



# K3

## 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.*

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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 fashion companies, inefficiencies are eating away at their competitiveness. Executives recognize that decisions made closer to the market are bound to bring stronger results, and they are looking for solutions to address multiple pain points, during 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. Efficiency gains allow fashion companies to delay the start of product development by weeks concerning several product categories, developing products much closer to the market.

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 capturing 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 or even days before a wholesale selling 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 selling the wholesale selling season spring, actual sales could show a significant decline in sales vs. a planned increase. The business planner can take action to try to address this discrepancy, both for the current wholesale selling season and future seasons. 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 how to adjust your product plans during this wholesale selling season's phase before garments are produced. The fresh insights from the forecast also can be used to adjust raw material procurement and production capacity commitments with vendors, 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 to 50% percent of early concept sketches make it into final collections.

Product design often begins 9 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 the 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 6 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.

At the moment two technical innovations are being adopted by a growing group of fashion businesses in the effort to gain efficiency, cut lead times, allowing for later product development, closer to market:

1

Improve input to be much more secure in decision making to come to the right collection. Forecasting, market inputs, trend analyses, etc. can be improved by several current technologies, including Artificial Intelligence. The later designers start to work on new collections, the better the input is, where they can work with. This then allows for fewer design drops before market and clearer focus during development getting closer to the "first time right" principle. It is possible to reduce the sampling process by 4 to 6 weeks. In effect, this reduces sample costs by up to 20%.

2

The virtualization of the design process to be used during the product development instead of physical products

for prototypes and salesmen samples, so that decision making can be immediate, without waiting for the usually lengthy production process. These virtual designs can be used in finalization meetings, in sales collateral (replacing photoshoots to produce product images) but are also used when selling collections to wholesale customers. A small number of physical samples would only be needed for technical design teams, to optimize the product and the fit of the product and to guard product quality. This could cut-back months of development lead-time and reduces sample costs up to 70%, depending on the level of virtualization.

Combining both measures, doing virtual design in an organized environment, will allow cutting back up to 3 months out of the development cycle, reducing sample costs by 75 to 80%.

There are integrated ERP solutions with robust product development capabilities geared to help fashion businesses standardize their pre-production processes and communications. Virtualization calls for standardization and building libraries for materials, colors, artworks, product fits (block measurements), product templates and the product setup itself.

Integrated ERP solutions provide these standardized libraries to capture details for all parties (including suppliers) coming to virtual and actual samples and ultimately procurement orders.

Besides, suppliers can access all relevant 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 a 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 the optimal stock, fashion businesses also can institute more pre-packs into their portfolios. Next to selling "open sizes," which allows customers to pick and choose any size assortment, the fashion brand can offer fixed assortments (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 production and fabric utilization. Less commercial sizes that have less demand, such as XXS, could be ordered separately (not part of the more commercial pre-pack assortments).



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 handlings, 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. The different 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 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."***

One business that offers ERP solutions specific to the apparel industry is K3 Business Technologies. Their K3|fashion is a concept-to-consumer solution that is literally "made to measure, ready to wear". This flexible and scalable enterprise solution, based on Microsoft Dynamics 365, offers fashion and apparel enterprises a tailored environment in which to gain insight and control over all processes and channels to market. K3|fashion is the first ERP system to deliver a full-blown integrated PLM solution within Microsoft D365, as well as integration with Adobe Illustrator.

The K3|pebblestone fashion solution is a fully integrated, proven solution, which provides small and medium-size apparel companies all the necessary tools to boost productivity, improve speed to market and minimize cost. Pebblestone fashion is based on Microsoft Dynamics 365, Business Central and offers an on-premise as well as a cloud-based solution.



# ABOUT K3 BUSINESS TECHNOLOGIES

K3 is one of the Microsoft top 20 ISV focused on applying our experience and the power of technology to help our customers implement the right choices on the path to their business success. With 3,700 customers, 40,000 users across 50 countries, K3 is passionate about understanding the challenges they face and providing the most appropriate business and technology solutions to help them make, move and sell better and more efficiently.

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