

White Paper



A Stitch in Time

Using Acceleration to meet the Challenges in
Apparel and Footwear

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Abstract

Fashion production and retail chains continue to juggle their need to put out new collections under competitive pressure with the consumer demand for variety, choice and quality. Speed to market can be critical for certain product categories, whereas other lines may need to factor in consumer feedback with consequently longer cycles. While technologies such as product lifecycle management (PLM) software with the right implementation process can make a difference, clarity about organizational objectives and re-engineering the concept-to-market process are the real game-changers. This paper discusses how fashion houses can strategically make the cut.

Introduction

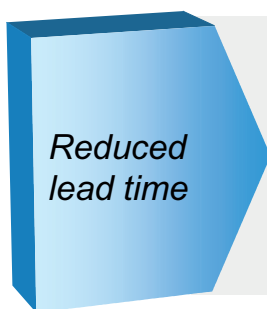
Speed-to-market is a critical factor in new product success, especially for the apparel and footwear industries. Both independent companies and private brands are under pressure from consumers and the retail channel demanding the right product at the right price in the right location – launched at the right time. The unique challenge for this industry is the sheer volume of style-color-range-size stock-keeping unit (SKU) variations that they must launch each season to stay competitive.

As Faith Baldwin puts it, “Time is a dressmaker specializing in alterations.” The speed of new product introduction can make all the difference between success and failure. Organizations now have shorter product life cycles in order to increase market share and maintain margins for longer. This helps extract higher return on development investment and more rapid payback. An organization can establish procedures and policies needed to improve speed-to-market, but these may prove ineffective without the tools necessary to assist each product function and ensure effective exchange of information between key stakeholders. Those that do this successfully capture premium segments and reap larger market share. Spanish fashion chain Zara, with over 1500 stores in 71 countries, is a much-cited example – its eight week cycle from concept to market is viewed as a role model. The temptation for the competition is to adopt the week new product introduction cycle as the desired de-facto standard.

No one size (or speed) fits all

Should concept to market in eight weeks be the benchmark for all apparel makers and retailers? It all depends upon a range of factors such as product categories, as well as competitive strategy.

Further, product strategy and lifecycle decisions are two critical elements that influence supply chain design. Based on his research in this area, Wharton’s Dr. Marshall Fisher developed a framework to align product strategy with the make-up of the physical network. According to Fisher, there are two types of products: functional and innovative. In the apparel industry, this translates to ‘Basic’ and ‘Fast Fashion’ products. Basic products have longer lifecycles, requiring a different model for speed-to-market. They are characterized by lower markdowns and more predictable demand (example, a six-pack of white socks sold at the departmental store). Fast Fashion products have relatively unpredictable demand, short product lifecycles, but carry product margins that initially appear more attractive than those on Basic products. Fast Fashion products should leverage the Zara model, since they are characterized by a very short lifecycle (8-13 weeks), lower demand predictability, and highest markdown risk. Basic products require more efficient supply chains, which emphasize low cost and minimal inventories. Fast Fashion products, on the other hand, require buffered, quick response supply chains. This cost tradeoff needs to be considered during the development of product strategy and positioning. Across both categories, cycle time is under pressure, but sensitivity varies based upon the model.



For a leading apparel retailer, Infosys helped define two lanes: the Basic lane, where lead times were reduced from 54 weeks to around 25 weeks and the “Fast” lane with a reduced lead time of around 17 weeks.

The interesting fact however is that for selected products in the fast lane; a further reduction of around 3 weeks could be achieved by merely balancing the cost of air-shipments versus the opportunity cost of stock-outs and markdowns.

Accelerator Organizations

Organizations that lay stress on speed-to-market are known within the industry as “Accelerators.” These organizations focus on speed in design, production, sales, response, and customer service without compromising product quality. For Accelerators, the product life cycle graph shows a spike as compared to the traditional smooth curve. To earn its wings as an Accelerator, an organization must excel at the following:

- Use of technology enablers, linked to business strategy
- Well-defined business processes and procedures to cluster product development functions
- Lead time optimization – understanding what propels styles to market

An important point to make here is that extending the front end of the life cycle increases payback and profitability.

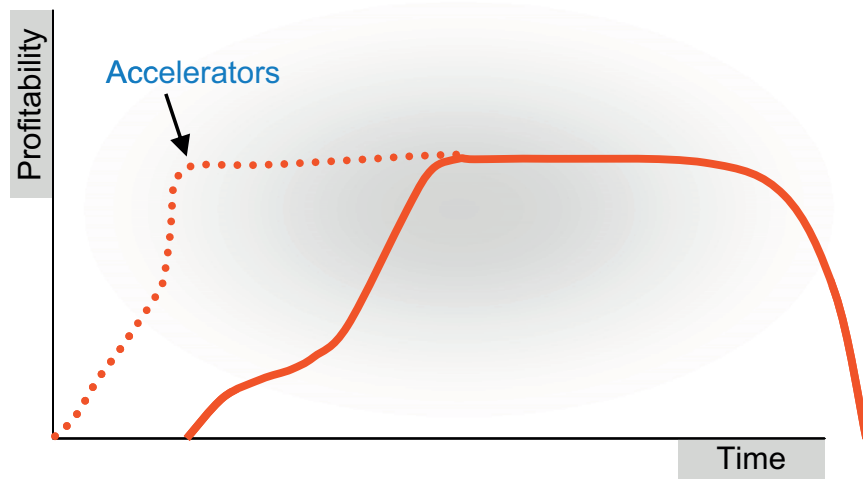


Figure 1: Implications of new product development for Accelerator Organizations

Technology enablers

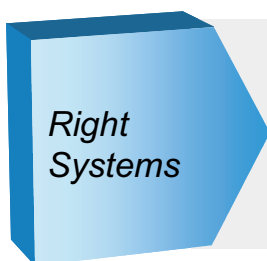
Traditionally, fashion, apparel and footwear companies have relied heavily on spreadsheets for product data management along with phone, fax and email for collaboration.

Lately, however, technology has been making its presence felt in every aspect of process, starting with design to production and delivery to the store. Product Lifecycle Management (PLM) which was once associated with discrete manufacturing has now emerged as a critical tool in the apparel and footwear industry. PLM for apparel and footwear has gone beyond line adoption to sourcing, costing, order tracking, and logistics.

While software providers are making headway in addressing these requirements, much needs to be done before companies can realize the benefits of PLM technology in process workflows without significant customization.

Although PLM applications support design and development processes, enabling tight integration with merchandising, assortment and line planning, and sourcing, their value is realized by integrating PLM with upstream planning and downstream execution systems.

Therefore it is vital to define how processes supported by PLM should integrate with other critical areas and create a single source of truth. Video conferencing with rich interaction and meeting support is another tool that organizations can employ for real-time collaboration with suppliers. An example is a leading US apparel firm that uses video conferencing with its suppliers for fit samples when conducting the second fit for styles.



Selecting the right systems to support acceleration is very important. Private Label apparel product development has nuances that should not be underestimated. The concepts of “slow item build” and “slow purchase order build” are not standard out-of-the-box functionalities offered by ERP solutions. The right combination of packages and tools selected across PLM, Planning & MDM (Master Data Management) can make or break an implementation.

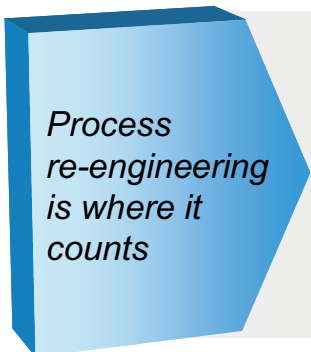
Business Process

To become Accelerators, companies require a detailed understanding of who does what and who owns each step in PLM processes. Many organizations realize they operate with unclear processes and overlapping accountabilities. They need to define processes end-to-end and not simply as functional activity blocks. These broadly defined processes need to be shared with all stakeholders to drive understanding of who does what and when.

In spite of general awareness of process reengineering and lean principles, different departments in several organizations still work in silos without leveraging best practices. To streamline operations, companies should automate non value-added steps from their process using linked workflows. A word of caution, though – to achieve adoption and long-term sustainability organizations need to avoid the temptation of trying to drive automation too far, too fast and thereby risk overwhelming stakeholders.

On the outside, collaborating with suppliers early in the design process can help reduce product iterations and product cost. To ensure effectiveness across extended enterprises, quality control processes need to be enforced throughout the supply chain and tools provided to capture quality issues even as they arise.

Getting products to market faster at the expense of quality can be devastating for these organizations. It is important for companies to understand that in the dialogue on speed-to-market, quality is sometimes overlooked. For example, a leading retailer had to recall an entire line of girls' clothing as the clothes posed an entrapment hazard, while a footwear company had to recall approximately, 700,000 units of children's clog shoes due to a choking hazard.



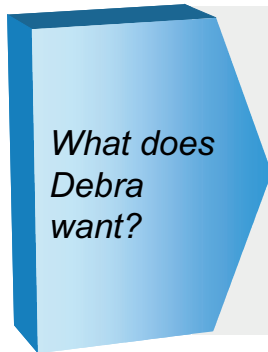
Across implementations at several retailers, we have found that there are significant benefits in deploying a PLM product using a more disciplined and structured process along with providing easy access to information and thus ensuring collaboration across supply chain partners. However, the real benefits come from utilizing the PLM implementation project to completely re-engineer business process and, in cases, the organizational structure governing the concept-to-market process. Typically 20-30% of the decrease in lead times comes from implementing such a system while the remaining 70-80% comes from good old process re-engineering.

Voice of the consumer

Excellence in PLM starts with an understanding of the customer and market. In this area, apparel and footwear companies can look to the consumer packaged goods (CPG) industry for relevant best practices.

One best practice is to establish a marketing focus group and identify a sample of consumers with the same profile as your target consumers. Provide these consumers shopping tasks and solicit feedback for market trends from their perspective. These trends and desires include volatility in fashion preference, which drives product lifecycles and allowable new product introduction timelines. Treat sample group feedback as feedback from the actual consumer. Selection of the right focus group is paramount and should be executed with care. Business intelligence and data mining techniques are helpful in determining target consumer profiles.

While developing consumer profiles, it is useful to give them names and build a set of attributes so that it is easier to conceptualize the target consumer and select them for the focus group. For example, is your target consumer Debra, who is 35 years old, married with two kids, with a disposable income of \$85000? Or is it Kelli, 22 years old, starting out in her career, with a disposable income of \$50000? Knowing and providing the profile to the larger organization is important to ensure that everyone recognizes and works together to meet the needs of your target consumer.



One of our clients, a leading retailer, is defining a consumer centric merchandising strategy, where the entire design, merchandising and planning cycle is driven based on a few identified consumer profiles which the retailer is targeting. The base assortment is created for these identified consumer profiles and then distributed across stores based on the profiles in each store. Not only has this provided a uniform “consumer centric” language for the entire organization, but it has also helped provide a common marketing platform across various consumer touch-points including stores, ecommerce and social networking websites.

Conclusion

Is faster speed-to-market really better? Yes it is, but only for companies that require short lead times to respond to market trends. And no it isn't, for companies that rely upon basic products or consumer insight to create demand for their fashion lines. Of course, most companies have product families that fall into each category. Regardless of the cycle time profile, PLM for apparel and footwear companies has become a powerful lever to drive improvements. Whether just starting to systematically address product lifecycle processes, or refining a mature process, PLM today provides companies one of the few safe bets in an industry marked by volatility and price pressures.

References

The source of all product recall related info is <http://www.cpsc.gov/cgi-bin/prod.aspx>

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