

THE GLOBAL FASHION UNIT

THE SUPPLY CHAIN REVOLUTION

**A Proprietary Presentation Prepared Exclusively for
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- A fashion world full of challenges and uncertainties demanding radical change
- Need for new approaches to supply chain management & hiring mgrs
- Need for organizational C-level leadership to win over inertia and ...think the unthinkable
- **First Step:** think "*Strategic Supply System*"... not "*Supply Chains*"!

- The Fashion “world” is undergoing a dramatic phase of transformation, and complexity, we all see it...
 - New technologies are entering the industry with new business models
 - Established players are often hostage to their own inertial ways...the “*not invented here*” mentality
 - **Next Steps:** *Think Enterprise wide role for Supply Systems & Managers*

New consumers

Informed, more autonomous and experimental, in search of quality, "experiences", authenticity and immediacy

Digital technologies

Fast reshaping distribution, operations and communication now converging on innovative Omni-Channel strategies

Globalization and international competition

Challenging conventional "segmentation", increasing sophistication and fragmentation of the consumer base.
Innovative business modelling

Competition based on innovation and speed

Product development, production, services and distribution in search for a new integrated global supply chain efficiency

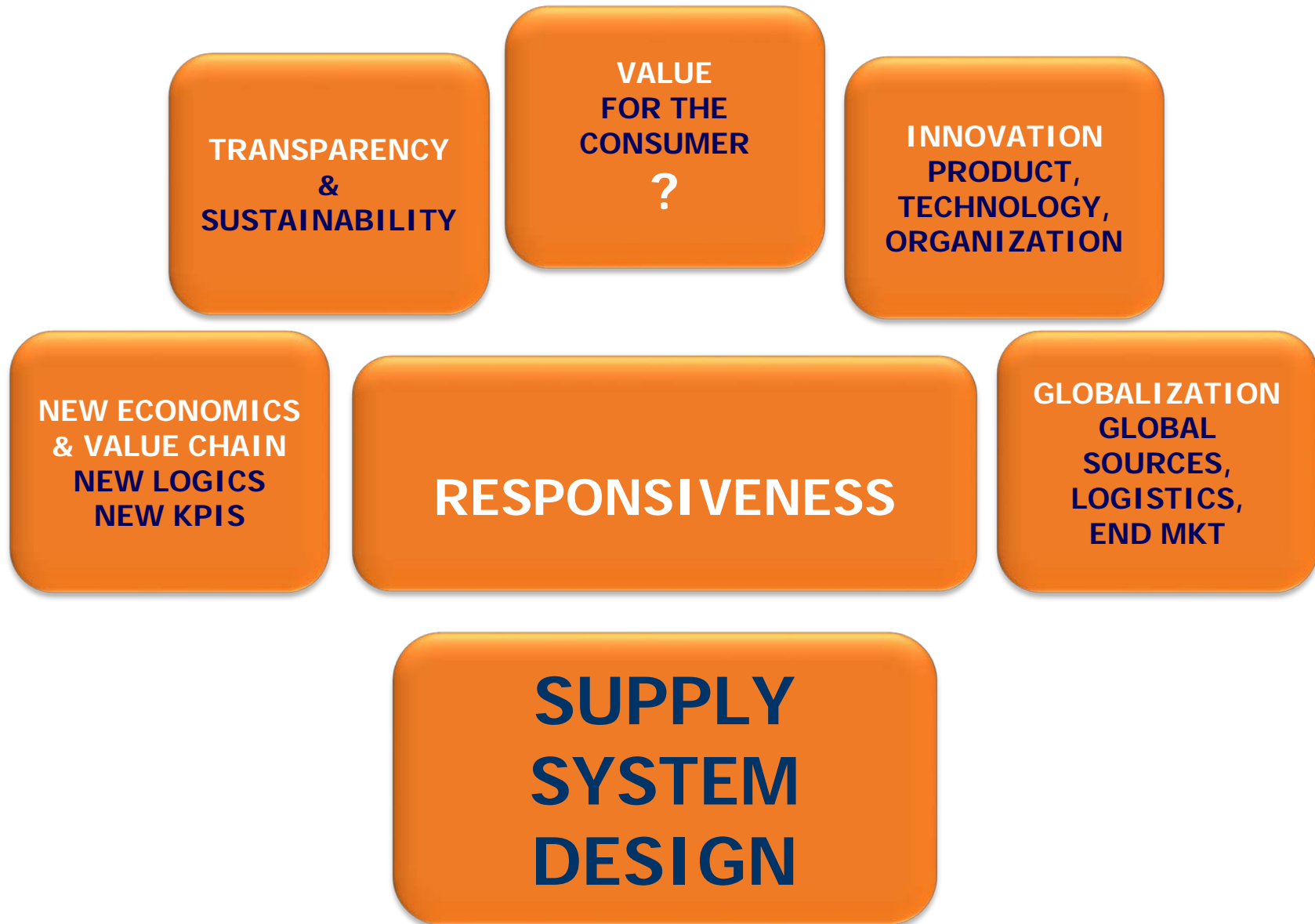
- **Fashion companies' Supply Chain executives are claiming Strategic status**
 - **What's a Strategy & how does it differ from a Tactic?**
 - **What's an Enterprise? What's changed?**
 - **How are Corporate Cultures obstacles to change?**

- **Designing a Strategic Supply System to compete in the new world of Fashion**
 - **How does Business Enterprise thinking differ from Silo thinking? How does Strategy fit in?**
 - **In Light of above Why/ How will Supply/Sourcing Change?**

- **Why “Chains” is a failed description & an obstacle to change**
 - **Why we need to talk about “integrated” systems of components and not chains of sequential organizational processes**
 - **What’s a System?**
 - **How are System’s Strategic?**
 - **How does this make us better Sourcing + Supply Providers**

- Top SC and operations executives from leading fashion European companies are participating to Ambrosetti's Supply Chain Design Advisory to share their views on the future

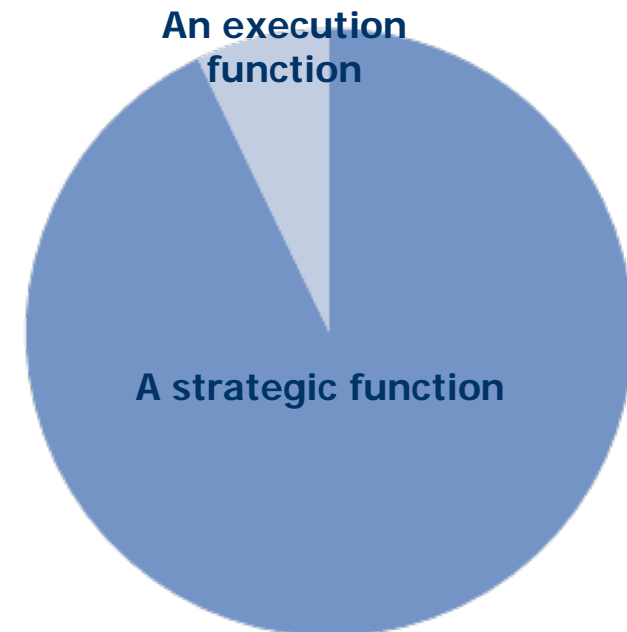


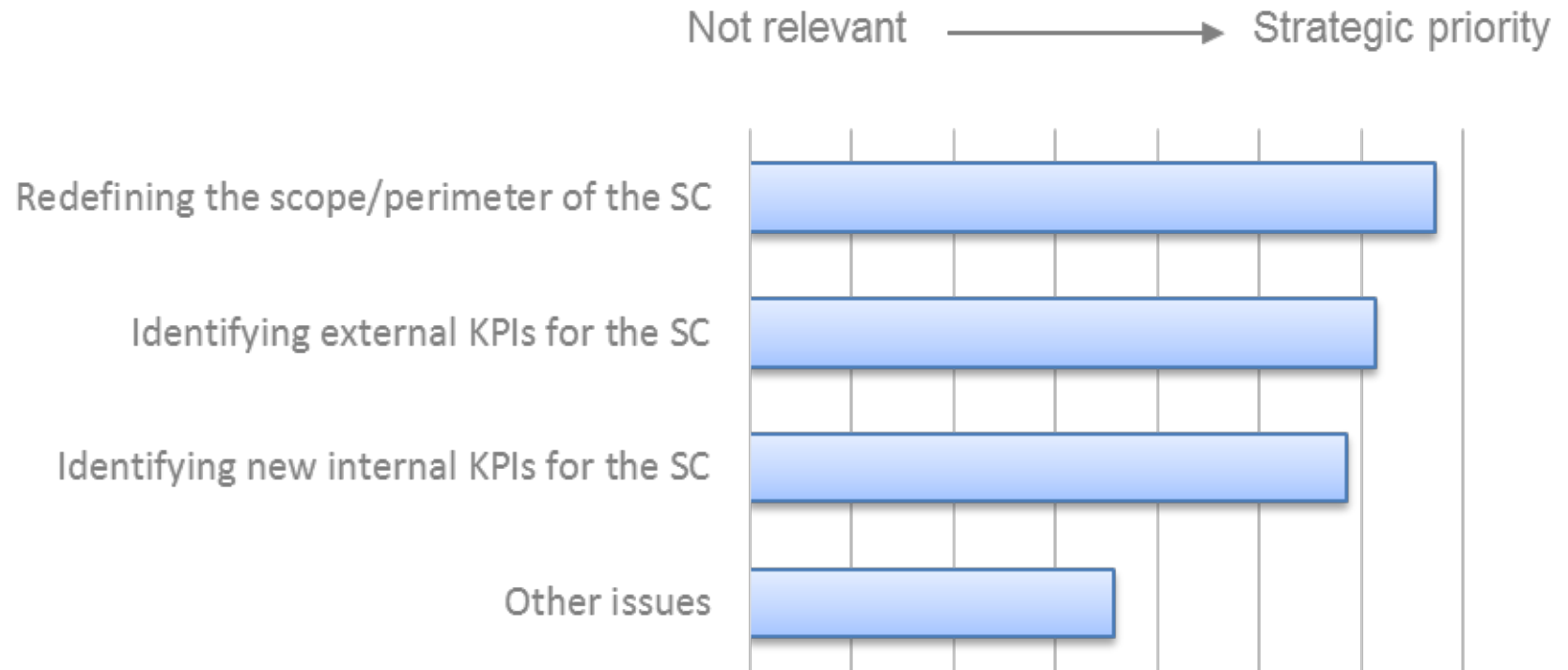


➤ Supply Chain Managers call for being considered strategic

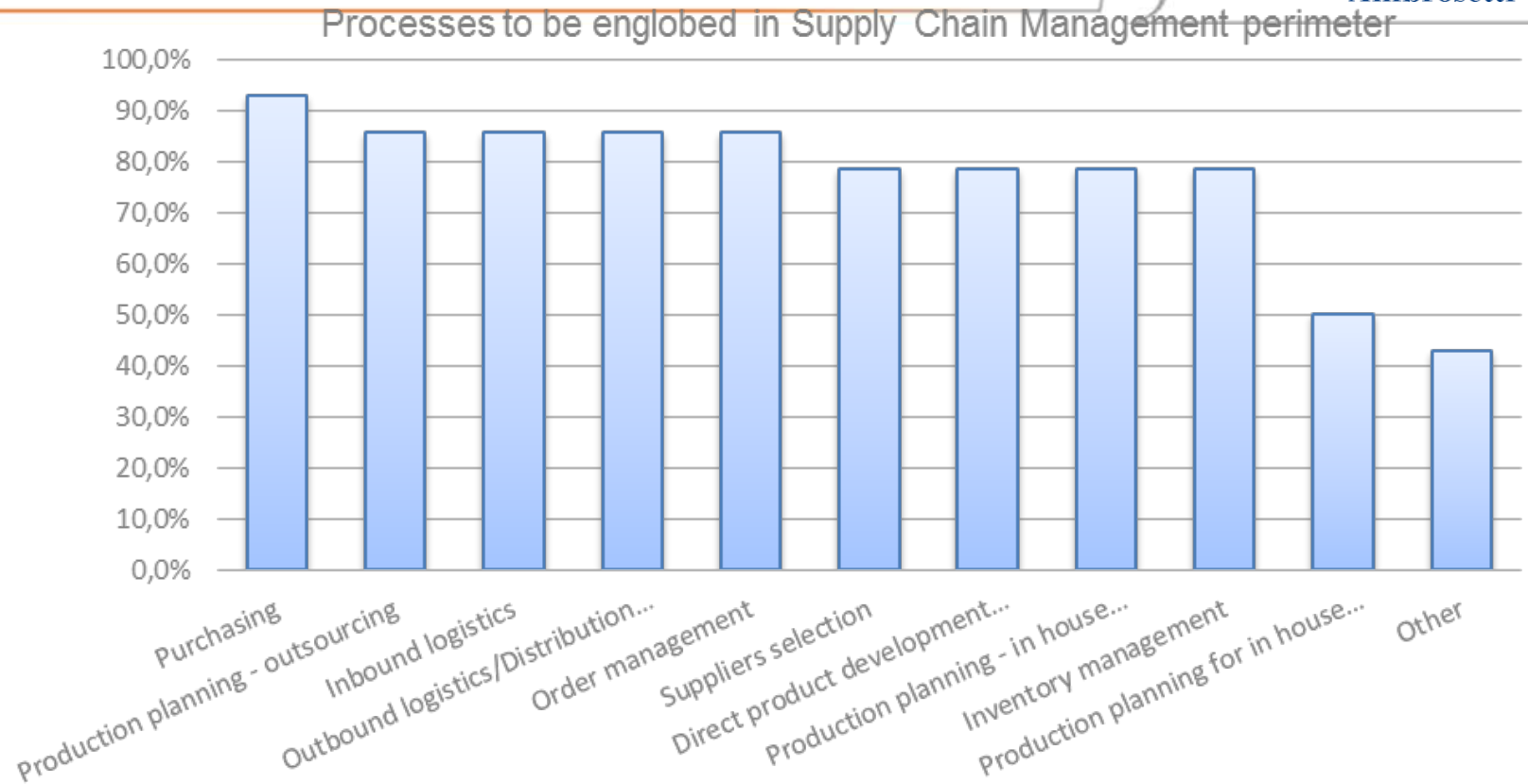
The correct nature of the Supply Chain

- A cost center
- A cross functional role
- An evolution of the logistic function
- A strategic function
- An evolution of the purchasing function
- An execution function



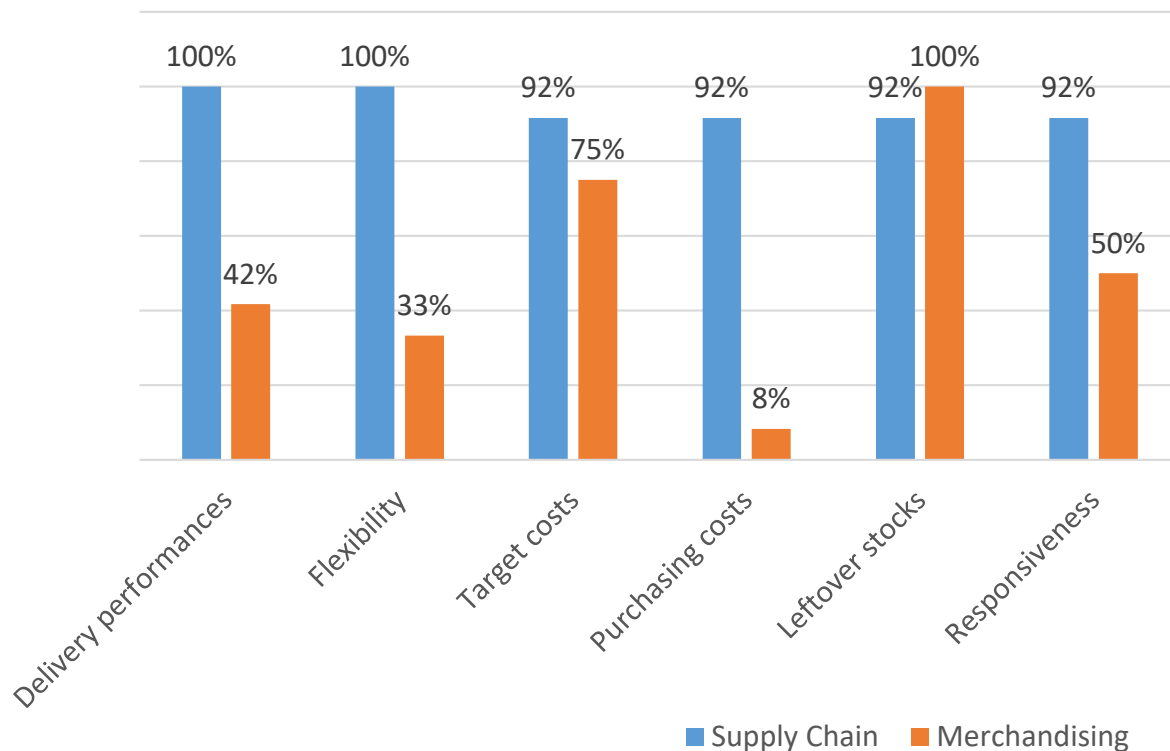


- **A new perimeter and new KPIs to measure value and not cost**



- A supply chain system integrating all relevant and “end to end” activities

% of panelists demanding new SC and Merchandising performances KPIs on:

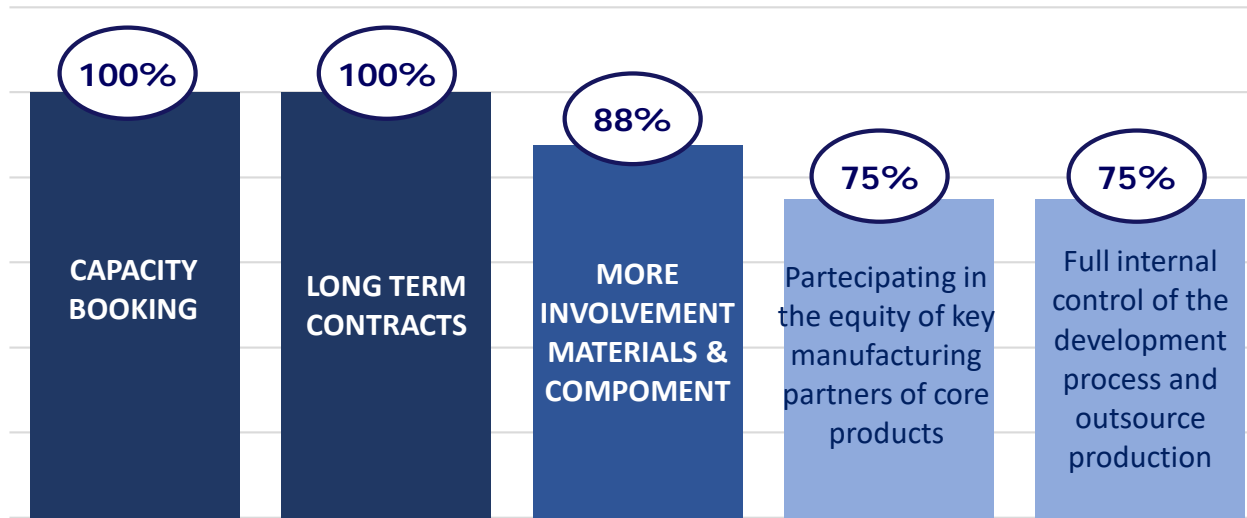


How our panel sees the future

- Suppliers providing design services to be **evaluated on sell through** results
- Achieve higher mutual visibility brand-supplier based on **digital integration**
- **Upstream traceability** (i.e. @suppliers) to become critical

➤ **Measuring value creation and lost opportunities**

% of SC panelists believing the below items to be key
for future SC effectiveness



100% of the
panel agreed that

- Brands will increasingly aim at more **stable and consolidated suppliers portfolios** – partners
- Vendor selection criteria will increasingly value **speed and flexibility**
- Vendor selection criteria will increasingly focus on **financial risk profile and country stability**

➤ Where suppliers become actual partners

- **Due to data visibility, secrets as to capabilities and sources of supply are becoming irrelevant**
 - **The enemy is not your competitor, its speed-to-market and consumer insights; reactivity**
 - **Competitive Differentiation will increasingly be realized by effective execution & not by “inside” information**
 - **A rising tide lifts all ships**

- For many players it is now a matter of survival: a radical transformation of the way they operate from design to retail is imperative
 - Managers are inherently conservative and risk averse... they are trained to look for problems not opportunities
 - Leadership within the corp needs to come from the C-level to bring about change
 - New KPI's are needed

- **Fashion Business organization needs design re-engineering**
 - **Brand strategy must inform the business model and supply system strategies...including branding the system and informing the model with with brand attributes & values**
 - **Functions & suppliers must now collaborate in an integrated mode**
 - **What are some new tools/technologies that will help in the above?**

➤ What's a "Digital Twin"?

- A virtual model of a process, product or service that mimics/mirrors the actual physical world: Why are they important?
- Digital Platforms are where animated 3 d digital twin renderings occur as animated "cartoons" and whose software is self-regulating , correcting errors at warp speed/"on-the-fly" by monitoring and "speaking" to suppliers, factories, brands ,retailers and consumers through Artificial Intelligence (AI)
- Head off problems before they occur, prevent downtime
- Discover New opportunities
- Simulate how the Future may look; Test without waste (what if scenarios)
- (AI) stores successful results + "learns" ("Machine Learning") adding insights and enhancing best practices

➤ Fashion Supply Systems (akaChains) Need Geo re- configuration...

- Consumer centricity informing Product Development and guiding suppliers will shift the model from low cost concerns to high consumer engagement & process/product integrity as the objective
- Price will be less a variable than brand authenticity in consumer decisions to purchase
- Social responsibility will naturally flow and be part of new KPI equations
- Real time sales data will inform the factory floor



➤ Clustering and virtual districts

- Collaborative planning & perhaps joining with similar - complementary specialists who traditionally were seen as competitors
- Organize cells of like specialty components /services for providing a critical mass of in depth availability
- Brand & market the new relationship as a shared data & solutions enterprise...understand, beyond your component or service, how the entire supply enterprise works
- Become informed in all aspects of the brand identity & core consumer segments for products for which you supply components/services ...*align your components/services with consumers and their brands, not just with companies*
- Learn the digital world & be prepared to pivot & be part of an automated solutions system

Stop Selling...Start Solving!

Thank You!

...and talk to us ; we're here to help!"

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