seasonal performance, i.e. "How did fall 2015 compare with fall 2016, and how does that affect planning for fall 2017?"





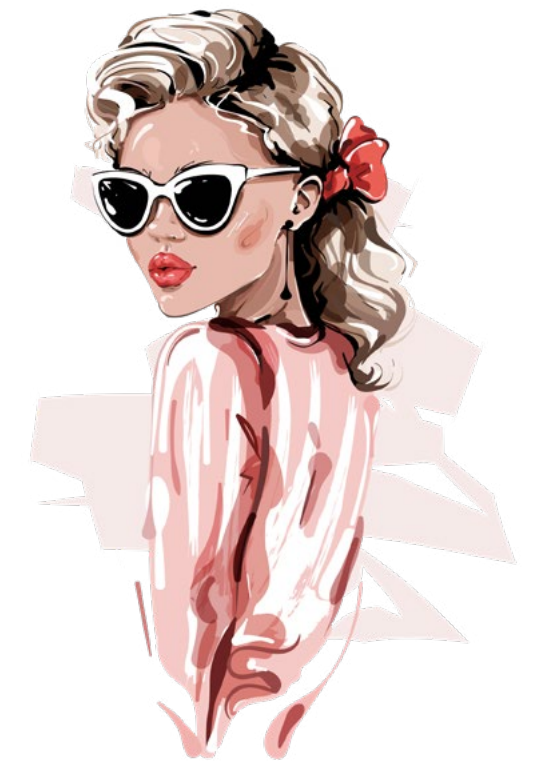
STEP 2: Collection Management

To build cohesive end-to-end processes, there must be smooth handoffs between planning and collection management. Collection management is undergoing a metamorphosis in conjunction with fashion paradigm shifts. For instance, it is a major change to move from handling four seasons annually to juggling more frequent collections or even selling straight off the runway. Some collection managers are balancing traditional collection calendars alongside timelines for capsule collections, available for sale immediately after runway shows. These process changes stem from the pursuit of “in-season relevancy,” which surfaced as a key theme in a 2016 Boston Consulting Group study, commissioned by the Council of Fashion Designers of America (CFDA). “Beyond fashion shows, the delivery cycle and subsequent markdown cadence at retail emerged as a critical issue that needs to be addressed,” the CFDA said.

To adjust to this new rhythm, collection managers and assortment planners need tools with more sophisticated capabilities. A recent retail survey conducted by The Parker Avery Group found that 71 percent of respondents used spreadsheets to manage at least some of their assortment planning. Survey respondents said an ideal assortment planning solution should encompass the following “very important” capabilities:

- **linkage to merchandise financial planning;**
- **the ability to begin planning with a conceptual item/placeholder;**
- **linkage with PLM for item creation; and**
- **linkage to allocation/replenishment.**

These crucial linkages exist within an end-to-end ERP solution, which also supplies real-time insights about wholesale and direct-to-consumer sales. With this type of integrated ERP, merchandisers don’t lose sight of the business plan amid orchestrating myriad collections. Likewise, planners can continually adjust their projections to accommodate short-term market trends.



STEP 3: Product Lifecycle Management (PLM)

On the concept-to-consumer journey, one of the most challenging phases can be when business plans and collection strategies must be translated into actual designs, technical specifications, samples and sellable products in the hands of the retail and wholesale customers. The lifecycle of a product touches the hands of a lot of internal and external users over time and it’s crucial they all work together smoothly on this critical path to the end of life of every single item. PLM encompasses this critical juncture.

Today, many fashion designers and product developers operate cut off from the rest of their organizations. It’s still commonplace at some fashion firms for 50 percent or more of new concepts to be killed during the first review round, often due to disconnects with the plan.

More collaborative communication between designers, developers, planners, and merchandisers enables course corrections during pre-season planning and execution. This reduces overdevelopment, including wasted time and expensive sample rounds on nonviable styles. This collaboration is possible when PLM is

built into the ERP solution. For example, without waiting for a physical line review meeting, merchandisers can digitally peek into design/development work status to see that there are almost enough fresh new styles in a particular product category, the potential for too many in another or a style that is too pricey for the target customer. They can weigh in immediately with feedback so that designers can adjust and move on to the next creative priority.

Newer ERP solutions also provide time-saving tools for product developers to track workflow across overlapping selling seasons and for designers to easily associate styles with multiple seasons. Full product data management (PDM) functionality also is built into these ERP systems, so they serve as a central repository for product details, from fabrics and trims to pattern size and bill of material specifications. By having all product data in a single system, companies can save time, reduce manual data entry and react to emerging trends more effectively.

STEP 4: Sales and Marketing

Within the end-to-end fashion supply chain, sales and marketing teams are engaged early on in sensing demand and securing sales. They also have a vested interest in ensuring the promised products reach their end destination successfully. Ultimately, they need greater access to accurate data to keep customers happy, and so integrated ERP must reach into their realm. In fact, B2B companies that achieve substantial improvements in customer satisfaction and operational efficiency are 88 percent more likely to have seamless integration between inventory management activities and customer-facing interactions, according to a November 2016 Aberdeen report.

Like their colleagues in other fashion disciplines, sales and marketing professionals face new pressures in today's retail landscape. Time is tighter for loading orders into a system. Customers may postpone commitments, waiting to see how fashion trends emerge. A retailer may suddenly downsize or go out of business. Or there could be a surge of direct e-commerce orders. With an end-to-end ERP solution, salespeople

can add, modify or cancel orders and have their changes and related calculations apply to all relevant variables across the business. They can automatically make mass changes to thousands of sales order lines. For example, if Customer A is downsizing and no longer needs as many shirts, the salesperson is free to offer the difference to Customer B. The ERP system should allow him or her to make this change quickly.

Working in close collaboration with planning, sourcing, and allocation, sales teams also must continually evaluate how to best balance demand with supply. As every apparel salesperson knows, just because a purchase order (PO) is in play does not mean all the goods will arrive on time. Ports strikes, factory machinery issues, material shortages or other variables could disrupt supply. Seamless connectivity between sales order management and procurement in the ERP solution is essential to navigate this uncertainty and ensure customer satisfaction.

STEP 5: Purchasing/Sourcing

Of course, on the road from concept to consumer, there would be no product at all without the sourcing/procurement part of the end-to-end process. Even before full-scale production begins, sourcing and purchasing teams can use an integrated ERP solution to manage sampling. Like many facets of product development, sampling is still managed offline, or outside of any specific system, at many fashion companies. As a result, sampling information, workflow, and costs can be difficult to control.

Then once a style is approved, sourcing professionals can access sales order information and specifications stored in PDM to immediately start production costing and procurement processes. Newer ERP systems allow sourcing teams to set up templates for different product lifecycles depending on the product category, sourcing method or country of origin.

End-to-end ERP enables companies to keep a running master plan of all material and resource



planning requirements, including costing and sourcing information by style. Granular functionality and visibility at the bill-of-materials level also provide increased control over costs and greater transparency into factors such as sustainably-sourced raw materials. Perhaps most importantly, there is a single version of the truth into order status. This information can be shared across the company and with retail customers. Multiple product matrices and aggregation functionality enable sourcing professionals to easily update quantities, prices, and delivery dates. These changes are made in the aggregate, eliminating the need for manual adjustments line by line.

STEP 6: Inventory Management, Allocation and Logistics

Crucial players in fashion's end-to-end odyssey, inventory managers, allocators, and logistics professionals must get the product to the optimal destination. To meet omnichannel demand, fashion wholesalers and retailers need an accurate view of their inventory position to optimize stock levels across channels, brands, and legal entities. Using comprehensive ERP solutions, companies have made some of the biggest efficiency gains in the pre-allocation area. Armed with visibility into the business plan and collection management strategy, plus current data from sales and sourcing, allocators can link POs to sales orders at any stage in the process. This enables them to communicate with customers about order status and to fix delivery dates. If there are any issues, they can address them early on. For example, if there is a shipment delay, allocators can swap out products or split deliveries to ship part of the order by air, part by sea, etc.

Prioritization of the most important customer versus high-risk customers is increasingly important. Allocators need a holistic view of sales orders and procurement where you want to automate the process as much as you can and only manage exceptions. Labor-saving functions such as size curves allow planners to automatically send the right size spreads to specific stores or store groups.



STEP 7: Retail Operations

In this, the final leg of the concept-to-consumer trek, fashion brands, and retailers need a retail solution that supports sales through all channels of distribution. PwC's 2016 Retail and Consumer Products Trends Report emphasized the importance of mastering true omnichannel retailing. "We expect that over the next five years, market power will flow to consumer goods manufacturers that have the most direct relationships with the end customer, as well as the strongest presence in retail channels of all types," the report said. And this is exactly what we have seen happening, with the disappearance of those who lost this battle in the past period.

Online e-commerce promises to play a growing role. Statista estimates internet retailing will come to 22 percent of overall global sales in 2021. Mobile internet retailing will account for over 55 percent of online sales in 2021.

The same integrated ERP solution used to support the previously discussed six steps also can be deployed to manage:

- **multibranded digital B2C storefronts**
- **physical store POS**
- **wholesale fulfillment, replenishment, and markdowns**
- **consignment and concession retail arrangements**
- **click-and-collect, ship-from-store, and other omnichannel scenarios**

In conclusion, there are many ways to leverage the latest ERP technology to automate processes, bring teams together, minimize errors and make well-informed decisions faster. The seven steps described in this report — and the teams who perform them — are intricately intertwined. This in itself is a compelling reason to deploy an end-to-end solution. By achieving greater cohesiveness, visibility, and efficiency across teams, fashion businesses will thrive in today's omnichannel retail world.

Executive Insight

*An Interview with **Emily Steegstra**, Fashion Industry Specialist, K3 Business Technologies*

Q: What are the most pressing issues that are keeping fashion business executives awake at night?

EMILY STEEGSTRA: Even though a lot has changed over the past years, the big pain points have remained the same. They have intensified, though, as the apparel business has been under a lot of pressure. Quite a few firms have not survived the struggle with the ever-changing new reality. Everyone is worried about how to shorten time to market and communicate more effectively with customers while optimizing margins.

Q: How can a single technology solution that touches processes from concept-to-consumer (C2C) help with some of these challenges?

STEEGSTRA: Before, every pain point was typically tackled with its best-of-breed, isolated system. Now fashion businesses realize they need to take a holistic approach to get the best possible results. The apparel industry is extremely globalized on the supply and demand sides, and internally, businesses are split into a wide variety of teams. Bringing external and internal partners together onto one cohesive system streamlines communication because everyone has direct access to the necessary data in the same system. The idea of concept-to-consumer ERP aligns well with executives' growing awareness of the need to avoid interfaces wherever possible.

Q: Why are managing C2C processes just as important for apparel wholesalers and brands as it is for retailers?

STEEGSTRA: Most fashion businesses are dealing with omnichannel sales in some way. Traditional wholesalers are opening their retail stores, and everyone who is anyone in the apparel business has a presence online. The challenge is to translate this operational reality into the business systems. Moving all processes onto the same system makes it easier to tap into new business possibilities. If they have not already done so in the past few years, companies are now looking for an ERP system to match the seamless customer experience. An extreme level of flexibility is key as companies explore their ERP options. Ten years ago, there is no way we could have predicted where the industry would be today, let alone anticipate the end of life for existing ERP systems. But now the writing is on the wall. Even very traditional businesses with a secure customer base are preparing themselves for change. They realize that if they are not ready quickly enough, they could miss the boat as it sets sail toward the future.

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