Supply Chain Management:
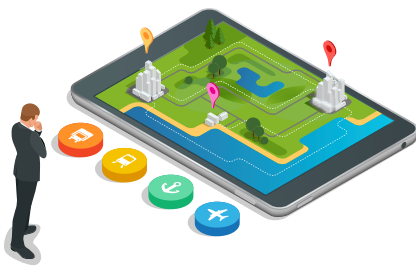# A Roadmap for Digital Transformation

Amid constantly changing fashion trends, consumer behaviors and global trade conditions, the best thing apparel businesses can do is act fast and execute with agility. This roadmap explains how to get your supply chain in shape to do just that.

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Fashion brands and retailers, having invested heavily in customer-facing technologies and omnichannel services, are shifting their focus and investment to their supply chains. The burning question: How can supply chain operations be digitally transformed and optimized to support a more responsive, cost-effective omnichannel reality?

Supply chain management (SCM) has become a focal point for many apparel brands, manufacturers and retailers. Old ways of managing data and collaborating with suppliers often don't give firms the agility, speed and data accuracy they need to face today's intense business challenges.

Among the pressures, stores need the right goods at just the right time, and increasingly, both retailers and brands must also fulfill e-commerce orders direct to consumers, who expect fast delivery. Fashion brands and retailers, having invested heavily in customer-facing technologies and omnichannel services, are shifting their focus and investment to their supply chains. The burning question: How can supply chain operations be digitally transformed and optimized to support a more responsive, cost-effective omnichannel reality?

The past few years have been eye opening for many executives in the apparel, footwear, home furnishings and retail industry. They have seen they can't always deliver the best customer experience without a more sophisticated SCM backbone built on modern technology. No matter how shiny the POS system, how compelling the omnichannel marketing proposition, how great the product … back-end systems dating to the early 2000s, 1990s or even 1980s expose painful vulnerabilities.

The risks are real. When systems occlude supply chain visibility or take an inordinate amount of time to modify to accommodate new business conditions, companies can:

- Struggle to respond in a timely fashion to new product sales opportunities
- Find it too difficult to adapt systems to enable international expansion
- Hit system slow-downs when trying to shift production to alternative supply sources

Also, if a legacy system goes down, even for a few hours, it can mean hundreds if not thousands of late shipments for e-commerce and retail orders, and worse, eroded trust in the brand.

The good news: Readily available SCM technology can help. The key is digital transformation of the supply chain. This involves harnessing the power of newer cloud-based end-to-end SCM solutions. These technologies offer clearer visibility into operations and more timely insights to make the right business decisions. "Digital starts with data," says Sam Dawes, a senior manager with consulting firm West Monroe Partners. "The best companies know their business intuitively and empower that knowledge with data-driven insights across their supply chain."

Here is a roadmap to guide you in SCM digital transformation and managing your supply chain in the cloud.

Step 1: Determine your ideal business architecture

When it comes to better SCM, the roadmap to a successful journey starts with knowing your ultimate destination. What is the long-term vision for where

the business wants to go? What does the supply chain need to look like to support this vision? These are important questions requiring consideration of multiple stakeholders both inside and outside the business, including customers, internal teams and suppliers.

Once you have a clear view of the ideal future state of your business and supply chain, you can begin to see the changes necessary to achieve your goals. For example, there may be a need for a new organizational structure to support this vision. Chances are, new technology will be required. These are among the factors that will determine your target business architecture — the framework that will support your business in engaging customers, empowering employees and optimizing operations for years to come.

"The tentacles of the technology are much broader across the organization and more integrated. You have to think holistically when making a business decision," Dawes says. "If a client says, 'We need a new technology system,' our response is Does this fit in with how your brand intends to transform from customer and brand experience all the way down to the value chain?' And subsequently, 'How will this be supported and enabled by your technology platform?' "

Here are some points to consider:

- Remember that the journey to your new-and-improved supply chain is likely to take multiple phases, but stay focused on the core vision and beware of getting derailed.
- Develop your new business architecture bearing in mind people, processes, technology and data.
- Take an honest assessment of strengths and weaknesses of your organizational talent, capabilities and capacity. Limitations in these areas are often barriers to success.
- Think end to end. Businesses are competing with their supply chains today. It's important not to compartmentalize SCM issues as being separate from customer satisfaction, design, marketing and brand loyalty.

"Winning companies started with [investing in] customer experience and omnichannel, but are now starting to apply those same design and technology concepts to connect customer experience to their end-to-end value chain," Dawes says.

Step 2: Get to the root causes of problems

A common stumbling block in SCM initiatives is the tendency to address troubling symptoms without drilling down to identify and fix foundational issues. Examples of these symptoms might be:

- Inventory shortages
- Quality problems
- Excess inventory
- Late shipments

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Each of these pain points could have very different causes. For example, an inventory shortage could be caused by the following reasons or many others:

- Poor forecasting — not enough products ordered
- Bottlenecks or delays in transporting goods from DCs to stores
- Problems at a supplier's factory
- Lack of timely communication between stores and warehouses

When companies don't evaluate SCM issues through a holistic lens, they tend to patch up problems with bolt-on software within a specific department or function. Moreover, if managers don't know the root cause of an issue, they can end up applying a remedy that does more harm than good in the long run. The problem may persist, and the "solution" only acerbates and accelerates the damage, with more visible consequences.

In addition, the foundational problems may be traced to larger, organizational issues, such as organizational structure, corporate strategy and traditional practices that are no longer serving the company well. Dawes cites these common root causes of supply chain challenges:

- Lack of visibility, causing the business to react to problems vs. anticipate issues and develop proactive responses
- Lack of trust (in data quality and external stakeholders)
- Lack of alignment between customer experience capabilities (marketing, sales) and supply chain
- Lack of talent and capability

By taking the time to truly understand SCM issues, you can then approach the solution and related technology investment with greater confidence.

Step 3: Select technology to support your journey

When choosing a technology to support your supply chain's digital transformation, consider the merits of a single-platform cloud solution so that data can be centralized and harmonized in one place. Dawes points to three primary benefits of embracing this approach and transitioning off of disparate legacy software programs:

With data centralized, its value can be unlocked by stakeholders across multiple functions through a consistent and transparent process;
Customer and supply chain processes can be interconnected; and
Core competencies can become the focus of the business vs. managing and upgrading IT infrastructure and applications.

"It is all about simplification," Dawes says. "Simplify the enterprise applications architecture, outsource non-core competencies around IT (hosting, monitoring) and leverage modern technology that is fit for purpose. The cloud has enabled the ability to simplify."

Fashion businesses can use cloud-based SCM solutions to set up a digital

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twin of their physical supply chain. With this cyber version of their analog supply chain, they can model scenarios and anticipate how various business decisions will affect their performance.

With a centralized SCM solution accessible via the cloud, global suppliers can easily connect to the technology platform, share data and collaborate. Data collection is faster and more accurate. For example, with information flowing from suppliers into the SCM platform, brands and retailers can better pinpoint the estimated time of product arrival. The most agile apparel and fashion supply chains are simplified and interconnected through "common tools, processes and collaboration with internal and external partners," Dawes says.

"Your suppliers are entering information into your system and becoming integrated into your virtual supply chain. This enables you as the brand to take action, predict problems and prevent issues. he says.

## Step 4: Blend intuition with data-driven insights

Fashion design, manufacturing and retailing will always reward those who can strike the right balance between art and science, intuition and hard facts, instincts and analytics. New business intelligence (BI) capabilities, built into cloud-based SCM solutions, help businesses leverage the strength of their experience and intuitive market knowledge while benefiting from data-driven insights. In today's complex global supply chains, such insights can easily be buried beneath mammoth amounts of information. But modern BI gives apparel decision-makers a means to draw them out.

With older BI software, the end user typically prompted the tool to slice through various data sets to confirm whether an intuition or hunch was correct, and if so, then he or she could drill down into more details. With the latest BI, which features machine learning capabilities, the software is much better at pattern recognition and can flag certain patterns to present to the user. Given the enormous amount of data fed into a SCM platform — purchase orders, POS transactions, work-in-process updates, shipment notifications, etc., all populated to the SKU level — the BI tool often can recognize important patterns that the average human would never intuitively think to consider. By exposing these patterns amid millions of variables and data points, the technology helps users know what questions to ask, what further data to analyze and ultimately what actions to take.

In conclusion, apparel brands and retailers are realizing that if they cannot run a digital supply chain effectively, they cannot manage their physical supply chain with the speed and accuracy necessary to serve customers at the levels expected today. Having a digital twin of the physical supply chain, managed via a centralized, cloud-based SCM solution, enables businesses to see the big picture, hone in on the most relevant data, address root causes of supply chain-related problems and quickly execute the best plan of action.
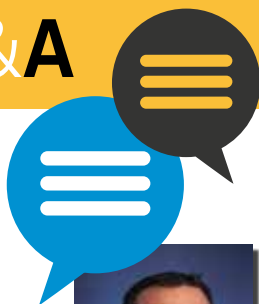
CEM ITEM

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About Sunrise Technologies

Sunrise Technologies is a premier provider for Microsoft Dynamics 365 (ERP and CRM) and Power BI for apparel, footwear, consumer products and manufacturing companies. We deliver game-changing, global, Tier 1 supply chain solutions without the cost and complexity. Sunrise offers a one-stop, end-to-end industry solution to deploy, enhance and support Dynamics 365 for a lifetime. Plus, customers can hit the ground running with industry best practices, pre-built configurations and a proven methodology. With offices and deployment capabilities in North America, Europe and Asia, we are everywhere you do business.

Q: For those apparel/fashion businesses you see doing a great job with their SCM, what are some best practices and capabilities they have invested in and are leveraging?

CEM ITEM: In order to be fast and agile, businesses need to be able to quickly and accurately read their current environment, study different scenarios and find solutions to their challenges, and then act in full coordination to execute their solutions. Companies that run good supply chains today have invested in: 1) gathering their supply chain data in a timely fashion with better accuracy; 2) analyzing different supply chain scenarios with intuitive tools; and 3) establishing company-wide processes and controls to speed up their execution.

Q: With regard to SCM, what are some advantages of getting off disparate legacy software programs and transitioning more functions to be managed on a single cloud-based platform?

ITEM: We believe cloud-based SCM platforms help companies gain speed and agility by enabling them to master the three capabilities mentioned above. A single platform holds the single version of the truth and helps companies monitor their supply chains with great accuracy and speed. In the not so distant past, it took a lot of IT investment to establish such a single platform, yet today we can deliver this type of solution in the cloud at a much lower cost point. Such a platform can provide cloud-based business intelligence (BI) capabilities in addition to new machine learning techniques that can help businesses find and compare different scenarios much faster than they could in an on-premise IT world. And finally, cloud can offer a single execution platform, ensuring full coordination among multiple parties around the globe. These are very hard things to do if you are using on-premise, disparate legacy systems because the information does not freely flow between the silos and the IT backbone. The systems cannot scale to handle the speed and complexity of the problems many businesses are facing today.

Q: Why can it be difficult to recognize the greatest supply chain issues that may be holding back an apparel brand or retailer? How do you help clients get to the heart of underlying problems?

ITEM: Supply chain problems can show up in different parts of the business — inventory overages/shortages, increased costs, reduced margins, declining customer service, delayed shipments, etc. When facing these problems, most companies focus on the symptoms rather than the cause. They seek short-term fixes rather than long-term solutions. At most of the businesses we walk into, we see dozens and dozens of these patches on top of a foundational problem that will never go away without a big picture plan to address it. A lot of companies miss that — they struggle to peel the onion and see the core of the problem. What we try to do is to step back and ask the basic question: Why? We then have techniques to drill down to identify the problem and discuss the core issue intuitively with our clients. If we are successful, solving one core problem ends up fixing many symptoms.