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FROM SUPPLY-CHAIN TO DEMAND-CHAIN:
New Industry Opportunities and the Growing On-Demand + Personalization Trend
WHY CARE about on-demand and personalization?
The Death of Clothing

▲ Young shoppers are abandoning Topshop for Instagram and online retailers. Photograph: Alamy Stock Photo
THE INDUSTRY IS....

CHANGING

SOPHISTICATED

FAST

UNDER PRESSURE

PERSONALIZED

TECH & DATA DRIVEN

LECTRA
THE NEW CONSUMER
• DIGITAL, MOBILE, SOCIAL MEDIA

• LOW BRAND LOYALTY

• QUALITY vs QUANTITY

• SEE NOW, BUY NOW

• ULTIMATE EXPERIENCE

• PERSONALIZED BRAND RELATIONSHIP

• SUSTAINABILITY & ETHICS
MEANINGFUL
PERSONALIZED
UNIQUE
FAST
TRANSPARENT
HIGH QUALITY
The move towards more ethical and responsible consumption

- Care for product (origin)
- Care for planet
- Care for people (supply chain transparency)
- Care for fabric (less but better)
Every year around 100 billion items of clothing are being produced.

Around 80 billion are being purchased.

More than 10% go straight to landfill after each season because what is made is not tailored to what customers want.

The Average U.S. citizen throws away 81 pounds of clothing each year. Only 15% get donated or recycled. 85% goes into landfill.

Source: Fung Business Intelligence; Greenpeace
PERSONALIZATION MEETS THE DEMANDS OF THE NEW CONSUMER

74% of Millennials & GenZ are interested in buying products that are personalized to their taste/made specifically for them.

42% have at least once personalized a product for themselves.

Consumers are ready to pay a 20% premium for a personalized product.

41% of all age groups expressed an interest in purchasing personalized clothing.
A NEW WAY TO DO BUSINESS
FROM "TAKE-MAKE-DISPOSE"
TO TAILORED TO WHAT CONSUMERS WANT

1990
B2B model

1998
B2C model

NOW
C2B model
SUPPLY, THEN DEMAND

TRYING TO PREDICT THE UNPREDICTABLE...

STATIC

RISKY

EXPENSIVE

WASTEFUL
$300 billion

= U.S. retail’s stock-out and overstock losses

40%

= Brands’ losses in markdowns due to long lead times from offshore suppliers
SO WHO ARE THE RETAIL WINNERS?

THOSE WHO BUILD A FASTER, MORE FLEXIBLE SUPPLY CHAIN.
test model – for the riskiest products
read & react – for new and untested products
express cycle – for new in-season products
short-lead - for the core seasonal collection.
long-lead - for basics
SMALL BATCH PRODUCTION TECHNOLOGIES AND MORE PERSONALIZED MEDIA ARE CREATING AN EXPECTATION FOR PERSONALIZATION

The market is mature and dynamic enough

The consumer voice for feeling unique, collaborate, change things is loud enough

Brands and Retailers need the new breath to survive (gain customer acquisition, loyalty, more margins)

The Technology is evolving continuously Still challenged by scalable, timely production

Source: Trends hunter "Mega trends" report
cost per unit

COST PER UNIT SOLD.
Ability to produce/test a larger variety of styles

Reduced risk of overstock and lower rates of markdowns

Eliminate inventory and lower cost of storage/warehousing

Lower up-front monetary investments, freed up cash flow

Faster replenishment / re-orders, ability to respond to consumer demand quickly
CLOSER RELATIONSHIP BETWEEN CONSUMERS AND BRANDS

- more customer DATA
- brand loyalty
- meaningful products = less waste
The ability to create personalized products is becoming a source of differentiation.

Source: Euromonitor International, 2018
BENEFITS OF ON-DEMAND CUSTOMIZATION

1. Get closer than ever to your customers
2. Better margins & positive cash flow
3. Zero stock
4. When supply meets the market
5. Zero waste
6. Growth potential
PERSONALIZATION DELIVERS BENEFITS TO EVERY PLAYER IN THE INDUSTRY

CONSUMERS

Get better quality products, uniqueness, emotional engagement, and a greater experience. More meaningful products also means less waste.

BRANDS

Eliminate risk of overstock and free up cash flow, while building consumer loyalty and a relationship with their customers.

RETAILERS

Build customer retention by proposing new, personal experiences online and offline, and more access to customer data to drive business decisions.

MANUFACTURERS

Can capitalize on continued technology advancement and drive business growth by proposing on-demand and personalized products as a value added option for their customers.
WHAT DOES THE INDUSTRY REALLY THINK?
CONSUMERS

THE FUTURE OF FASHION
is tailor made and online

40% would prefer to wait more
and save up money in order to
purchase customized items.

42% would be willing to spend
more to purchase customized items
than on non-customized items.

49% of Americans
are interested in buying CUSTOMIZED ITEMS

3%** to spend more than 1,000$ in customized items in the next 12 months

ESTIMATED TURNOVER
+$4 BILLIONS*

*American population: 326,067,450 - source: Census.

2017
1 in 5 Americans bought customised items

MILLENNIALS (18-34 years old)
34%

35-54 YEARS OLD
26%

55+
7%

2018
The most wanted customised items

women

men

9% shoes

9% work clothes

17% shoes

17% work clothes

15% wedding

15% wedding
Fashion and Personalization

- **29%** of Americans have personalized apparel or footwear products.
- **67%** of fashion personalizers say they would pay more to personalize apparel and footwear.
- **22%** of fashion personalizers say personalization is a TOP interest for them.

- **18%** of fashion personalizers say they personalize their clothes to meet a specific need.
- **16%** of fashion personalizers say they personalize their clothes to identify a product as their own.
- **15%** of fashion personalizers say they personalize their clothes just for fun.
CONSUMERS


Where would you even start?

42% of consumers who are interested in customised products or services would still rather be led by brands and choose from a selection of options.

1 in 5 consumers who expressed an interest in personalised products or services are willing to pay a 20% premium.

Price isn’t the barrier.
THE STATE OF FASHION 2019: ON-DEMAND
According to recent survey results published by McKinsey, The State of Fashion 2019, **60% of apparel procurement executives expect that over 20 percent** of their sourcing volume will be from nearshore by 2025.
“Small-scale players will likely lead the way, while larger brands pilot in selected markets. We expect rising take up of on-demand will lead to a spike in personalization, and a new generation of customized clothing start-ups, creating a new definition of “made-to-measure.”
Ralph Lauren Doubles Down On Customization Programs

BY STEPHEN GARNER
NOV 21, 2019

American fashion brand Ralph Lauren is taking technology and customization to the next level with an expansion of its custom clothing line. Last year, Ralph Lauren launched aights, a first-of-its-kind custom clothing experience, anchored by the "Elevate This" campaign. This year, Ralph Lauren further builds out the experience adding a myriad of new styles, fonts, patches, and accessory items to customize.

This on-demand customization experience enables customers to choose from an assortment of 3,000 designs, including a sandal featured in Australian marine wool. With over 50 ways to customize, Ralph Lauren customers have the opportunity to create a perfectly unique, one-of-a-kind gift for the holidays.

Amazon’s Next Big Move Could Be Mass Customization

Amazon has won several patents on customizing physical goods, from apparel to electronics, suggesting it could be positioning itself as gatekeeper to the design of products of all sorts.

By Tiernan Ray
Updated Jan 21, 2019 10:34 AM EST | Original: Jan 18, 2019

Amazon has won several patents on customizing physical goods, from apparel to electronics, suggesting it could be positioning itself as gatekeeper to the design of products of all sorts.
“The demand for and accessibility of made-to-measure brands has grown over the past few years, but the past 12 months have seen something of a boom. In fact, three new brands in this space — SuitKits, Careste and Red Thread — simultaneously launched in October (2018).”

- Fashionista, December 2018
2019 PERSONALIZATION SURVEY REPORT

The opportunities and obstacles the apparel industry faces as it works to deliver goods that fit consumers’ individual styles, budgets and need for instant gratification.
44.5% decision makers
50% influencers

fashion brand (35%) supplier (19%) retailer (16%)

apparel (82%) accessories (40%) footwear (29%)
textiles (24%)
In what ways is your company moving from a supply chain to a demand chain? (please select all that apply)

- Creating smaller production runs to read and react to the market: 49.2%
- Working with factories with quick turn capabilities: 42.0%
- Creating products closer to market: 37.7%
- Digitizing to shorter product development time: 32.6%
- Platforming raw materials: 23.7%
- Opting to air goods rather than ship: 17.4%
- None of the above / other: 12.7%
- Don’t know: 10.6%
If your company or your supplier(s) is planning to make investments or currently doing so, which areas are you/they focused on specifically? (please check all that apply)

- **61.9%** - PRODUCT DEVELOPMENT TOOLS
- **42.0%** - FACTORIES
- **35.8%** - PLM
- **35.2%** - NEW PRODUCTION SOFTWARE
- **34.7%** - LOGISTICS
- **24.4%** - CUTTING ROOM TOOLS
How would you characterize your factories’ ability to produce to demand and/or customize products?

36.0% - THEY ARE EXPLORING WAYS TO UPDATE THEIR OPERATIONS

28.8% - WE HAVE NO INDICATION THAT IT IS ON THEIR RADAR

17.8% - THEY OFFER THIS CAPABILITY CURRENTLY

11.9% - THEY ARE NOT CAPABLE OF WORKING THIS WAY AND LIKELY NEVER WILL BE

5.5% - THEY ARE BRINGING THE NECESSARY MACHINERY AND TOOLS ONLINE SOON
Mass customization is:

42.7% - Necessary but only for certain product categories

29.7% - Essential in order to remain competitive in the future

14.3% - Nice to have but not essential to business

13.3% - The direction the industry is headed in
Mass customization and made-to-measure will be mainstream, common offerings in the next:

- **57.8%** - 2 to 5 YEARS
- **37.0%** - 4 to 5 YEARS
- **22.4%** - 6 to 9 YEARS
- **20.8%** - 2 to 3 YEARS
- **15.9%** - 6 to 7 YEARS
- **6.5%** - 8 to 9 YEARS
- **12.7%** - 10 or more YEARS
Which area would need the most innovation in order to deliver on mass customization and made-to-measure?

<table>
<thead>
<tr>
<th>Area</th>
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<tbody>
<tr>
<td>Production / assembly</td>
<td>45.4%</td>
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<tr>
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<td>Sampling</td>
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<tr>
<td>Other</td>
<td>13.3%</td>
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<tr>
<td>Cutting</td>
<td>5.0%</td>
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<tr>
<td>Order tracking</td>
<td>2.1%</td>
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What has your company done so far to implement a mass customization business model?

- **34.9%** - We have identified manufacturing facilities that are set up to work in this manner
- **27.1%** - We are investing in product development software
- **24.0%** - We have determined how to make this a profitable part of our business
- **14.0%** - We are investing in our factory partners to get them up to speed
What is keeping your company from being more agile in its product development and production processes?

“Factory partners with true experience and highly skilled workers to accomplish on demand customized production. This is because we are focused on US production too. “

“Factory capabilities, re-orderable trim and fabric, financial investments in logistics and product development.”

“Business habits that were once profitable.”

“Our domestic (USA) production does not have the expertise.”

“Factories attitude towards change from bulk production to cutting/making small runs. Jeans & Tees are the easier ones to make. Factory attitude has to change first.”

“Factories set in their ways”

“Access to manufacturing.”

“Finding a manufacturer who will create MTM garments.”
What is keeping your company from being more agile in its product development and production processes?

“Factories in Los Angeles struggle to compete on cost against offshore factories. So having a more agile system, where they can easily make small runs and customized products, would give them a strong competitive advantage. But good luck getting them to believe this or adapt!”

“Most factories struggle with the changing demands of smaller units quicker turn not to mention one off units.”

“This is all about Mass styles and Small Production.”

The factories have to develop the flexible sample lines in order to be flexible on the variety of the products with small volume.”

“We follow what the manufacturing industry dictates. There is no investment into modernizing factories when it comes to a new approach - other than regarding the topic of sustainability.”

“Priorities & finding the right manufacturing partner to reach scalability”
2019 PERSONALIZATION SURVEY REPORT

The opportunities and obstacles the apparel industry faces as it works to deliver goods that fit consumers’ individual styles, budgets and need for instant gratification.

Factories on the road to a new model:
How the industry characterizes manufacturing facilities’ readiness to deliver personalized goods.

Making strides toward the future:
The progress the industry has made toward implementing mass customization and/or made-to-measure.
TAP INTO OPPORTUNITY
OFFER **VALUE ADDED SERVICES** THAT ALLOW BRANDS & RETAILERS TO:

- be more agile
- be more responsive (read & react)
- balance supply with real demand
- reduce returns
- improve quality
- become more sustainable
- improve cash flow
- scale current made-to-measure and custom offers
NOT JUST PERSONALIZATION...

START A NEW LINE

TEST NEW BUSINESS MODEL

SMALL SERIES SAMPLING

TEST NEW STYLES

LOCAL-TO-LOCAL QUICK REPLENISHMENT

SUSTAINABILITY

and more...
TECHNOLOGY IS MAKING THIS POSSIBLE.
Old platform technology with limitations

Poor visibility on real-time status

Order computing not fully automatic

Lack of collaboration

Lack of traceability on events

No possibility to analyse margins (delivery not included)

Sequential & Manual activities

One way information

No Dashboard

NEED FOR

COLLABORATION

AUTOMATION

SIMPLIFICATION

LECTRA
HOW?

Through true, end-to-end process automation and removal of non-value added manual tasks.
AUTOMATION

CLOUD TECHNOLOGY

STREAMLINED DATA FLOW

COLLABORATION

VISIBILITY

EMBEDDED KNOW-HOW

and more...
For more information on how Lectra can help with on-demand and personalization, please get in touch:

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