Fashion’s Changing Landscape

THE EMERGENCE OF THE
Hybrid Business Model
Until recently, three models dominated the fashion industry: brands, retailers, and manufacturers, each with a specific set of business priorities and expertise. However, the economic landscape has shifted in the last few years and with it, the dominating forces in fashion.

The changes transforming the world—and the fashion industry—range from the political to the financial to the technological, and all have significant impacts on the product lifecycle and consumers: exchange rates fluctuate constantly; the cost of raw materials has oscillated greatly in the past few years; changes in ruling political parties have triggered economic and fiscal policy changes; labor issues pose unique challenges for safety and health standards; and environmental issues and sustainability continue to grow in importance.

The pace of demand for newness has also accelerated to a rate that is difficult to meet with traditional technology and process models. Consumers want new products as fast as they can think of them and always for less money. Luckily, technology is also evolving and recent innovations in design and development solutions support the ability to respond to consumer demand with faster production to give companies the control and flexibility they need to stay competitive.

BRANDS
Brands are often recognized by their logos, but they are remembered for the stories they tell and the relationships they build with consumers. Brands craft value through these experiences, which they transmit through their products. Traditionally, brands design in-house and outsource the manufacture of products which they then supply to retailers, who provide the link with consumers.

RETAILERS
A retailer’s typical role is to sell products. As masters of margin and human behavior, they determine which products will sell best where, at what price, and to whom. Where brands are concerned with creativity and relevance, retailers must ensure perfect timing and product presentation. It is in a retailer’s best interest to keep merchandise fresh to capitalize on the consumer demand for newness.

MANUFACTURERS
Manufacturing is where product ideas take physical form, and cost and time to market pressure become a reality. Manufacturers may source materials themselves or work with what has been sourced by a brand. The manufacturer’s main concerns are controlling cost and assuring quality, minimizing downtime and managing a complex array of lead times.
The need for control and flexibility has resulted in an industry shift of seismic proportions: companies are realizing that their value lies in having control over as much of the value chain as possible. This means retailers are getting into branding and manufacturing, brands are getting into retail and manufacturing, and manufacturing is getting into branding and retail—the result being the emergence of a hybrid business model. By expanding into the value chain, companies give themselves an immediate advantage by bringing these areas together under the same roof, in a manner of speaking. But this expansion comes with a caveat: companies can no longer be content to master their traditional area of expertise—they must now master the entire end-to-end process.

To develop hybrid business models, companies look for ways to build on their existing strengths. This includes using technology within an innovative process to increase competitive advantage and offer something genuinely interesting to consumers. The resulting balance of style, quality, and cost is key to delivering products with the price for value and newness demanded by consumers.

Finding this balance requires attention to three key areas: price, value and time. These classic concerns have taken on new meaning in light of the changes discussed previously.

Discount shopping has become more common as consumers look for ways to maintain their shopping habits, but decrease spending. Although this shift has been felt most acutely in the United States, it is now a worldwide phenomenon. A concurrent demand for higher value for money has increased the need to justify price and explains many companies’ efforts to make price secondary in the retail context. There are several different strategies to take the focus off price. Some retailers have introduced flat pricing, while others offer very short, limited-time-only collections that play on scarcity rather than heavy discounting. Many brands and manufacturers have realized that selling directly to the end consumer is the most efficient way to protect revenue, leading them to create their own brick and mortar and online stores. Regardless of how a company chooses to address price, design, cost and delivery must be very tightly connected to deliver products on time and at a profit.
Consumers don’t only look at price when determining how much something is worth. They assess the value of apparel according to their own personal value scale. For example, it’s not uncommon for the same person to spend hundreds on a designer handbag, then turn around and buy cheap generic light bulbs. This is one of the many ways consumers rationalize their spending habits.

Consumers also have different perceptions of need. For some it’s in having the latest trend, while for others it’s quality and sustainability or local manufacturing, or in the heritage of a brand or notoriety of a designer. Companies have responded with as many different strategies, each trying to engage and seduce with their brand or retail experience.

Tapping into what consumers want, and knowing what they value enough to pay for, whether it’s in fast fashion, craftsmanship or brand heritage, is the first step to creating the right balance of style and quality. Having the tools to effectively manage decisions and development will ensure that it’s delivered at the right price and on time.

**THE IMPORTANCE OF DESIGN**

Fashion is always created by a team and now that teams are often spread around the world, how do companies construct a successful hybrid model to keep development and keep cost under control? The European fast fashion leaders have set an example for everyone. They are able to deliver creative, quality products at a profit because they don’t treat quality, style, and cost as separate concerns. They analyze and address them at the same time. Reconciling these three elements with a fourth component—understanding the target consumer down to the last detail—is the secret to a successful hybrid model. To get there, companies can improve process and organization by investing in technology that supports the kind of collaborative work required to bridge traditionally separate priorities.

**NEWNESS AND TIME TO MARKET**

Newness, both in terms of unique product and time to shelf, is as important as ever. But the driving force isn’t so much fast fashion anymore as it is consumer access to information and participative marketing. It’s no longer enough to be fast—now companies must be fast and compelling.

Now-classic examples are the exclusive capsule collections by celebrities or lifestyle brands that many retailers use to generate attention and drive traffic into stores. Timing is crucial when the collection is built entirely around the concept of get-it-before-it’s-gone.

Capsule collections are an extreme example, but the idea of achieving the right speed to market applies to any retailer, brand or manufacturer intent on satisfying consumer demand. Control over the entire development process is the only way to ensure that products are created according to schedule and within technical and budget constraints.

**A CHANGE IN PACE**

What’s worth your 50?
To really transform, companies have to go beyond improving individual areas, otherwise they risk perpetuating a silo mentality that limits the capacity of the brand, retailer and manufacturer approaches. True transformation happens when improvement is undertaken collectively, across departments. One of the biggest challenges in apparel today, for example, is connecting design and product development and then connecting design and product development to manufacturing. An improved design room organization or better pattern-making technology alone will bring only so much benefit if it’s not part of a broader process.

For example, it’s wonderful to have a PLM solution that tracks and records cost, but sometimes the information is not fully taken advantage of. Taking manufacturing costs into consideration before or in tandem with design contributes to balancing style, cost, and quality. If the cost of a product is too expensive, no company would waste time designing it. Knowing the limits that production puts on design ahead of time is essential to crafting profitable collections.

Many retailers have established their own private label brands to deliver on-trend fashion at a more competitive price than larger brands. Many now have their own in-house design teams to keep the style and message of their brands consistent. In the case of retailers or manufacturers, creating a design department means adding complexity to an already complex process.

Taking on more of the value chain requires building teams and giving them the tools to handle more responsibility. Cross-functional teams are better at sharing knowledge to define newness, leverage creativity and foster technical collaboration, which enables the best practices that lead to faster time to market and improved product quality. Technology gives an edge where a manual process just isn’t quick or accurate enough.
3D prototyping, for example, allows collaboration around a visual process and contributes to better decision making from the beginning of development. By allowing design to see how product development has interpreted their ideas, the two teams can visualize the same product in real time to make style or fit decisions before making a physical sample of either the fabric or the garment itself. Styles can be viewed before materials are ordered, and with advanced pre-production tools that connect design and manufacturing, pre-costing is more accurate—and easier—than ever before. In this case, a technology tool integrated into a holistic process provides a way of sharing information much more efficiently than individual efforts would.

Many companies have also come to see the value of using an end-to-end solution such as PLM to manage SKU’s and product quality. Consistent fit and product quality create value for the consumer, but maintaining consistency requires the technical precision that comes from the smart use of technology. Online purchases are a great example of why this is so important: garments purchased online are often returned due to poor fit. If someone buys a size 6 in the store, a size 6 online in a different style must fit just as well—but it sometimes doesn’t.

Advanced pattern development technology that incorporates basic blocks or slopers and grading between pieces can give pattern developers added control and precision when developing collections for multiple channels. Working from a consistent base of slopers and grading (in other words a company’s intellectual property or heritage fit), that can be shared between departments working for different channels, cuts out duplicate work and the errors this can generate. It’s also a faster way to update styles and collections.

As companies expand into new channels or take over new parts of development, they need to consider the process and technology they are using. What worked for a pure retailer probably won’t go far enough for a retailer with brand ambitions.

As companies continue to hybridize, most can use advanced design and management technology to control and manage cost more effectively and deliver product to the final customer at a competitive price. However, only profound process change that bridges individual areas to create new and innovative ways of working and sharing information can bring the kind of transformation that elevates brands to new levels of competitiveness.

This preparation can begin in isolated areas with the long-term goal of linking them together. Retailers or manufacturers might focus on developing design to help them grow, while brands might improve product development to expand their reach. However they start out, companies that gain control over an increasingly large part of the product lifecycle to balance quality, cost, and style are well on their way to being successful hybrids.
The changes evoked in this paper provide an excellent opportunity to take advantage of the most innovative technology solutions currently available to apparel professionals.

We've seen that as companies take on more of the value chain to gain control over their products from design to finished product, they also take on more complexity. A manufacturer that integrates design and development, for example, requires a new process and the technology to help manage it. The Lectra Fashion Platform was created to bridge the gaps that can arise between the many departments involved in collection development. By housing design, development, and production in the same place, teams have access to the same information at the same time, whenever and wherever they need it. This means that a manufacturer moving into the retail or brand space can make its expertise available to design and development departments, enabling a savvy process that incorporates essential production constraints from the creative stage.

When a company takes on new parts of the value chain, it doesn't get to take a break. Time to market and staying current are still crucial concerns and can pose particular challenges if a company is new to design or development. Lectra’s fashion-specific solutions integrate 40 years of industry experience and process best practices to keep companies ahead of the game. Design solutions developed with product reality in mind make sharing data with other departments and suppliers hassle-free and accurate. Advanced 3D prototyping technology, for example, takes design and product development to a new level with the ability to exchange information visually and collaborate around a single shared image. All this improves communication, which is crucial to fostering collaboration and space for the creativity that ultimately defines a company’s value in the eyes of its customers.

Part of the reason companies choose to go hybrid is to gain control to help them better manage costs and deliver the value for money that their customers expect. Lectra’s solutions help channel information where it’s needed to make informed business decisions that translate into smart investments. Lectra’s “design to cost” solutions, for example, provide extremely rapid visualization for designers and developers to collaborate on fabric and style decisions before placing production orders. Lectra’s unique all-size pattern development solution is another example of how technology can transform costly physical tasks like prototyping into a digital process that shaves time and cost off of development. The ability to test all sizes virtually can help companies maintain consistent fit across size ranges without increasing overhead. Integrate this information into Lectra Fashion PLM and you have a streamlined way to ensure that all collections across every distribution channel are alike.

But of course technology by itself is not a sustainable solution. Determining where a company wants to go and how to get there is the first step to any technology implementation, whether it’s for a design room or an entire supply chain. Lectra solutions combine cutting edge technology and industry expertise to help companies make the most of their strengths and turn weak areas into new opportunities for growth. Every project is a partnership and Lectra is committed to supporting the unique business evolution of each and every one of its customers.
Every Lectra Fashion Project benefits from Lectra’s 40 years of fashion expertise in the form of consulting, training, and ongoing support. Lectra’s consultants evaluate customer needs and process to propose appropriate solutions to support their unique business goals. Contact one of our global offices today to find out if a Lectra Fashion Project is right for your business.

Lectra has offices worldwide. Please visit www.lectra.com for more information.