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OPTIMIZING TIME TO MARKET

Getting fashion merchandise to market with greater efficiency is not a matter of fixing one facet of the supply chain or another. Success requires a holistic, end-to-end approach. Learn how business process transformation and integrated ERP technology can help.





THERE IS TREMENDOUS PRESSURE TO SHORTEN CYCLE TIMES AND GET FASHIONS TO MARKET MUCH FASTER. THIS NEED TO OPTIMIZE TIME TO MARKET IMPACTS ALMOST EVERY LINK OF THE SUPPLY CHAIN, FROM DESIGN TO DELIVERY.

For too many apparel retailers, inefficiencies are eating away at their competitiveness. Executives recognize that decisions made closer to market are bound to bring stronger results, and they are looking for solutions that are fast and easy to implement. These solutions need to address multiple pain points where time and money are lost, from pre-season planning and design through production, logistics and allocation to end-of-season markdowns and liquidation.

Aided by the latest integrated ERP technology, there is an opportunity to squeeze time out of traditional processes and perform tasks much more efficiently. By doing so, fashion companies can streamline the concept-to-consumer cycle and book sales at the highest possible profit margin.

Within each supply chain segment, an end-to-end IT solution can help apparel brands and retailers to:

- execute activities concurrently instead of sequentially;
- standardize processes and data;
- automate communications; and
- integrate and centralize information so that there is one version of the truth.

Pre-Season Business Planning: Greater Visibility into Reliable Data

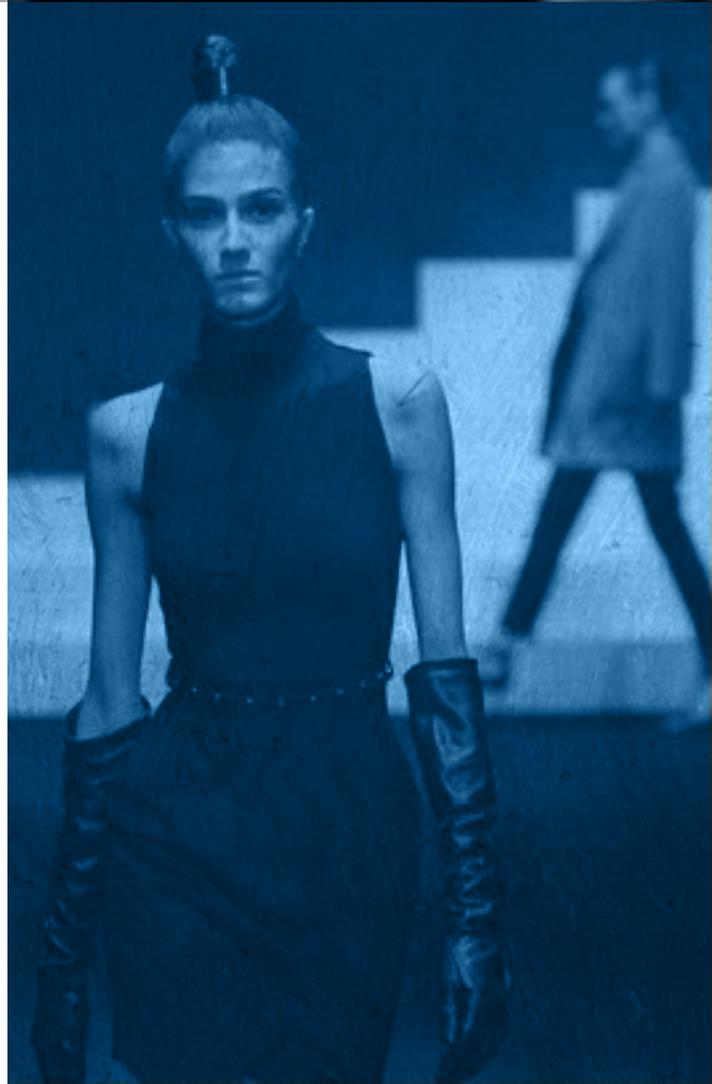
During the critical planning phase, many apparel decision-makers have had to make commitments without the benefit of current trend information or reliable forecasts. They often have had to pull historical sales data from separate wholesale, retail and e-commerce systems to forge the best-laid plans they possibly can. But by the time they are creating sales orders for the upcoming season, there could be business factors playing out that would materially change their current course— if they only had clearer visibility into those factors.

To combat this problem, companies can utilize ERP technology to more fluidly compare plans to forecasts. As pre-season planning progresses, the business can evaluate forecasts, which will change based on actual sales, customer behavior and market information. They can see how forecasted results affect gross profits, volumes and sourcing. Then they can adjust their future business plans accordingly and take steps to mitigate issues that may be building up during the current season.

An accurate forecast may only be available weeks before a season starts, whereas the business plan typically is in place months or a year in advance. When fashion professionals can truly leverage both, they can better see the best mix of product types they need to stock and sell to hit their gross margin targets.

For example, after one week of pre-season spring sales, there could be a new forecast showing a 10 percent decline in sales vs. a planned increase of 5 percent. The business then can take action to try to address this discrepancy, both for future seasons and the spring season. Planners and salespeople can look into their ERP solution to see the margin made on sales orders by both the order line level and the overall order level. This provides helpful clarity into where orders might be adjusted during this forward-sales phrase, before garments are actually produced. The fresh insights from the forecast also can be used to make adjustments in material procurement and production capacity commitments for future seasons.

Putting greater emphasis on planning and leveraging stronger data can help companies enhance product lifecycle management, says Sonia Hernandez, an associate partner with The Parker Avery Group, a strategy and management consulting firm focused on the retail industry. “Many fashion firms are struggling with the high rates of change in collections and assortments,” she says. “Customers want season change more frequently than twice per year, and assortment planning tools and processes are not keeping up with the desired amount of change needed.”

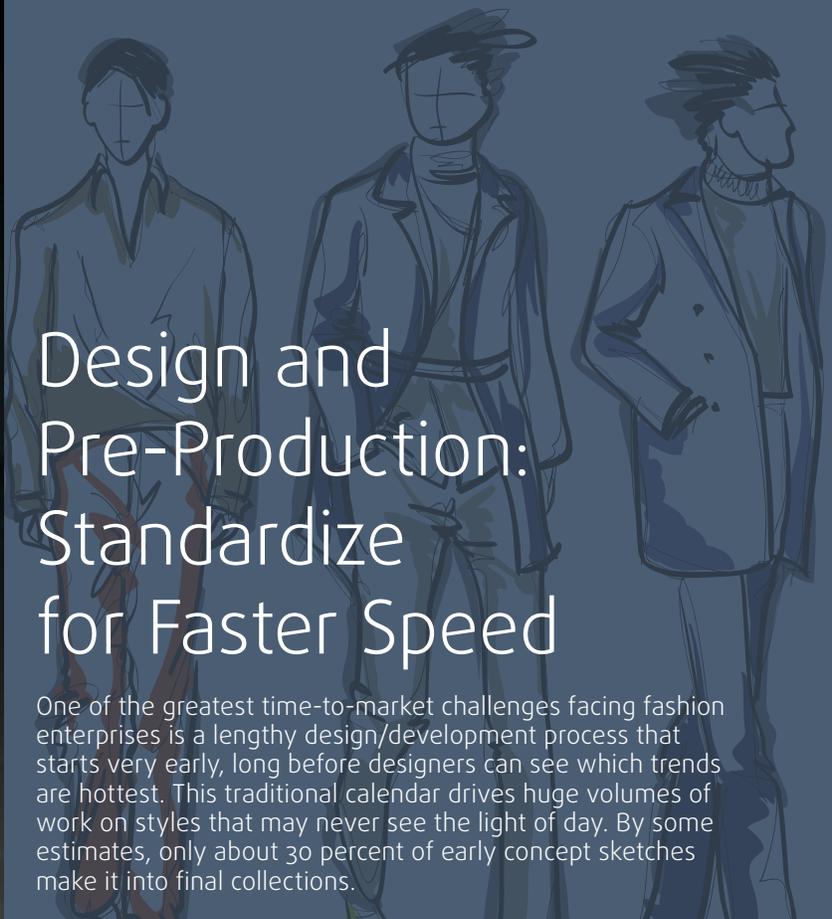


By using technology to get a better read on the business, companies have a chance to get the product's lifecycle, beginning with the plan, off to a stronger start.

"SOME FIRMS FOCUS ON THE FRONT END (PRODUCT SOURCING), AND OTHERS FOCUS ON THE BACK END (MARKDOWNS AND END OF LIFE), BUT TOO MANY ARE MISSING A GOOD PLAN THAT IS DATA DRIVEN FOR END-TO-END PRODUCT LIFECYCLE MANAGEMENT," Hernandez says.

In his blog post, "Predicting Buyer Journeys and Inventory: Retail Future in a Nutshell," Sahir Anand, vice president of research and principal analyst, EKN Research, also addressed the missed opportunities when plans are built without the latest market insights. "A sizeable volume of inventory is not based on customer science, reliable forecasts or likely demand scenarios related to prospective shopping patterns or sales trends," he said. "These problems exist not only due to lack of reliable and timely customer insights but also due to legacy ERP, business intelligence, demand forecasting and inventory management systems."

With newer technology, such as predictive analytics, "retailers can analyze customer and marketplace information that can be used to triangulate demand forecasts with merchandising plans and to respond to changing market dynamics in real time," he said.



Design and Pre-Production: Standardize for Faster Speed

One of the greatest time-to-market challenges facing fashion enterprises is a lengthy design/development process that starts very early, long before designers can see which trends are hottest. This traditional calendar drives huge volumes of work on styles that may never see the light of day. By some estimates, only about 30 percent of early concept sketches make it into final collections.

Product design often begins nine to 12 months before styles are due on the retail selling floor. Multiple fashion businesses study the same sources of trend information while trying to maintain unique looks targeting their consumer markets. Of the initial designs they create, companies may drop half of them as they get closer to market and decide some styles are not winners. Yet before that happens, weeks if not months could be spent developing samples, conducting fittings and making revisions.

This problem can turn into a crisis as companies face intensifying pressure to turn out more frequent collections. Demands mount on teams as they are forced to manage more products without automation to help them or meaningful market data to guide them.

"COMMITMENTS ON END PRODUCTS ARE MADE SIX TO 12 MONTHS IN ADVANCE OF DEMAND, SOMETIMES LONGER," Hernandez says.

"Many companies are still trying to get closer to demand signals with little in the way of data intelligence tools and/or teams with product and customer analytics skills."

When the information that helps creative teams know what to design is significantly better, there is a major reduction in workload and incurred costs. To buy time to wait for clearer market insights, companies must reclaim precious hours, days and weeks (or more) currently being drained by production-intensive processes, such as sample making, and rounds of unstructured communications about specifications and product details.

"The bottom line in all of this — the necessity to get it right the first time and build and protect the brand for the long term — requires a holistic, end-to-end approach to brand-related requirements management, as anything less results in suboptimization, continued inefficiencies, and islands

of disconnected automation and information," said PLM consulting firm CIMdata in its paper "Delivering the Brand ... and the Business: Can Your Current Processes and Tools Support Today's Complexity?"

There are integrated ERP solutions with robust product development capabilities geared to help fashion businesses standardize their pre-production processes and communications. For instance, newer systems allow technical design teams to work on perfecting pattern blocks and developing standard fits separate from the regular flow of seasonal design work. This approach is much more efficient than trying to finesse the fit of every single new style.

These solutions also provide standardized libraries for materials, colors and artwork, plus standard technical pack reports to capture details for suppliers as they build samples and ultimately production orders. In addition, suppliers can access all product information through cloud-based portals, which serve as gateways for sharing details, bidding on projects and exchanging production progress updates between brands, suppliers and service providers. For designers and planners, pre-defined choices, drop-down menus and aggregated views enable efficient handling of multiple product dimensions.

When this front-end PLM functionality is integrated with downstream business processes, it also allows teams to easily access and apply historical sales data and the current financial metrics, such as gross margin and recommended retail pricing, to their line plans.

The sooner businesses make the transition to this type of integrated technology, the better, according to CIMdata, which stated: "The key point is to not delay, as every product developed and launched from within your current environment is probably leaving money on the table as well as carrying a high risk of failure."

Managing the Product Lifecycle: Pre-Season to End-of-Season

While the acronym PLM often gets associated with pre-production activities, the work of product lifecycle management never really ceases until the product or collection reaches its true end of life. As collections fall into place, companies enter a whole other realm of decision-making – one in which integrated technology is more important than ever.

With a single system of record, companies cut down on confusion over calendar management. When teams access a shared calendar, they gain much greater understanding of the overall business and how decisions and delays affect workflow and work pressure. “Holistic calendar management is a common challenge,” says Hernandez. “Historically and even today, many fashion firms have a merchandise or planning calendar, a marketing calendar and possibly a separate sourcing calendar. Without the ability to integrate all components, and align the key milestones, there will always be obstacles in understanding and improving time to market.”

To streamline and reduce complexity in pre-season planning, some apparel brands are pre-allocating products based on rules. With this practice, they can increase customer satisfaction and reliability by pre-allocating future stock to a customer early in the planning process based on order and/or customer priority. Advanced ERP solutions can automatically alert the brand if there will be any issues in actually allocating the promised goods, at which point the company can immediately update and change sales orders, possibly replacing some products with available goods to ensure delivery. Throughout the season, this automated allocation based on rules continues, and teams only have to deal with exceptions, or situations in which the planned product distribution is not possible.

In planning for optimal stock, fashion businesses also can institute more pre-packs into their portfolios. Instead of selling “open sizes,” which allows customers to pick and choose any size assortment, the fashion brand can offer pre-packs with relevant size breakdowns based on their knowledge of regional markets and the customer’s target consumers. As a result, apparel manufacturing runs can be more predictable and profitable because the company can optimize fabric utilization. Then the expense of producing sizes that have less demand, such as XXS, is spread evenly across more orders.

In addition to helping to optimize manufacturing efficiencies, the use of pre-packs minimizes human intervention and manual handling when products reach the retailer. Cross-docking and bonded warehousing also can reduce the need for manual handling, such as unpacking, sorting and repacking, by the retail customer. Both cross-docking and bonded warehousing require solid administration and clear instructions, all of which can be systematically and centrally controlled within the enterprise solution.



The centralized nature of an end-to-end ERP solution also is critically important for managing end-of-season planning, logistics and markdown modeling. Retail teams need access to a single version of the truth and clear rules and guidance on when to adjust prices and move merchandise from store to store or to off-price outlets. All of this ties back to the core margin planning tools so instrumental in setting optimal stock to begin the season. The ERP solution helps guide managers as they try to sell the most merchandise within the target time window and quickly act on overstock situations. These decisions and tasks need to be managed centrally so as not to burden retail store personnel, increasing costs and consuming time.



Conclusions

Optimizing time to market is a top goal for many fashion brands and retailers. Those who can get the right product in the right place at the right time – most efficiently and cost effectively – will be clear winners among consumers and all stakeholders.

Traditional processes and legacy software can severely hinder an apparel company's ability to react with agility to market trends. Refined approaches to everything from planning to design to distribution may be required, with data-driven decision-making at each stage. Integrated ERP technology can supply the supporting framework for making these changes, after a clear plan for business process transformation is in place.

"The best approach for retailers to select and implement an end-to-end ERP solution is to start with a technology agnostic view and define the desired end-to-end business process capabilities," says Hernandez. "This business mapping should be process based – not system or transaction based – and should be focused on the future 'to be' process workflows in and out of an ERP software solution."

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K3 is passionate about understanding the challenges facing our customers, and providing the most appropriate business and technology solutions to help them drive the outcomes they need to enable their success.

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