

# New Paradigm Time FOR APPAREL PIPELINE



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With consumer expectations for the retail experience reaching new realms, players all along the apparel supply chain must be more orchestrated than ever to react and reap the rewards.

The chain reaction has been fascinating to observe: A consumer purchases a tablet PC. The device becomes an integral part of daily life, from chatting with friends to shopping to watching movies and much more. Software developers cater to the consumer's mobile computing patterns, providing apps and information to make life easier. Customer service expectations go up, up and away ...

For apparel retailers, brands and manufacturers looking to profit from this consumer, it's a good time to re-evaluate traditional supply chain practices and systems to ensure they are on par to compete for market share in this new reality.

### New-Age Demand Planning

To formulate the best supply chain strategy, it's important to understand some of the monumental changes and opportunities happening at the supply chain's beginning — the planning phase. Social media and mobile computing are beginning to play a larger role in the demand planning process, affecting decisions about design, production quantity and logistics.

Lora Cecere, founder of the research firm Supply Chain Insights and author of the Supply Chain Shaman blog, points to the opportunity to perform sentiment analysis by mining unstructured data from Facebook, Twitter and other forms of social media.



“New forms of predictive analytics are one of the most important technology trends for apparel businesses to be considering. Today, we have a lot of data, but little insight. New types of technology can change this,” says Lora Cecere, founder of the research firm Supply Chain Insights and author of the Supply Chain Shaman blog.

One example of how it can be used is crowdcasting. By placing new products online and getting feedback, apparel companies can get early reads on product popularity by demographic segment to guide merchandising and purchasing decisions, says Cecere. For example, she notes that firms can use this data to help answer questions such as, “Should the style be pink in Milwaukee with a launch in May and blue in Austin with a start in April?”

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David Bergen, a managing director with Alvarez & Marsal Business Consulting, also sees exciting developments in the area of planning. “There’s a huge paradigm shift going on right now in the apparel industry, and it’s around the consumer-driven supply chain,” he says. “Companies are

looking at the core components of the supply chain — demand and supply planning — and how they are interacting with the inbound logistics side of moving goods through the whole supply chain. It’s changing, and it should change because it’s been pretty stagnant for many years.”

He too observes social media’s expanding role in determining what product the supply chain will produce as well as how consumers will access it. “Retailers can use social media to build focus groups. With this real-time focus group environment, they can run pilots and understand consumer preferences quickly before they go too far down the pike with product development,” Bergen says. “Over time, as there is more innovation between cloud computing and social media, retailers will be able to interact with consumers about product availability across their value chain.”

For example, more consumers will use social media to access real-time information about home delivery time options and store inventory at different locations. “It changes the whole commerce model,” Bergen says.

“You’ve got the consumer forcing both the apparel and technology sectors to get to a different place,” he concludes. “So as an apparel executive, you’ve got to figure out what the consumer wants and how that affects your supply chain and what technology and what innovations you need to use to really drive that product to the customer at the right time and right price.”

### Supply Chain Flexibility

Serving a consumer so empowered with data requires a supply chain capable of providing personalized service. “Forever we’ve talked about getting apparel to market faster, and you’ve got to increase the velocity of the inventory, but never before has it been so critical to really define and understand exactly what your supply chain information flow and visibility look like,” says Jennifer Pritchard, also a managing director with Alvarez & Marsal.

Pritchard and Bergen see a future where more firms leverage technology to create “a glass pipeline” sensitive and scalable enough to recognize and react to trends at the individual consumer level, with limited cost exposure. Their firm refers to this concept as managing the “supply chain of one.”

“We are in an age today where it’s almost a reality to create a customized supply pipe for the individual consumer so that she can get anything she wants when she wants it,

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## EXECUTIVE INSIGHT:

### *An Interview with Nestor Zwyhun, Chief Technology Officer, TradeCard*



**Q: What is one of the most strategic uses of supply chain technology that apparel companies should be using today?**

**NESTOR ZWYHUN:** No. 1 is they should leverage the cloud — the infrastructure that's already out there that allows collaboration to occur outside of their firewalls. There are a variety of different services and trading partner networks out there in the cloud that allow collaboration to occur between many points to any point instead of the old-fashioned single point to single point. What you get with that is not just software but the service and the pre-existing connections and, most importantly, the network. You take advantage of the networks that are already out there instead of reinventing the wheel and building your own private network to connect your enterprise systems to your trading partners and service providers.

**Q: What else comes to mind when you think about supply chain technology and strategies that your most progressive customers are leveraging?**

**ZWYHUN:** To put a twist on it, I would say our most forward-thinking clients are deleveraging e-mail. They are deleveraging phone calls and other old-fashioned ways to communicate about their supply chain transactions. With those old-fashioned ways, those communications, those conversations are lost. With e-mails and other point-to-point communications, there's no record of the conversation if you're not one of those two people who were involved in it. The really advanced folks are not allowing transactions to occur in a vacuum where they can't go back and take a look and see the whole context of it. They have orchestration or process control services so that their complex trade transactions — their orders, their invoices, their shipments and all of the associated transactions and exception processing around them — are contained within the context of the tool they're using to manage the transactions.

**Q: In your IT circles, is there discussion about a future that involves users of software building their own solutions "in the cloud"? How is this expected to work?**

**ZWYHUN:** The cloud is a nice thing. Everybody talks about it. There's all of the software they need, and all of these computer services, out in the cloud. It's old news already that you don't have to install servers and buy systems to utilize many solutions. But what is happening is that just like in the old days, when enterprises would have five to 20 different software packages and the hairball enterprise integration nightmare that comes with that, we have basically created that exact problem in the cloud. Now some apparel enterprises can have all of their systems in the cloud, but they've still got 15 to 20 software providers moving around in separate little clouds out there and the same integration nightmares. Some of our customers are starting to realize they don't need 20 vendors because there's a lot of expense and cost associated with synchronizing everything, and it's sometimes impossible. They want to standardize applications

in the cloud on a platform, which means trying to get as many business processes as possible running in the same place in the cloud, sharing the same database. Now we are talking about the concept of a collaboration platform in the cloud that handles the management or orchestration of supply chain transactions in a single place so that the apparel firm's trading partners, service providers and the company itself all share the exact same system and the exact same database.

Taking it to the next level, what TradeCard is actually doing now is providing tools and a platform to allow customers to build whatever they want against that nice single-version-of-the-truth data. Why not give them an app-building platform where they can build apps that run inside our platform but do whatever the customer wants? They can take advantage of the central database and write an app to do whatever they need it to do to best use that data.

**Q: You mentioned the significance of having a central database. That model is something you see in social media, in the architecture of firms such as Facebook. Can you elaborate on parallels between social media platforms and those of some of today's supply chain technologies, and related advantages businesses can enjoy?**

**ZWYHUN:** Let's use Twitter for an analogy. It's a very popular social platform. People on Twitter "follow" other people. With supply chain technology that uses a central database, you can "follow" a transaction or a type of transaction or follow a particular organization. It's very similar metaphorically. That user interface, that way of interacting, is very efficient. You don't have to run a report to see what has changed or to check on what's new with your clients or supply chain partners. You don't have to poke around and see if you have any new purchase orders from a buyer. That's because you've already told the system that you care about that buyer — that you're "following" him or her. In other words, if anything changes with that buyer, such as if the buyer creates a new order or approves a payment, you'll be informed automatically. That information will be pushed to your feed. It's just like on Facebook and Twitter, where you set up a feed to automatically give you a view of things that you care about. Everything new that you care about in your supply chain is automatically pushed real-time to your feed.

The most modern supply chain systems will feature this Twitter/Facebook style of interface, which is very different from the interface of a standard ERP system. If you get too much information, you can unsubscribe to or hide that information, just like you can in social media. The way people like to define the information that comes to them is really simple — it's whatever is important to them. That's what they should get. But that only works if everybody is sharing the same database.

and we can see that behavior very quickly and also gauge how she is reacting to our service,” Pritchard says. “And our consumer is going to continue to push us until we can create that customized supply chain.”

Amazon.com, for example, has raised the bar for customer service with AmazonFresh, which offers same-day or next-day delivery of perishable and some non-perishable products, initially in the Seattle market.

“Imagine the level of expectation and service that they are setting,” Pritchard says. “The consumer is thinking, ‘Now you can deliver it within 24 hours. Can you do it the same day?’ That’s the kind of service we’re going to have to figure out.”

Retail success with pop-up stores bodes well for maneuvering the supply chain toward this new frontier. These temporary stores, usually erected on prime real estate for 30- to 60-day seasonal selling or test marketing periods, require the retailer to quickly orchestrate connections from the point of sale back through inventory management and logistics in order to create a “really unique and very fast experience for the consumer,” observes Pritchard.

Similar supply chain management strategies can be used to deliver on the promise of personalized customer service across a variety of channels, she says.



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### Cloud Computing as Enabler

Cloud computing, typically defined as the use of software as a service that is hosted by the IT vendor, presents some solutions for apparel businesses that want to build new models for demand planning and supply chain management.

Cloud-based software solutions can help apparel businesses better benchmark their practices because “the cloud offers us a way to really see the performance of the supply chain,” says Cecere.

In one of the most leading-edge examples, this visibility can come from custom application development performed by apparel businesses on cloud-based platforms provided by their software vendors. These applications may be one of a kind, designed to provide a competitive advantage to the apparel business. Or they may be apps developed collaboratively to meet a shared challenge or need of multiple apparel firms.

In some cases, these applications would work alongside packaged software from the vendor, and all programs would tie back to information housed in a single database hosted by the software vendor. This single database approach helps to ensure that all users can access the same version of the data, according to what they have security clearance to see and use.

The day when a critical mass of apparel IT departments are building their own applications in a cloud-based environment still may be two to five years away, Bergen says. “There are positive signs that it’s only a matter of time,” he notes. “And once it gets there, it changes the whole pipeline perspective. That’s because business solutions will become kind of like what the Internet has been to consumers over the past 10 to 15 years.

“With a bit of master data management and data standards, the software vendors will build solutions that reside in the cloud and are built to interoperate with each other,” he continues. “This ultimately will improve the integration of data between the applications. And the data becomes ‘where you need it, when you need it.’ That is such a beautiful paradigm over where we are today.”

Because cloud-based technology can offer fast, accurate real-time data processing without capital investment, it can

be helpful for apparel businesses that need to continually fine-tune their go-to-market plans but cannot afford a major capital expenditure. Take the supply chain for an apparel pop-up store, for instance. A retailer could use a cloud-based platform to build a software app to tap into data from its logistics processes and distribution centers. “Then as you start putting this cloud information layer over that glass pipeline, you can give people access to where your inventory is at what point in time,” Bergen says. “It drives so much more accuracy than we have today. It could be significant.”

Cloud computing also can help apparel supply chains be more responsive at critical times, such as during store grand openings. “We’ve moved into this virtual environment that allows us to assimilate ‘big data’ in such a way that we can quickly get answers about what styles are going to pop at each of the new stores,” Pritchard says. “Then you can ensure that you’re getting replenishment merchandise back into those stores and very quickly.” ■