

AN **Apparel** WHITE PAPER

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TRENDS

IN THE FASHION SUPPLY CHAIN FOR 2017

The future focus for apparel companies' supply chain operations will be on being safer and smarter, as well as meeting accelerating customer expectations. Seven significant supply chain trends will be of critical importance in 2017.

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The apparel supply chain is a living, breathing entity, continuously evolving in the face of challenges from consumers, business leaders and even — Wall Street. Ever a work in progress, as apparel companies shift their operations around the globe in search of lower prices, the fashion supply chain aims to be smarter and faster, and often looks to innovative systems and technology to gain a competitive advantage.

We've identified seven supply chain trends — though certainly there are more — to watch in the coming year. There is no one-size-fits-all approach here, but each company should carefully consider its business objectives and goals and how these trends could help them gain a leg up.

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THE DIGITAL SUPPLY CHAIN

Many apparel companies are still working with manual processes, which is why *Apparel's* annual Top Innovators awards always seems to include the stories of a few firms moving from spreadsheets to ERP systems. It's impossible to overstate the value of leveraging these "bread and butter" systems and the advantages they enable. For one, relying on Web-enabled technologies and systems enables apparel companies to improve by making smarter, data-driven business decisions. Analytics software generates near real-time insights, helping business leaders understand the trends and issues affecting day-to-day operations.

Adrianna Papell, the apparel company that specializes in occasion dresses, launched ecommerce in April 2015 after operating as a wholesale company for its first 36 years and selling primarily to major department stores including Dillard's, Macy's and Nordstrom. The privately-held company operates licensed stores with partners in Mexico and the Middle East but is considering opening its own U.S. stores in the near future as it eyes omnichannel opportunities.

COO Ashesh Amin says he sees the whole supply chain as "ripe for disruption" as customer expectations have evolved. Whereas 10 years ago department stores might give a brand several days to rework requested changes to an order, today they expect brands to be able to do the same thing in 24 hours or the order is cancelled, he says. "Now the expectation is that you can just press a button because you have the systems and technology in place and it's just a matter of execution," he explains.

The reality for many apparel brands is far different, of course, and can create a ripple effect throughout the organization. "If you are a business that hasn't invested in technology, you're behind the eight ball and you can't meet the customer demands," says Amin. "Frustrations sets in, and then your people don't feel they're equipped to fight the battle like their competition is."

In a nutshell, digital technology within the supply chain can be the great enabler. Among the main supply chain execution challenges retailers are facing, 55 percent cite the consumer expectation of a seamless omnichannel experience, 43 percent cite pressure from competitors to fulfill same-day orders direct to consumer, and another 55 percent point to the changing pattern of consumer demand and the changes in where retailers fulfill it, according to RSR's Supply Chain Execution 2016 report.

Adrianna Papell today uses products from CGS's BlueCherry Enterprise Suite and Microstrategy to extract more detailed information and to deliver actionable intelligence. Says Amin: "Business process reengineering further allowed us to look at data at the product category and merchandise group level, and pulling reports such as short vs. long dresses allowed us to manage the metrics that we needed to see in our business. We use analytics every day to keep a pulse on what's going on."

WEARABLES AND AUGMENTED REALITY: IMPROVING EFFICIENCY

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Next-generation technology such as wearables is already beginning to make inroads in warehouses and distribution center operations, leaving behind their reputation as a consumer-only product. These kinds of innovations, including Google Glass, FitBit and other on-body Internet-connected devices, hold the promise of improving efficiencies in the warehouse environment by enhancing communications and accelerating data-sharing in real time via instant photo capture and voice command systems.

A warehouse manager can transmit detailed instructions to line workers, empowering staff to be more mobile and spend less time at fixed computer terminals. Smartwatches offer similar communication efficiencies, improving speed of access to information by encouraging distribution center employees to check emails, texts and more with just a quick glance at their wrists. This technology has the benefit of already being familiar to many staff due to its emergent popularity in the consumer world; the more familiar the device, the greater the probability that workers will take advantage of its capabilities.

Distribution centers in particular stand to benefit from what augmented reality can do. Spread out over tens — if not hundreds — of thousands of feet, workers typically spend a good portion of their day traversing the warehouse in search of product. Augmented reality powered by a wearable such as Google Glass could provide tremendous time savings by projecting a digital picking list, and calculating and displaying the most expeditious route through the warehouse to those items. Given that 43 percent of retailers cite pressure from competitors to fulfill same-day orders to consumers as a top supply chain execution challenge, according to the RSR report, every minute counts when locating product in the distribution center.

And as consumers are increasingly aware of the potential for hazards in the supply chain overall, it shouldn't be overlooked that wearables and augmented reality can improve safety as well, from leveraging biometrics to monitoring employee health and well-being to enhancing traceability of parts and products.

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ARTIFICIAL INTELLIGENCE IN THE HERE AND NOW

For many apparel companies still grappling with the most essential business challenges, artificial intelligence (AI) probably sounds like the stuff of science fiction — something to think about many years into the future. But artificial intelligence is already here and aiding product design and warehouse operations as well. Deficiencies with CAD are prompting some designers to consider machine vision, which enables more sophisticated interaction with 3D product models, leading to more detailed and realistic product development.

Artificial intelligence also leverages big data and deep learning to help apparel retailers better align demand with product distribution, reducing markdowns which erode profit. Sophisticated AI algorithms could crunch vast swaths of data on the web and social media to gather insights on trends, helping companies be first to market with a potentially hot new style, as well as analyze sales to determine which products are moving and which are languishing. These kinds of predictive technologies will play a significant role within the trend-driven apparel businesses. Any technology that could improve the ratio of product hits to misses — and better allocate production resources to winning products — is worth consideration in an industry where profit margins are thin.

THE AGILE SUPPLY CHAIN

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The agile methodology may have started in the software development but the concepts are applicable — and beneficial — to the supply chain as well. In essence, the agile supply chain is flexible and interactive, prepared to respond to challenges and disruptions. Are raw materials costs spiraling out of control? What can an apparel company do to continue operations when the next Rana Plaza happens? Is political unrest threatening the factory in Myanmar? If a particular style is hot, can the supply chain meet the demand before the trend disappears?

Amin points to the importance of relationships in enabling business agility. When Chinese New Year — notorious for its extended celebrations that often interrupt factory production — threatened to impact a shipment, the Adrianna Papell COO “made a few calls, and in a few days a situation that seemed hopeless was resolved,” he explains. Having the right connections can make the critical difference between disappointing or delighting the customer.

In addition, some apparel companies are increasing their physical resources in order to become more agile in meeting customer demand. Some 29 percent of participants in RSR's research study said they're improving supply chain execution by adding new local distribution centers in order to satisfy orders and 48 percent are redesigning their supply chains to better leverage their inventory.

TRANSPARENCY: MILLENNIALS DEMAND IT

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Transparency within the supply chain has become a headline topic as on-demand news information means consumers have access to what's really happening within fashion sourcing. Millennials in particular are driving the push for transparency; this demographic favors brands and enterprises whose values line up with their own. They want to know where and how a product was made, how the workers in the supply chain are faring, and in what ways companies are committed to fairness and responsibility in environmental stewardship.

Millennials may be a demanding bunch, but encouraging greater openness about how a company operates its supply chain is ultimately for the greater good. Apparel companies can lean on their PLM systems to better manage each step of

product development, from sourcing to production to distribution and retail.

With granular detail in hand about what goes into making each garment, it's easier for apparel companies to discover ways to become more ethical in their supply chain operations and project a Millennial-friendly progressive brand image.

What's more, managing and reducing risk within the supply chain has become a major consideration in fashion as consumers demand an endless supply of new product. Only in recent years have apparel brands embraced the concept of buying in smaller volumes and replenishing from sources closer to market, says Paula Rosenblum, managing partner at research firm RSR. "When you buy in large slugs from far-off places, you're placing very large bets. And if you're wrong, there's hardly anything you can do about it.

"On the one hand, I'm not a fan of 'failing fast,' but you're never going to bat 1,000 percent at fashion, so if you've got a dog, you've got to find out quickly, mark it down and make it go away," she explains. "If you've got a winner, bring it in more quickly and gamble on the end date."

While it may not be the freshest advice — Rosenblum notes that she has been pushing this concept for years — many apparel companies are still chasing the lowest cost, which by definition, tends to be the farthest from the point of demand. However, some companies are looking at reducing risk in their supply chains by establishing production in the United States, including HanesBrands and its Clarksville, Ark., production facility, and Lucky Brand, which is manufacturing denim in Los Angeles and Tennessee with fabric from a North Carolina mill.

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COLLABORATION AND COMMUNICATION IN THE CLOUD

Cloud computing continues to be attractive for apparel companies aiming to create efficiencies in collaboration and communication throughout increasingly global businesses. For many successful supply chain cloud implementations, it's important to have a solid ERP system in place, as it provides a company-wide system of record that's invaluable to stakeholders both in headquarters and distributed offices and factories around the globe. Some aspects of the supply chain are best positioned for transition to the cloud, including transportation management, sales and operations planning, and store shelf optimization.

As apparel companies look to their IT departments to do more with less — indeed, Adrianna Papell's six-person IT staff might be sufficient for the moment but not six months down the road as implementation projects advance, says Amin — cloud-based solutions reduce infrastructure investments while also giving some smaller firms many of the same features and technologies as larger enterprises.

Improving collaboration via cloud with supplier partners can lead to lower costs of goods. With an improved workflow, fewer resources are devoted to time-intensive administrative tasks and instead shifted to value-creating opportunities.

Cloud systems are also an important tool in preserving institutional knowledge, which is of increasing importance as the Baby Boomer generation will be ageing out of the workforce en masse in coming years. Instead of holding valuable specialized knowledge among a few key personnel, cloud solutions enable employees to document and share important information, staving off the effects of a "brain drain" on the enterprise.

PROCUREMENT WILL PLAY A BIGGER ROLE

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Going forward, procurement will play a greater role within the fashion supply chain, according to Amin. "Units are getting smaller, and there's less and less lead time to manufacture products," he explains. "Brands are not looking for elevated quality as much as consistent quality. The paradigm has changed, so procurement, and how we procure, becomes critical to the functioning of any brand."

A smart procurement operation can reap significant cost savings within the supply chain and also play a role in improving supplier collaboration. A well-integrated procurement practice unlocks the data and insights within enterprise networks to optimize supply-chain decision-making. From managing cash flow more efficiently with real-time access to invoice statuses, to coupling historical trends with current data to get ahead of profit-killing out-of-stocks, procurement will step up and flex its muscle as a significant force within the fashion supply chain.

Above all, apparel companies are looking to leverage their supply chains to improve profitability. Says Amin, "We're extremely profitable with a healthy margin but we're challenging ourselves to make more money." ■