

# The Future of Fashion is Digital

WHITE PAPER

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## Embrace the Digital Supply Chain

### Executive Summary

Retailers enjoyed the best holiday season in years in 2017, but the success did not extend to all fashion retailers. While retail sales were up 5.5%, apparel sales grew by only 2.7% overall, a lackluster increase compared to the rest of the industry. There were clear gaps between the winners and losers in apparel and fashion sales, as department stores continued to lose ground to fast-fashion companies and innovative fashion brands.

What separates the winners from the losers? In part, it's the ability to harness the power of real-time sales data to understand the latest trends and respond to rapidly shifting demand signals. As a result, winning companies can do two things:

- Quickly get the right products to the consumers who want to buy them
- Quickly get out of the products that are not selling

To do this, companies must embrace a digital future, as the supply chain models of the past aren't adequate in today's real-time world. The industry's most successful companies are adopting a digital supply chain that shares information across their entire organization and enables them to deliver the products their customers want, every time, driving full-price sales and minimizing markdowns and stockouts. Companies such as Zara, H&M, Xcel Brands and others exemplify the trend toward a digital supply chain, and other fashion companies are scrambling to catch up.

But what exactly is the digital supply chain, and what advantages can it bring to your company? In order to understand this, it's important to look at its current and future state.

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## The Three Stages of the Digital Supply Chain

The digital supply chain is evolving quickly, and each stage promises big breakthroughs in speed, efficiency and cost savings.

### Stage 1: Connected

The first stage of the digital supply chain evolution is connected, where the focus is eliminating disconnected, data siloes that characterize traditional supply chains. The critical processes of the supply chain—development, demand and supply planning, manufacturing, distribution and replenishment—all too often act as separate business units. Information is disconnected, siloed, and slow-moving, limiting a company's ability to have the insights needed to make critical, timely decisions.

The connected digital supply chain allows all global supply chain participants to access a single cloud-based portal that centralizes and shares information that originates in legacy PLM, ERP, supply chain, sourcing, logistics and other systems. It becomes the real-time platform that unites all disparate processes and information into a “connected enterprise,” and the benefits are significant.

A McKinsey report, *Digitization—the Next Stop for the Apparel Sourcing Caravan*, cited several examples, stating that “more than 2/3 of sourcing executives expect to have digital (supply chain) portals up and running within the next five years to foster transparency and collaboration both with external suppliers and internal colleagues.”

Most CPOs (chief purchasing officers) surveyed “aspire to reduce their average lead time by two to eight weeks, helping them achieve the agility needed in a demand-driven market.” Many of them are also “targeting cost reduction of at least 2.5 percent through digitization alone.”

The McKinsey study notes that “digitization must not be seen as an end in itself. Rather, it is a powerful enabler of progress in all the main drivers of future success in apparel sourcing—including the continued optimization of sourcing-country strategy, strategic supplier partnerships, better environmental and labor compliance, and a doubling down on end-to-end efficiency.”<sup>1</sup>

This connected stage of the digital supply chain is only the beginning, however. While it represents the state of the art in digital supply chains today, it will evolve quickly to incorporate new processes and technologies that promise even further breakthroughs as digital supply chains enter the predictive and cognitive stages.

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—McKinsey



<sup>1</sup> Sourcing Journal, “McKinsey CPO Survey: Digitize Supply Chains or Die,” Sept. 20, 2017

# Beyond the Connected Enterprise: The Predictive and Cognitive Supply Chains

## Stage 2: Predictive

As the digital supply chain evolves into its second stage, the predictive phase, exciting new technologies such as artificial intelligence (AI), machine learning and big data will rapidly find their place in the digital supply chain. Rather than simply connecting processes, data and people, the digital supply chain will predict outcomes and make recommendations on how to allocate products and position raw materials, when to expedite shipments, and much more. Aided by AI and machine learning, the digital supply chain can continuously adapt, learn and predict, in order to aid human decision-making.

As a recent Forbes article pointed out, “In retail, supply chain efficiency is essential. Inventory management, picking, packing and shipping are all time and resource-intensive processes which can have a dramatic impact on a business’s bottom line. The problem is these are complex processes, particularly when it comes to large scale operations covering multiple outlets and territories. The fact they are often dependent on outside forces—suppliers, service providers and even weather—make getting it right even more difficult.”

“This is why retailers—both big and, increasingly, smaller operations too—are keen adopters of Big Data-driven analytics technology. Creating efficiencies in complex systems which involve multiple, often compartmentalized processes is an area where this technology excels. In short, it’s about the ability of machines to make lots of little savings and efficiencies, which together add up to very large ones.”<sup>2</sup>

## Stage 3: Cognitive

As digital supply chains move into the predictive phase, they will very quickly move to a cognitive stage, the third phase of the digital supply chain, where AI and machine-learning systems can make and execute the decisions on allocation, shipping, optimized inventory levels, and other activities. New technologies such as blockchain will be integrated into the digital supply chain; blockchain technology will shorten lead times and reduce friction throughout the overall supply chain, helping companies quickly deliver products to consumers.

Blockchain is already proving its value in other industries; J.P. Morgan Chase announced a blockchain based system last October that will significantly reduce the number of parties needed to verify global payments, reducing transaction times from weeks to hours.<sup>3</sup>

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<sup>2</sup> Forbes, “Predictive Analytics and Machine Learning: AI in the Retail Supply Chain,” Sept. 12, 2017

<sup>3</sup> Forbes, “Beyond Bitcoin: What Blockchain Really Means and What That Means for Retailers,” Jan. 22, 2018



## Embrace the Digital Supply Chain: Getting Started

The digital supply chain is evolving quickly from the connected to the predictive and cognitive stages. Most companies are struggling to achieve stage one, the connected stage. Without a common platform to access mission-critical supply chain data, the predictive and cognitive stages can never be realized.

With Andromeda®, Logility brings together all departments—Merchandising, Product Development, Sourcing, Compliance, Supply Chain, Purchasing, Production, Quality, Logistics, Marketing and Sales—into a single cloud-based solution that connects vendors, suppliers and other trading partners. Andromeda combines a user-friendly interface with advanced functionality, great scalability and fast performance.

The Andromeda Cloud Platform® is specifically designed to enable the digital supply chain, allowing companies to get started now at stage one, the connected enterprise, while providing a “future-proof” solution that can easily accommodate new predictive and cognitive technologies as they move to the mainstream.

Logility is enabling leading fashion companies to overcome the barriers of siloed systems and enable a true digital supply chain. Gain visibility and react with speed and agility to optimize lead times, reduce expenses, improve quality and maximize company revenue and profit.

As the McKinsey report noted, “apparel players have a major transformation ahead of them....effective digitization will help them deliver that transformation faster and with much greater impact.” The future of fashion is digital—and Andromeda can help companies embrace their digital future.



## About Logility

With more than 1,300 customers worldwide, Logility is a leading provider of collaborative supply chain optimization and advanced retail planning solutions that help small, medium, large, and Fortune 500 companies realize substantial bottom-line results in record time.

Logility Voyager Solutions™ is a complete supply chain and retail optimization solution that features an advanced analytics architecture and provides supply chain visibility; demand, inventory and replenishment planning; sales and operations planning (S&OP); integrated business planning (IBP); supply and inventory optimization; manufacturing planning and scheduling; and retail merchandise planning, assortment and allocation.

The Andromeda® platform empowers the digital supply chain by linking retailers and brands with their vendors, factories, suppliers, agents, logistics providers, and other global trading partners into a unified, real-time network.

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