PLM
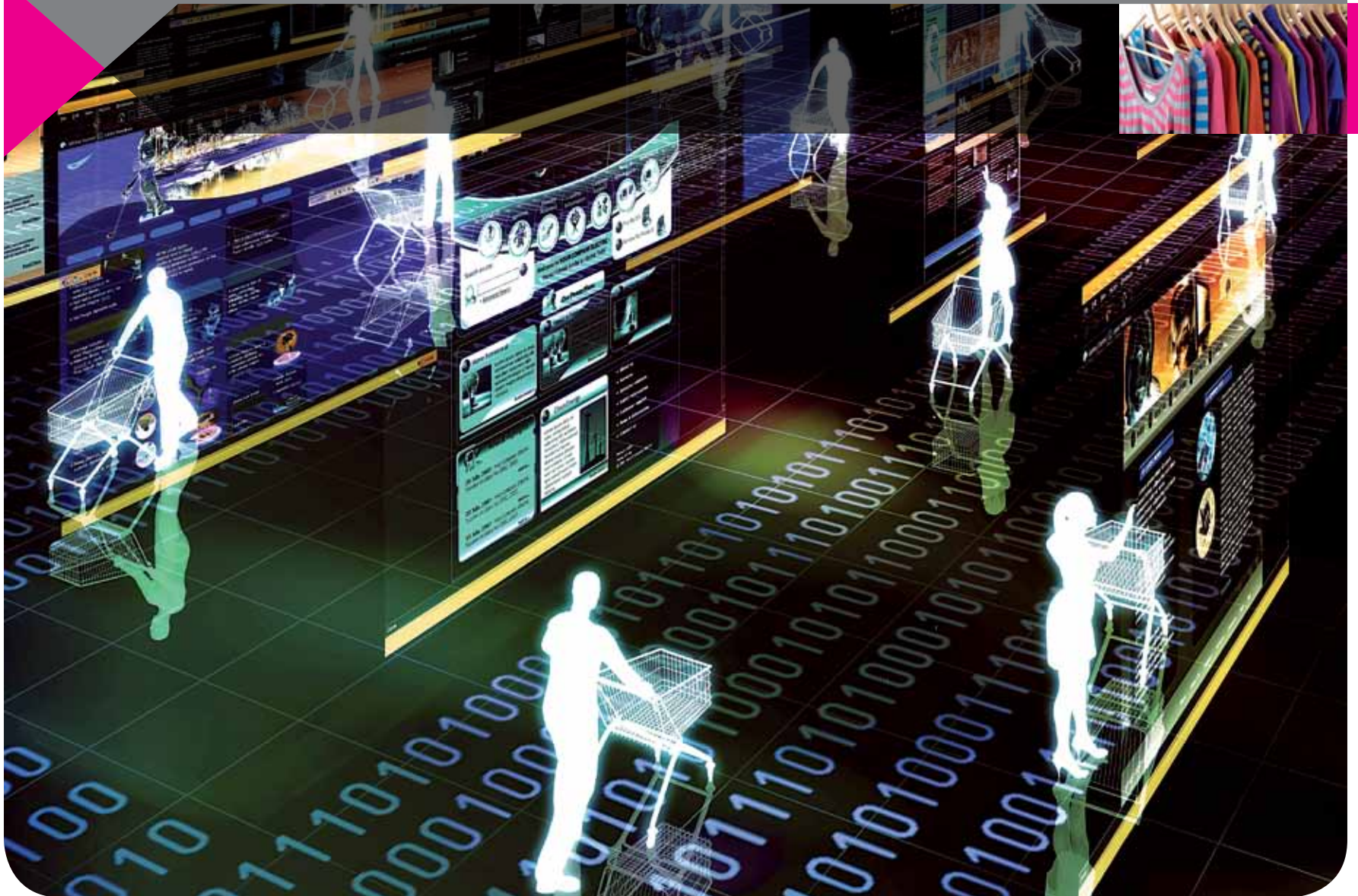## THE KEY DRIVER
OF PROFITABILITY

PIERRE LEVER, MD OF PLANET RETAIL, A LEADING AUTHORITY ON RESEARCH AND ANALYSIS IN THE RETAILING DOMAIN, HAS POINTED OUT THAT INVESTMENT IN TECHNOLOGY IS PERHAPS THE MOST IMPORTANT TREND AS FAR AS GLOBAL RETAILERS ARE CONCERNED. A CONSTANTLY EVER-DEMANDING CUSTOMER WHO WANTS MORE FROM LESS HAS NOT LEFT RETAILERS WITH MUCH CHOICE OTHER THAN TO PUT MONEY IN TOOLS THAT HELP THEM OPTIMISE RESOURCES AT ALL LEVELS.

by **Rajnish Kumar**

Product Lifecycle Management (PLM) has thus become one of the most important areas for process optimisation which not only helps retailers bring out the trendiest products fast but also enables them to save costs through better collaboration and visibility.

In the post recession world, the global apparel industry is going through a phase where discovery and innovation is presenting new challenges for all stakeholders. Many companies have been consolidating their businesses and are now looking at redefining their strategy for the future. In such a scenario, there is a need for apparel manufacturers and retailers to look at their processes and identify areas of improvement during the lifecycle of products being developed and manufactured such that the entire process can be improved to deliver better efficiency by making technological and operational changes.

A good PLM system helps manufacturers and retailers to increase the efficiency of the current resources through process control and management. It helps them in synchronising the efforts of distributed teams to consistently create the best possible products, capture greater market share and increase customer satisfaction.

Let us look at specific areas of the apparel value chain that a PLM software solution addresses to bring greater efficiency in fashion businesses.

Discovery – concepts and trends

When planning for a product line, concepts for key themes need to be shared with various roles internally within the organisation as well as with agents, suppliers and factories. An easy way to do this is by creating storyboards or mood boards and uploading them in

the PLM system. These boards can be shared electronically through web-based platform and printed out to assist in concept planning meetings.

PLM systems also feature an online library of materials, colours and suppliers — a central database that can be shared by designers and merchandisers across product categories. It allows them to easily find materials, reuse colours from previous seasons, collaborate with suppliers saving considerable time and cost.

From a design standpoint advanced PLM solutions, such as FlexPLM™, offer a direct integration with Adobe Illustrator (AI), which allows a designer to quickly create a product specification from within AI.

Development – right product at the right price

Merchandising which focuses clearly on financial goals for the season, deals with information such as:

- Target retail price, target cost and margins
- Assortment - product and price mix
- Marketing strategies based on the current trends
- Mapping consumer behaviour

A PLM solution allows all strategy elements to be looked at as one. The merchandise plans created directly in a PLM system can be linked to line plans with placeholders that include directional product information for the design team. In a PLM system, designers can design multiple product "candidates" for each placeholder and easily share the product concepts with the merchandising team.

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The collaboration between Merchandising and Design, early in the product development process, allows the design team to focus their design efforts on the type of products that merchandising is more likely to adopt, thus saving considerable time, effort and sampling cost. The adoption ratios help to evaluate the efficiency of the design team and their sync with market reality.

Delivery - sourcing and supply chain management

A centralised library of apparel components not only helps stakeholders re-use existing products and materials, it also enables the organisation to determine how much business its category managers collectively do with the same supplier. Consolidation of material requirement also increases the leverage to get lower costs as well as better quality from the suppliers. What's more, the merchants are quite likely to spot differences in what suppliers are charging them for the same component across styles.

Collaboration with suppliers through a vendor portal is one of the most important features of a PLM system. It brings down the need for constant follow up and also helps to identify the most efficient and useful partners. With the right access and security metrics, the retailers can outsource a lot of data gathering and management to its supplier partners to save considerable time and effort. With a good PLM system in place, processes empower people thus improving consistency and discipline in the value chain.

Single version of truth – the Tech Packs

The Specification Development Process can be accelerated by using a PLM solution as it allows users to define product templates for

quotes have been received from one or more suppliers, PLM makes it easy to compare quotes and facilitate the negotiation process for price and delivery.

Product commitment management and performance analysis

As the sourcing process continues past the RFQ stage, PLM systems provide a comprehensive digital platform for negotiation of product commitments, as well as unit volume, delivery dates and transportation methods. Automated archiving and capturing of discussion threads provide seamless visibility between retailer and brand, and the supply chain. Once a commitment decision has been made, PLM tracks which products have been awarded to which supplier. The "commitment" created within the PLM system can automatically be sent to an ERP system to generate a purchase order. Robust workflow and calendar management tools within the PLM solution enable production tracking from sampling to final production.

Supplier management is not only important for the current season, but also for future deliveries, as placement decisions are made based on a supplier's past performance. PLM provides tools to capture key performance information, such as the number of samples or prototypes required before acceptance, cost comparison with respect to other suppliers, testing results and integration to ERP systems critical information such as on-time delivery and return rates. This information is used to generate a supplier or vendor scorecard, which can be captured and used for future sourcing decisions.

Future trends and PLM

Having discussed the key processes in the apparel industry and how PLM impacts them, let us look at some important future trends that are changing the way retailers and manufacturers run their businesses. These changes further make PLM a compelling choice for players in the apparel industry to upgrade their product lifecycle management in order to react to the external environment quickly and effectively.

different product types. A PLM software also offers multiple ease-of-use features such as defining copy rules by product type, linking specifications of similar products and clipboard copying that enable the quick generation of the spec. These ease-of-use features are important in delivering the spec to the manufacturer faster, as well as reducing time spent resolving quality issues once the product has been manufactured. A lot of back and forth just goes away.

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Using the search capabilities in PLM, a user can search for suppliers that are capable of making a product based on the product specification requirements. Important information, such as colour way, size, region and destination, can be pulled from the product's bill-of-materials in order to populate the RFQ, showing the value of integrating Sourcing and Product Development functions. Once

Going green

"Going green" is about being aware of the environmental impact of your product line. The green trend is gathering momentum mainly because global societies want to ensure a safe, healthy environment for their citizens, as well as future generations. But for retailers and brands, this isn't just a fleeting consumer "trend"; going green is fast becoming a mandate with sharp legal teeth, as evidenced by the EU's REACH directive, which regulates the use of chemicals in finished products sold at retail stored in the EU.

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Large retailers are responding to the green mandate by making sustainability part of doing business. For instance, Walmart's green initiatives focus on creating a more environmentally and socially aware global supply chain, as well as a more energy efficient store design. In fact, by 2012, Walmart will require suppliers to source 95 per cent of their production directly from factories who should have received the highest ratings for environmental and social practices.

In short, going green is no longer a marketing prop, but a competitive initiative that retailers and brands alike are taking seriously in response to two powerful forces: consumers and policy makers. The key components that need to be managed for going green include materials, trims, packaging and the supply chain can be managed in a PLM system and so can the factory compliance ratings. Going green begins with the merchandise planning process by identifying what percentage of the line will be 'green'. PLM allows you to create a merchandise plan that captures the target environmental impact of the product.

Company's goal today is to move from an "opportunistic" to a "strategic" approach in sustainability when it comes to measuring the eco-elements of its business. They strive to provide hard data relative to such areas as its carbon footprint, the amount of eco-friendly fabric in its products, how much product the company recycles, and much more.

The PLM system can accommodate information related to development, such as fabric specifications, organic components and production geographies. Thus the company will be able to easily answer questions such as: How many products have organic components? How many products can be recycled? Can we trace the end products as well as materials to their origin?

Voice of the customer

Today's consumers are very sophisticated and demanding – they expect their voice to be heard. In this age of social networking, consumers are blogging and sharing product information on personal blogs, sites such as Facebook and Twitter, giving retailers tremendous potential to collect valuable feedback. Real-time digital feedback helps designers assess the latest fashion trends, so they can lower their risk when creating new concepts. Successful retailers and brands, such as Nordstrom and Victoria's Secret, have recognised that giving consumers an online outlet to voice their thoughts can lead to higher brand loyalty and lower risk in missing trends.

The ultimate goal for all brands and retailers is to increase sales through rates and boost the bottom line. By listening to the customer

before design decisions are made, you can increase the probability of designing the right products, at the right time, at the right cost.

Incorporating the "Voice of the Customer" in the design and product development process is relatively new to the apparel sector. The PLM software can help retailers capture information such as best sellers, hot colours and designs, acceptability among niche segments, and this data can be available to the design and merchandising team when they are working on the line for a particular market or a special season.

Private labels

To increase profitability and enhance customer loyalty, many retailers have turned to private label products. By definition, private label is the practice where retailers offer products in their stores with their own branded label drawing equity from the "stickiness" of the store.

Private label products are highly attractive to retailers because these products can boost gross margins. Retailers have recognised that profit margins on products designed and sourced by their own teams are significantly higher than on branded products. The

trend correlates to recent estimates from AMR Research showing that globally current private label market share of 15-16 per cent in relevant distribution categories will rise to 21-22 per cent within five years. While the potential profitability of private label products is appealing, achieving success involves a set of challenges that many retailers have to overcome. Whether a retailer's private label brand is designed in house or sourced, PLM enables retailers to co-ordinate the complex processes of planning, selecting, sourcing and ensuring consistent quality across diverse product categories.

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PLM is the proven collaborative tool that reduces cycle time by allowing all resources – from merchandising or designing, product development and sourcing, to the supply chain – to all work in harmony on the same, web-based system. The early collaboration between all resources in the product development process can root out inefficiencies and accelerate the overall process. With PLM, retailers benefit from cycle-time reduction, but also other important bottom-line metrics, such as reductions in excess inventory and eventual markdowns, as a result of analytics managed in PLM that can capture key performance data on product winners and losers from the previous season.

Major retailers and brands are realising their PLM objectives by adopting PTC's FlexPLM solution. Theseinclude JCPenney, Mexx, Liz Claiborne, Walmart, Target, Decathlon, adidas, and more. ●●●

About the Author

Rajnish Kumar is Global Practice Leader - Retail Consulting, ITC Infotech, one of the leading Product Lifecycle Management (PLM) service providers globally and is a long-standing partner of PTC (Parametric Technology Corporation). His area of expertise include sourcing and retailing, with vast experience of FlexPLM implementations across companies including global marketer of consumer & commercial products, market leader managing supply chains for major brands & retailers worldwide and global giant in home textiles.