



SPEED TO MARKET:
MORE IMPORTANT THAN EVER

CGS 2017 ANNUAL REPORT
ENTERPRISE RESOURCE PLANNING



For fashion and apparel companies, the pressure is on to “speed up” supply chains in 2017

Each year, CGS conducts an annual survey to capture and assess trends, challenges, best practices and priorities that will impact fashion supply chains.

In our 2017 survey, we interviewed 70 business leaders and key influencers responsible for driving operational excellence for their brands via Enterprise Resource Planning (ERP), Supply Chain Management, Warehouse Logistics and Product Design.

In this report, we reveal:

- Where companies are planning to spend their resources in 2017
- How brands are prioritizing their strategic goals
- The top requirements being considered when evaluating enterprise technology
- What challenges are keeping them up at night
- How companies are addressing the need for speed in their supply chain strategies

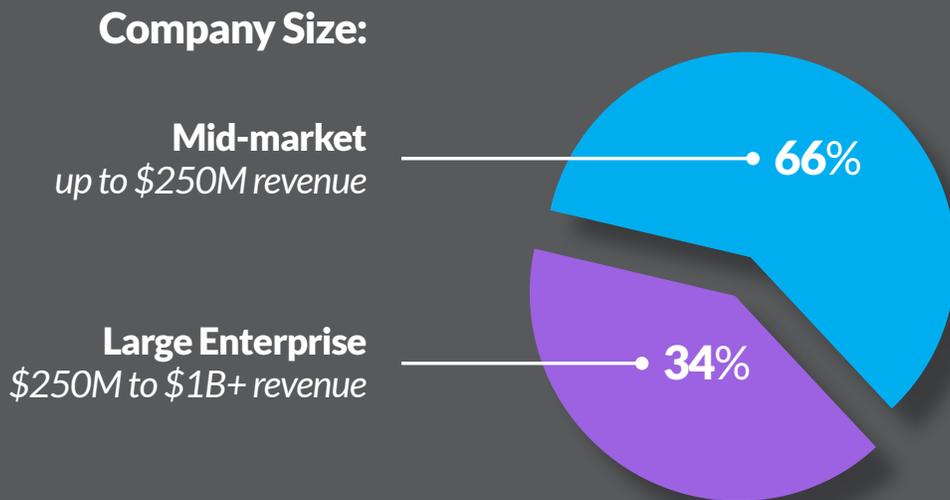
Now, let's take a closer look at the participants and the companies they represent.

SURVEY PARTICIPANTS

The survey participants were well-distributed and represented several different departments:

- Executive Management
- Finance
- Information Technology
- Operations
- Product, Sales
- Supply Chain
- Vendor Compliance

90% of respondents are strategic-level decision makers, influencers or contributors to the enterprise technology implementation and buying process.



TOP 7 STRATEGIC GOALS IN 2017

In 2017, investing in business intelligence (BI) continues to be the foundation for strategic success, including business process improvements, finding new areas of growth and managing and reducing costs.

While in 2016 we saw that 90% of all respondents ranked BI as important, it is a requirement in 2017; 76% of ERP decision makers state that business intelligence has the greatest impact on their companies.

With analytics in place, companies are making strategic decisions as to how their inventory should best meet customer needs and are leveraging their ERP systems for a centralized view of demand and supply across all distribution channels, including eCommerce, wholesale partners and brick-and-mortar stores.

STRATEGIC PRIORITIES for Reshaping in 2017

- 1.** Business Process Re-Engineering **85%** *New in 2017*
- 2.** Finding New Areas of growth **72%** *Ranked #1 in 2016*
- 3.** Managing and Reducing Costs **68%** *Ranked #2 in 2016*
- 4.** Get the Product Mix Right **45%** *Ranked #3 in 2016*
- 5.** Compliance **20%** *Ranked #4 in 2016*
- 6.** Reshoring/Domestic Manufacturing **7%** *Ranked #6 in 2016*
- 7.** Nearshoring/Outsourcing of Business Processes **3%** *Ranked #7 in 2016*

According to Gartner,
by 2020, organizations that have
successfully renovated their
core ERP will achieve
a 75% improvement in
IT response agility and
cost-to-value outcomes.

Gartner

A NEW FRONTIER: BUSINESS PROCESS RE-ENGINEERING

Business Process Reengineering (BPR) ranked the highest in priority for ERP strategies in 2017.

It is common for outdated business processes to limit a company's growth. Respondents stated that BPR allows their companies to be more efficient and provides radical improvements within their organizations. The key to BPR is starting with a clean slate, removing older, outdated and often manual business practices in favor of new processes that meet current and future business goals.

According to Bain and Co., here are 5 STEPS TO CONSIDER WITH BPR ¹

1. Refocus company values on customer needs
2. Redesign core processes, using technology to enable improvements
3. Reorganize a business into cross-functional teams with end-to-end responsibility
4. Rethink basic organization and people issues
5. Improve business processes across the organization

Adrianna Papell uses CGS BlueCherry® Enterprise Suite and Microstrategy to extract detailed information and deliver on business intelligence.

Coupled with BPR, Adrianna Papell could analyze data down to the product category and merchandise group level, and pull performance reports on actionable revenue-driving metrics such as short versus long dresses to make better business decisions.



“Business Process Reengineering
allows us to manage
the metrics that we need
to see in our business.

We use analytics every day to keep a
pulse on what’s going on.”

Ashesh Amin, COO
Adrianna Papell

GROWTH AREAS

Finding new areas of growth was the number one strategic goal in 2016, and remains essential in 2017.

Respondents agree that the most effective-method for growth is to get better visibility into operations through data-driven insights. By tapping into end-to-end supply chain data, companies can identify global growth opportunities and new sales channels.

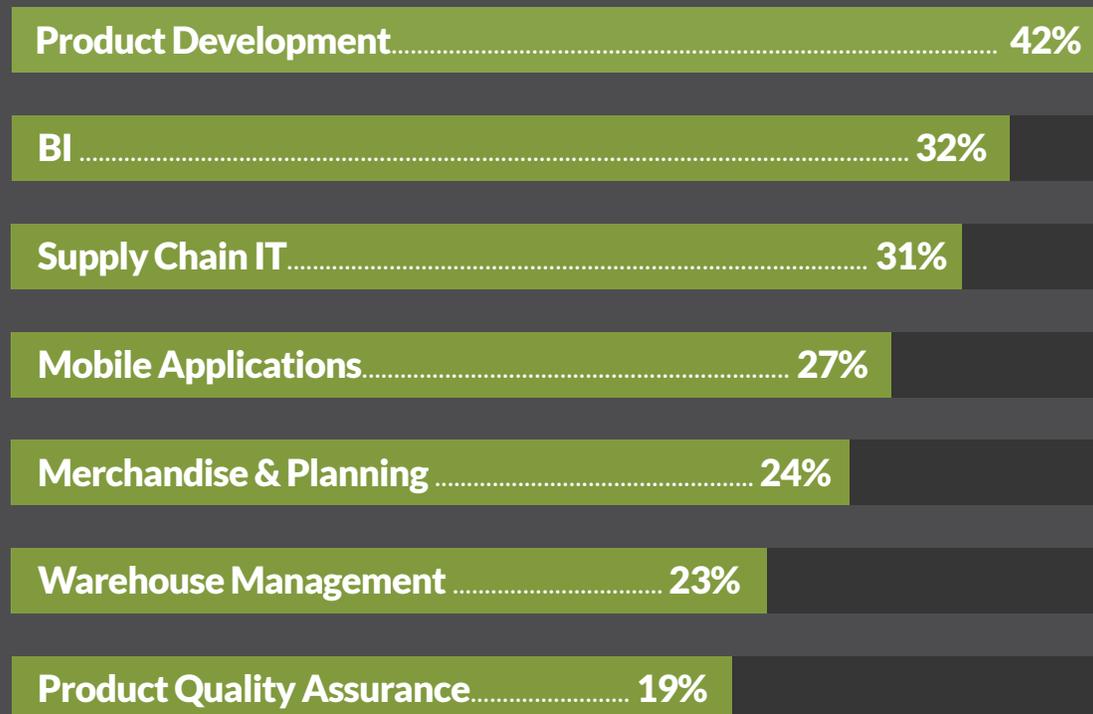
41% of ERP decision makers
ranked **FINDING NEW AREAS OF**
GROWTH as the top priority,
with 76% ranking it in their top three.

WHERE ARE YOUR PEERS INCREASING THEIR INVESTMENTS?

Survey participants identified product development, business intelligence (BI) and supply chain IT as the top three areas for spending in 2017.

As fashion and apparel companies are pressured to speed up their supply chains to meet the new “see now, buy now” expectations, companies are turning to technology and integrated systems to gain a competitive edge.

TOP AREAS FOR SPENDING IN 2017:



CHANGE MANAGEMENT - SAFEGUARDING AGAINST DISRUPTION

Disparate systems and siloed business units are a major challenge for companies looking for greater transparency and a faster supply chain.

Brands are facing pressure to produce garments in weeks, rather than the months it traditionally takes, from design to production. When an item takes off at a fashion show, companies like Zara can turnaround a similar look in less than a month, fueling the consumer's "see now buy now" expectations.

70% of all responses
on top challenges boil down to
change management.

To be successful,
companies need to align
business processes, analytics and
technology to remove
operational silos and to
streamline their supply chain.

“SEE NOW, BUY NOW” IN ACTION

Prada and Alexander Wang prepare in advance for their handbags to be available for purchase immediately after a catwalk. And within days of New York Fashion Week, Bergdorf Goodman held a series of in-store events to promote the showcased items for immediate sales.²

TOMMY HILFIGER has every item shown on the runway immediately available online, and within days, available in 280 stores across 70 countries.



Tommy Hilfiger is also reacting to the new consumer expectations. The company introduced “Tommyland,” which is a music festival extravaganza featuring a pop-up store with the runway products available for sale. In addition, every item shown on the runway was immediately available online, and within days, the items were also made available in 280 stores across 70 countries.

As a result, Avery Baker, Chief Brand Officer of Tommy Hilfiger reported a 900% increase in website traffic within the first 48 hours after the unveiling, with multiple styles sold out within 24 hours after the show, and double-digit sales growth across the women’s category globally.³

WHAT TO LOOK FOR IN AN ERP

To meet the changing operations environment, 11% of respondents are actively looking to new ERP technology as an answer in 2017.

For those who are not actively searching for a new solution, one in four felt that there is room for improvement.

Q: When evaluating an ERP system against requirements, rate by priority the level of impact each of the following items would have in your decision-making process:

1. Integrate Business Processes
2. Reporting and Analytics
3. Fully Integrated EDI
4. Deep Industry Expertise
5. Knowledgeable Staff
6. Third-Party Integrations and Cloud
(tied for 6th place)
7. Mobile Applications

Of the participants who identified themselves as decision makers for ERP projects, 76% selected Reporting and Analytics as having the greatest impact, followed by integrating business processes (71%) and a knowledgeable staff (71%).

SPENDING TRENDS - BUSINESS INTELLIGENCE

Business Intelligence lays the foundation for success in achieving strategic goals in 2017.

Having the right analytics in place can guide a wide range of decisions, enabling companies to aggregate, slice and segment data to their needs. This level of insight allows a brand to be more proactive, leading to operational cost reduction, better profitability and understanding of the marketplace and the ability to manage supply chain risk more effectively.

An overwhelming

88% of ERP DECISION MAKERS

plan to either maintain

or increase spending

for business intelligence and

analytical capabilities in 2017.

FOR NIKE, BIG DATA IS IN FASHION

With sales targets of \$50 billion by 2020, the future looks bright. Nike's path to success lies in leveraging big data to segment and serve its diverse markets.

With 13 product lines, in more than 180 countries, Nike divides the world into sporting categories rather than geographies. CEO Mark Parker calls this approach "category offense," and reorganized the company's operations around individual sports.

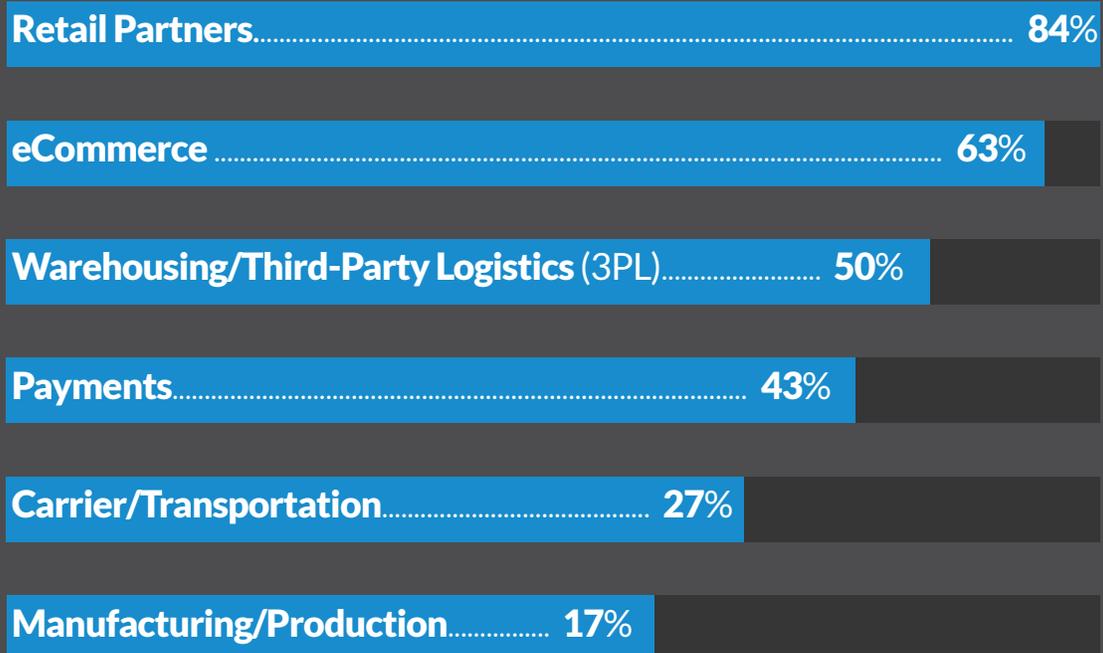
The goal was to better target its customers' needs by identifying what athletes looked for in each sport. Since the shift in 2008, the company has reported 70% in sales growth.⁴



OVERCOMING BARRIERS

Open ended responses reveal that the biggest challenge to omnichannel supply chains are operational silos, so it is not surprising that Electronic Data Interchange (EDI) is a top three requirement when selecting an ERP.

In a separate survey conducted in 2016: EDI and its Role in Supply Chain Management - **75% of respondents were using EDI as part of their supply chain management.**



Fully integrated EDI with ERP helps companies reduce processing time, improve productivity, decrease errors and streamline inventory and warehouse management.

NEW CHALLENGES

In conveying the biggest obstacles organizations expect to face in managing daily business needs in 2017, the top five responses are:

1. Supply Chain Management
2. Logistics
3. Inventory Management
4. Financials
5. Production

There is still a lot of progress to be made. The top three obstacles identified are Supply Chain Management, Logistics and Inventory.

As supply chains become increasingly complex, eCommerce continues to grow, and consumer expectations for instant gratification becomes the norm, companies are pressured to modernize their supply chains.

In a recent article, WWD predicts that each week in 2017, an additional 3.5 million people are expected to get online in the U.S., and \$40 billion will be spent by all U.S. consumers. ⁵

BURBERRY IS UP FOR THE CHALLENGE

One company responding well to these challenges is Burberry.

Traditionally, Burberry would have started product designs in May 2016 for a Spring/Summer 2017 collection. But in 2017, the company began designing in January, which is 7 months' faster than before.

To ensure that the products were produced and delivered on time, Burberry communicated all lead times and production schedules with its supply chain partners.

Once wholesale orders were placed, the Burberry team worked to fulfill orders for department stores, eCommerce, its own flagship stores and other retailers so that the company can be ready immediately after a fashion show.⁶



“You normally design the full show, then you show the show, and then your supply chain starts to kick in.

Now, we will be designing the show and, as we're doing that, we will be passing things over immediately to our supply chain partners to say, 'Let's look at the lead times on this; how can we work with this factory to get this on the date that we need it?' ”

Christopher Bailey, Chief Creative Officer and
Chief Executive Officer, Burberry

WHO SHOULD HAVE A SEAT AT THE TABLE?

Selecting an ERP solution is a major project in any organization. The average lifespan of an ERP is about 10 years; so companies invest a lot of time, money and resources in the selection process to ensure return on investment.

Q: Who is involved in the decision-making process for ERP solutions?

IT Leadership (CIO/CTO/VP)	61%
CEO	44%
CFO	47%
COO	33%
Operations	44%
Finance	25%
Product Leadership	25%
Manufacturing	11%
Supply Chain Mgmt.	23%
Warehousing/Distribution	11%
Merchandising/Planning	9%

The array of people and departments involved reflects the importance of ERP to the overall business goals of an organization.

PLANNING AHEAD

Technology has evolved to a level at which applications can interact in a best-of-breed environment with APIs, or companies can leverage a single vendor solution for a fully integrated solution with a single version of the truth.

When you are considering a new ERP, you should ask yourself “What components of the ERP need replacing?”

Many companies are looking for improved order management to facilitate inventory and the movement of goods in different sales channels. Does your current ERP manage all your omnichannel workflows, or do you need a third-party solution to help?

According to a
2016 RSR Research Study,

48% of participants

are redesigning their supply chains
to better leverage their inventory.

SUMMARY

With each annual report, new data becomes available for us to track trends and shifts in business priorities.

Top five trends we see making the most impact this year:

- 1. As fashion and apparel companies are looking to speed up and streamline their supply chain in 2017**, they are also increasing their investments in IT and supply chain by 7%.
- 2. A challenge many companies face in 2016 and 2017 is inventory and order management for an omnichannel supply chain.** In 2017, we see an increase in warehouse management spend by 7%, from 30% in 2016 to 37% in 2017.
- 3. Business Process Reengineering was identified as the top business priority for reshaping ERP strategies in 2017.** As companies look to be more efficient and transparent, business processes need to be evaluated along with ERP to yield maximum results.
- 4. Finding new areas of growth remains a top 3 business priority in 2016 and 2017.** With business intelligence and analytics, companies are gaining better insights and transparency into new areas of growth, and we see companies shift their distribution strategies between eCommerce, brick and mortar and wholesale based on big data to maximize sales.
- 5. The three most important considerations were the ability to integrate business processes, reporting and analytics and fully integrated EDI.** Cloud and mobile applications were least important when selecting an ERP vendor.

ABOUT CGS BLUECHERRY

CGS's BlueCherry® Enterprise Suite provides clients with a powerful, comprehensive set of tools to drive their fundamental business processes.

Focusing on the needs of high-growth organizations operating in the consumer lifestyle products and retail industries, our solutions have the built-in capacity to address the needs of all core management, planning, product development, manufacturing, logistics, finance and sales functions.

A flexible solution that is available in the cloud and on-premise, BlueCherry Enterprise Suite empowers omnichannel businesses globally with over 600 integration partners ranging from retailers, eCommerce, logistics, third-party warehouses and manufacturing facilities.



With end-to-end capabilities, the BlueCherry Enterprise Suite includes:

- Enterprise Resource Planning (ERP)
- Omnichannel Merchandise Planning (OCMP)
- Product Lifecycle Management (PLM)
- Shop Floor Control (SFC)
- Omnichannel Warehouse Management (OCWM)
- B2B eCommerce
- Business Intelligence (BI)
- Electronic Data Interchange (EDI)



With a network of 500+ customers collectively delivering more than \$40bn in annual retail sales, 250,000+ active users and implementations in more than 20 countries, we've built and actively facilitate a collaborative community of CGS experts and client users that's unmatched in the industry, providing an open forum for clients to share strategies and best practices with each other and with us -- which we, in turn, incorporate in our software roadmap.

SOURCES

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