

KALYPSO

A ROCKWELL AUTOMATION BUSINESS

2023

Digital Product Creation in Retail Research

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Introduction

Today, most product leaders in retail, footwear and apparel (RFA) are actively pursuing some form of a **3D digital product creation (DPC)** initiative.

Retail companies are experimenting with various digital capabilities, but actual **maturity and link to business value vary widely.**

This year's annual research was conducted by Kalypso, with sponsorship from the Fashion Innovation Agency and the London College of Fashion, to bring the current landscape of DPC initiatives to light.

The goal is to help retailers understand how established and **emerging digital solutions are being scaled, driving growth and shaping the industry.**

Research Methodology

Over **100+ people** in the retail industry answered questions across five main topics surrounding Materials & Components, Concepting & Ideation, Development & Manufacturing, Sales & Marketing and Foundational Technology.

Function

Product Creation	28%
DPC	20%
Technology / IT	18%
Executive	10%
Operations	10%
Sourcing / Supply Chain	8%
Other	8%

Business Type

National or Global Brand with Direct-to-Consumer Sales, Wholesale, and other sales	45%
Retailer (Single or Multi-Brand)	31%
Manufacturer (Vendor or Supplier)	19%
National or Global Brand with Direct-to-Consumer sales ONLY	5%

Market Segment

Mainline / High Street	61%
Discount / Value	19%
Luxury	16%
Couture or Made-to-Measure	3%

Summary of Key Insights

1

Organizational Change Management – Well Known and Under Addressed:

Insufficient organizational change management (OCM) support is now the largest barrier for successful DPC implementation.

2

A Scarcity of Skilled Talent:

The increased reliance on digital solutions has increased the demand for digitally-skilled talent. However, this demand has outstripped the existing supply of said talent.

3

Return on Investment and DPC – A Focus on Profitability:

Companies are expecting an established return on investment (ROI) prior to granting funding for digital solutions like DPC.

4

Underutilizing Foundational Technologies:

Despite having foundational technologies like digital asset management (DAM), the majority of companies continue to store their digital assets in local shared drives like SharePoint.

5

AI and the Future of Emerging Technologies:

While the potential is there for AI for generative design, this capability is still in its infancy for this industry.

6

Unrealized Gains – The Untapped Potential of DPC for Market Speed:

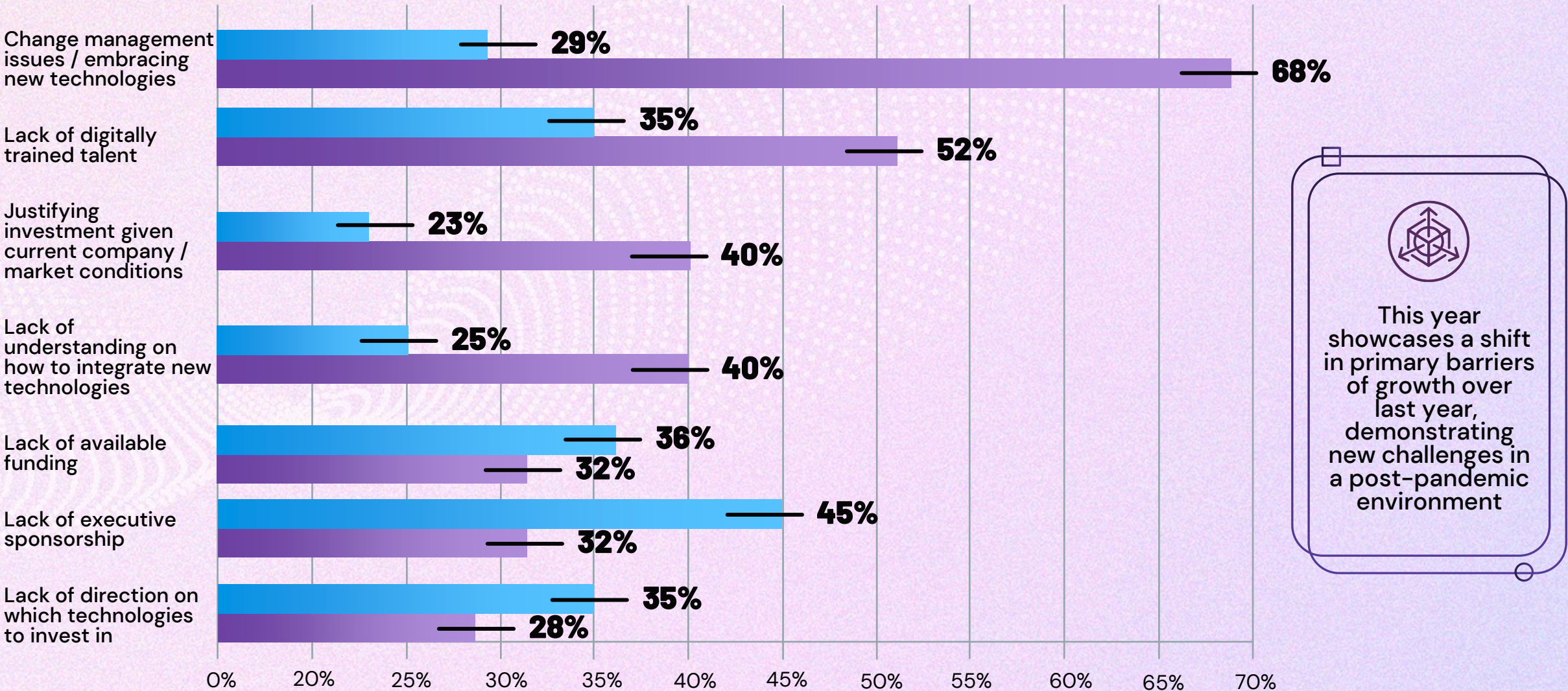
Evidence suggests that despite existing DPC solutions, proof of concepts (POCs) and pilots, companied with DPC solutions have not changed their production calendars.

7

The Rise of Sustainability:

Insufficient increased media focus, changing consumer/investor expectations and new regulatory legislation are pushing the focus on sustainability for the industry.

Challenges & Barriers to Entry



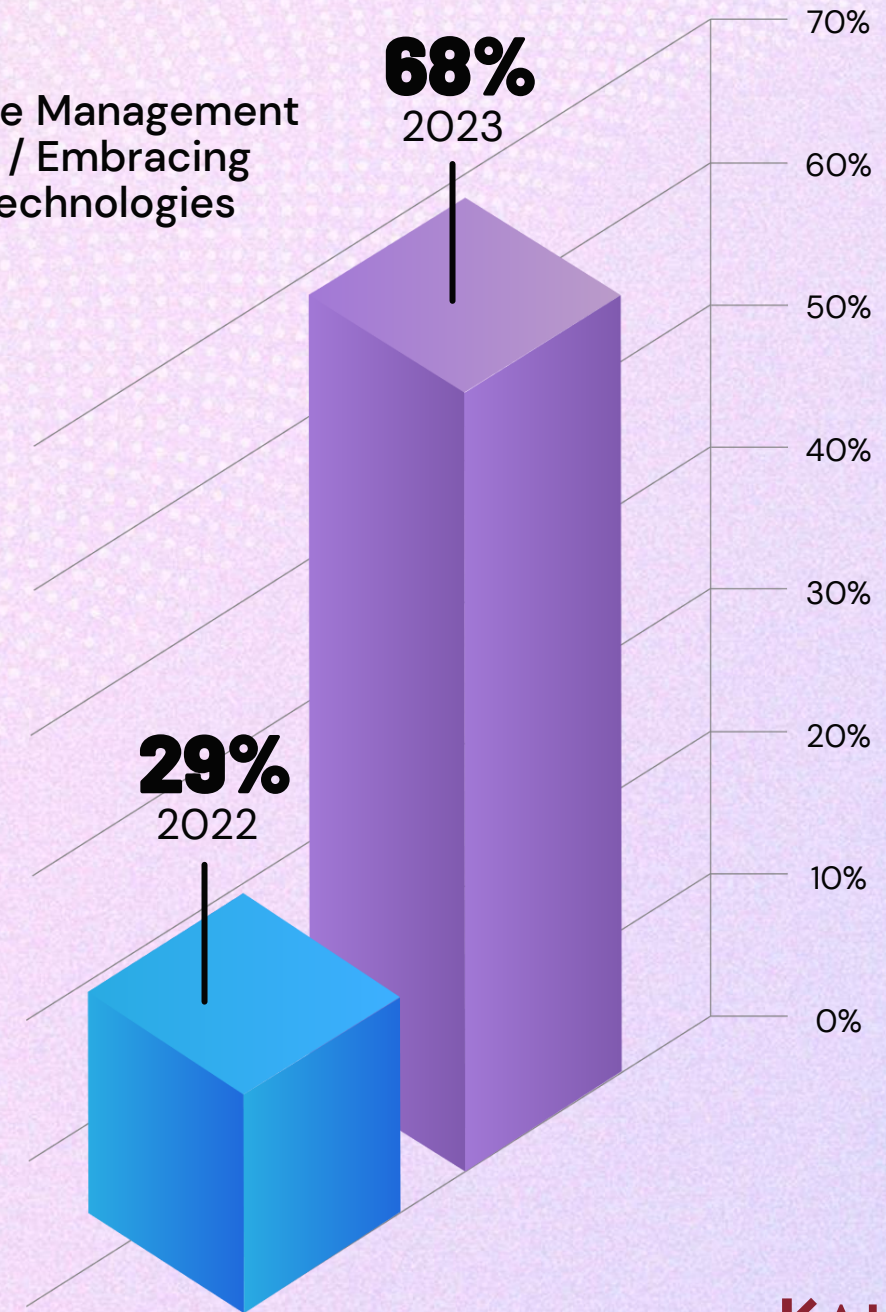
Organizational Change Management Well Known and Under Addressed

Organizational change management was identified as a major challenge by 68% of the respondents, while only 20% indicated that they had a dedicated change management strategy and full-time resource in place to support digital product creation.

This is now the biggest DPC barrier, a significant shift from the 29% reported in 2022.

This suggests **a major gap in the current strategic approach to implementing DPC** despite being a known challenging factor

Change Management
Issues / Embracing
New Technologies



A Scarcity of Skilled Talent

Though Digital Product Creation is widely accepted as a leading practice in the retail industry, many schools haven't kept up with the shift in technologies, causing a gap in the new generation of designers.

Organizations, like the 3D.RC, are working to establish a harmonized industry perspective on the skills required for professionals who are executing 3D design and development work. The goal is to support efforts by learners, trainers and educators to upskill the retail, footwear and apparel industry for a digital future.

52% of survey respondents

indicate that one of the key barriers for adoption and scaling of DPC is the lack of digitally-trained talent, like 3D designers, to develop digital assets.

This is now the second biggest DPC barrier, a significant shift from the 35% reported in 2022.

Return on Investment and DPC:

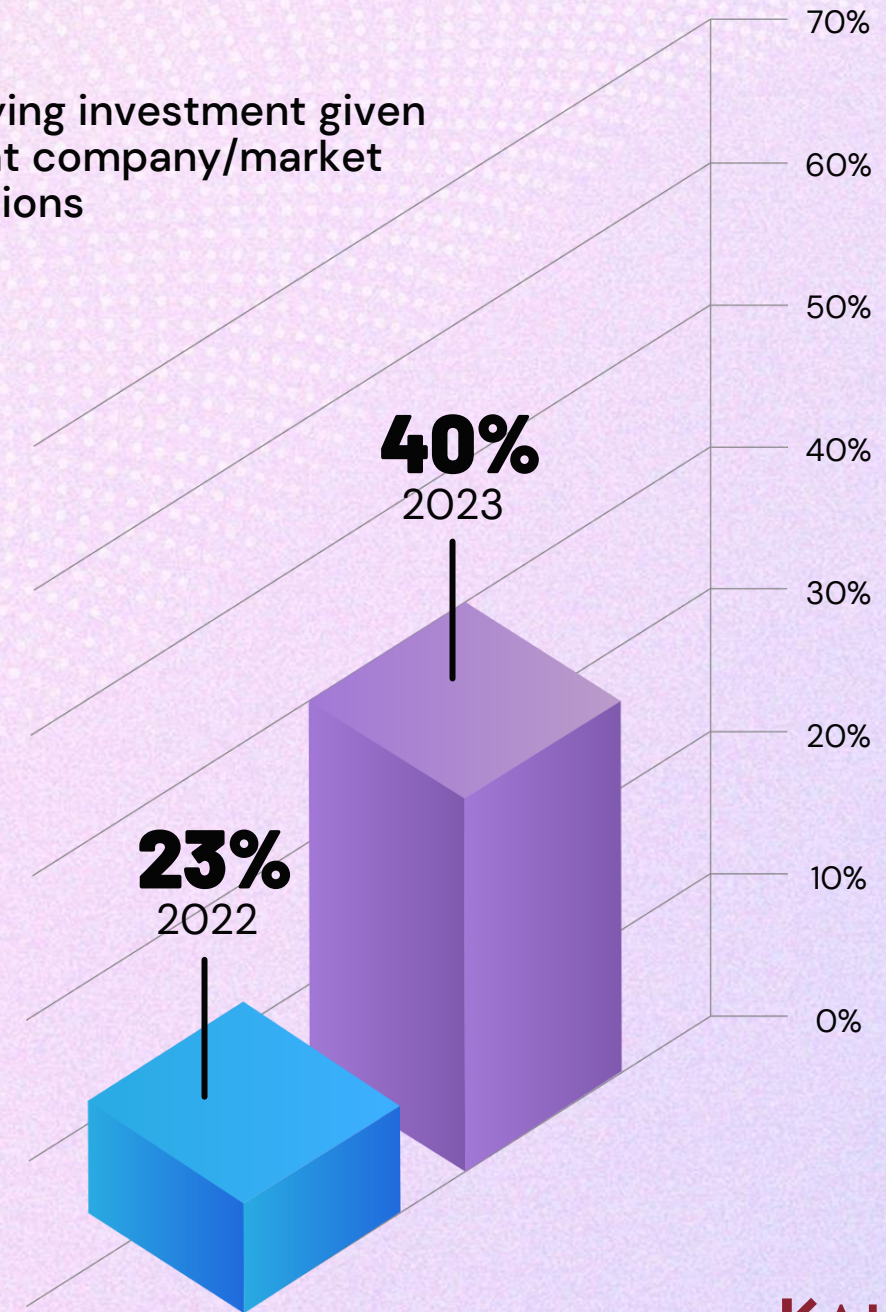
A Focus on Profitability

Given that DPC programs may impact multiple business units across the product lifecycle and frequently overlap other transformation initiatives, companies find it challenging to calculate hard ROI.

Justifying the investment given current company and market conditions is now the third biggest DPC barrier, a shift from the 23% reported in 2022.

While only 32% of respondents indicate that one of their biggest challenges is the lack of funding and resources to acquire licenses, equipment and train teams, over 90% of them suggest that having a ROI is required to secure that funding.

Justifying investment given current company/market conditions



Underutilizing Foundational Technologies

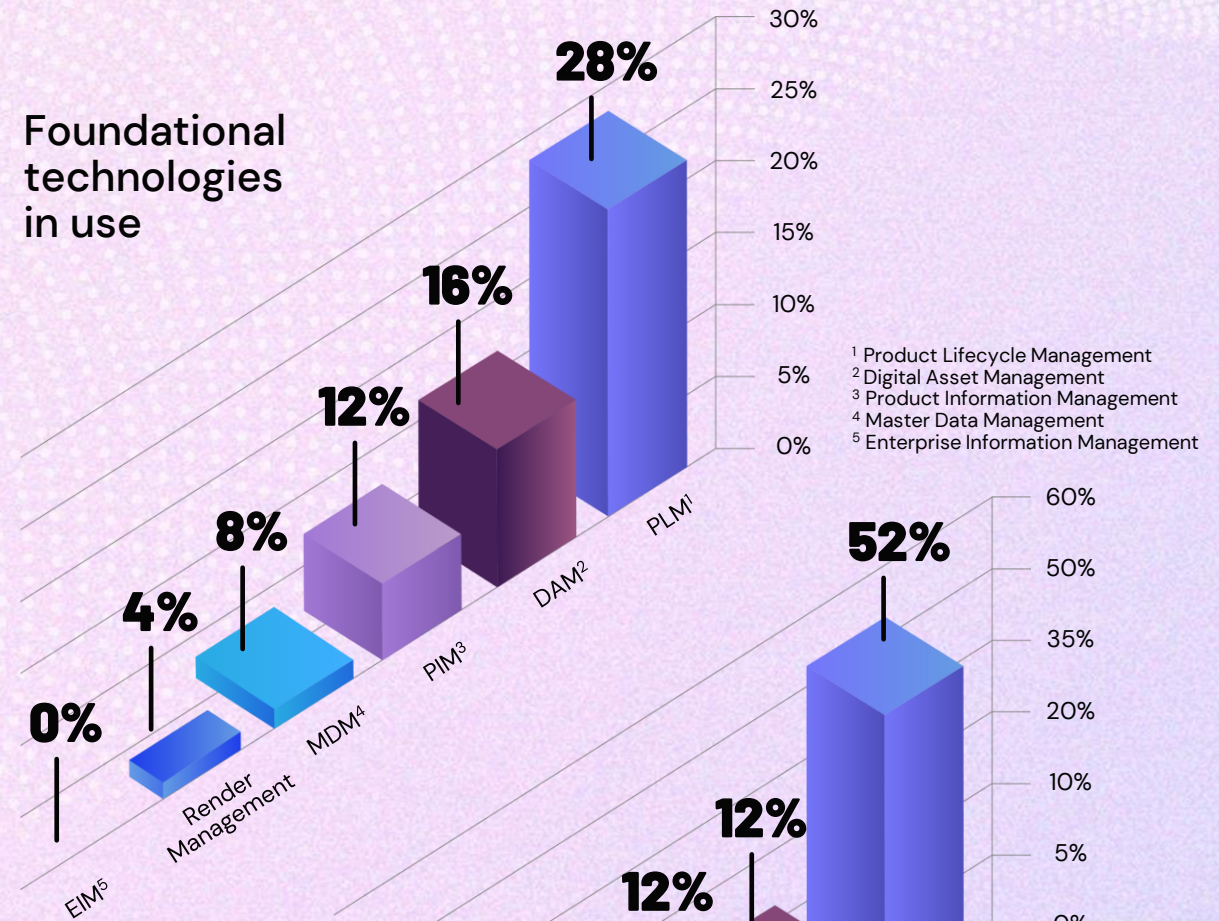
Over 87% of survey respondents agree that both product lifecycle management and digital asset management are a prerequisite for a successful DPC program.

While product lifecycle management was identified as the most used foundational technology for DPC, followed by digital asset management, most digital assets are still managed in local shared drives like SharePoint.

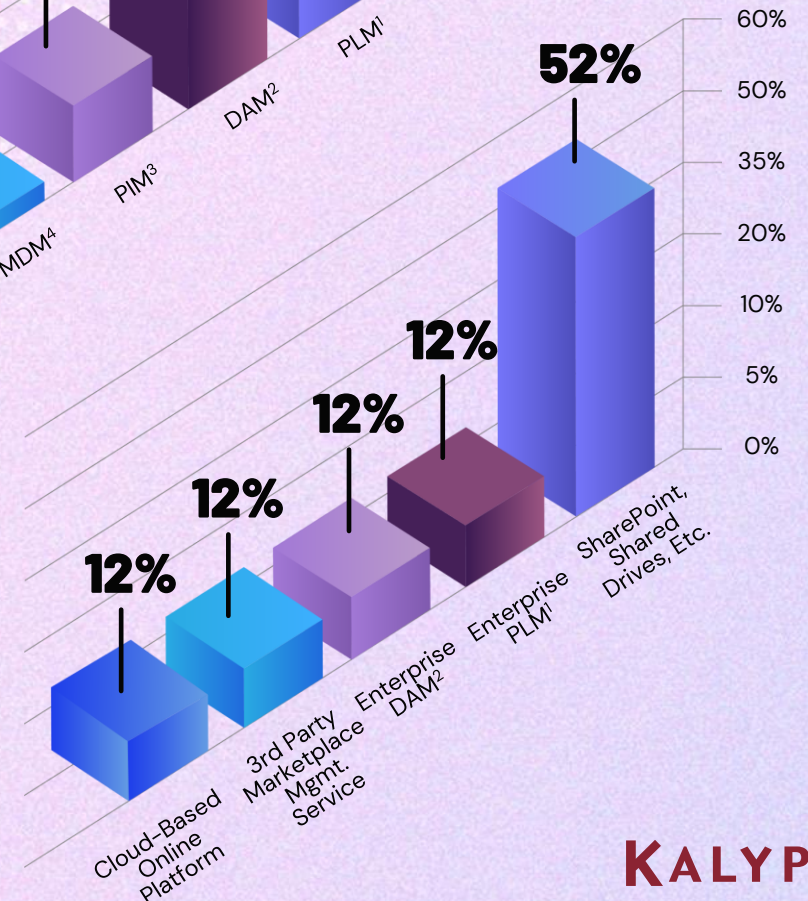
Furthermore, 40% of respondents report a lack of understanding on how to integrate new technologies, 15% more than last year.

This suggests an underutilization of the full capabilities of foundational technologies to manage DPC content and associated metadata, which in some cases is causing delays in end-user adoption.

Foundational technologies in use



Where digital assets are managed

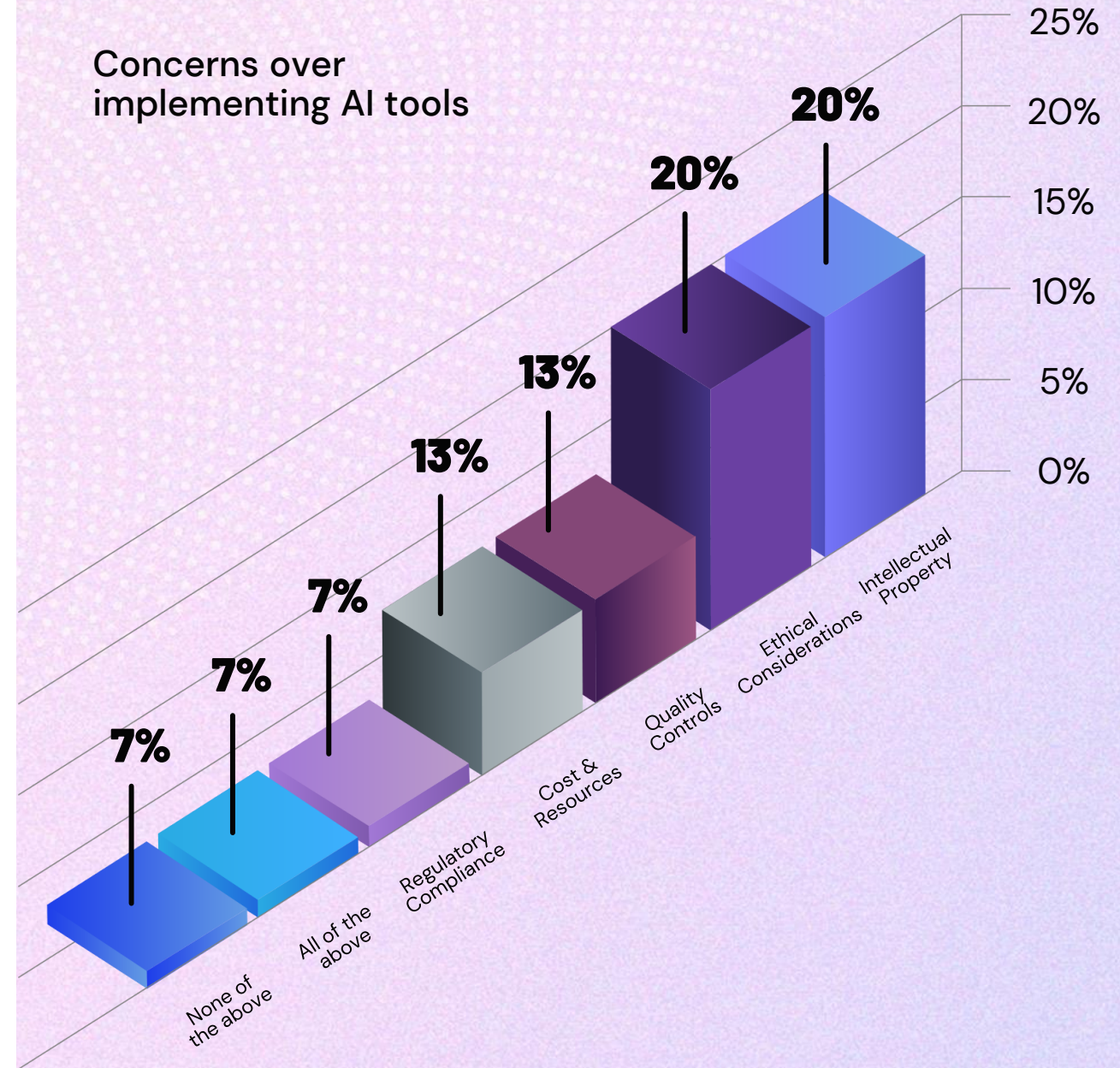


AI and the Future of Emerging Technologies

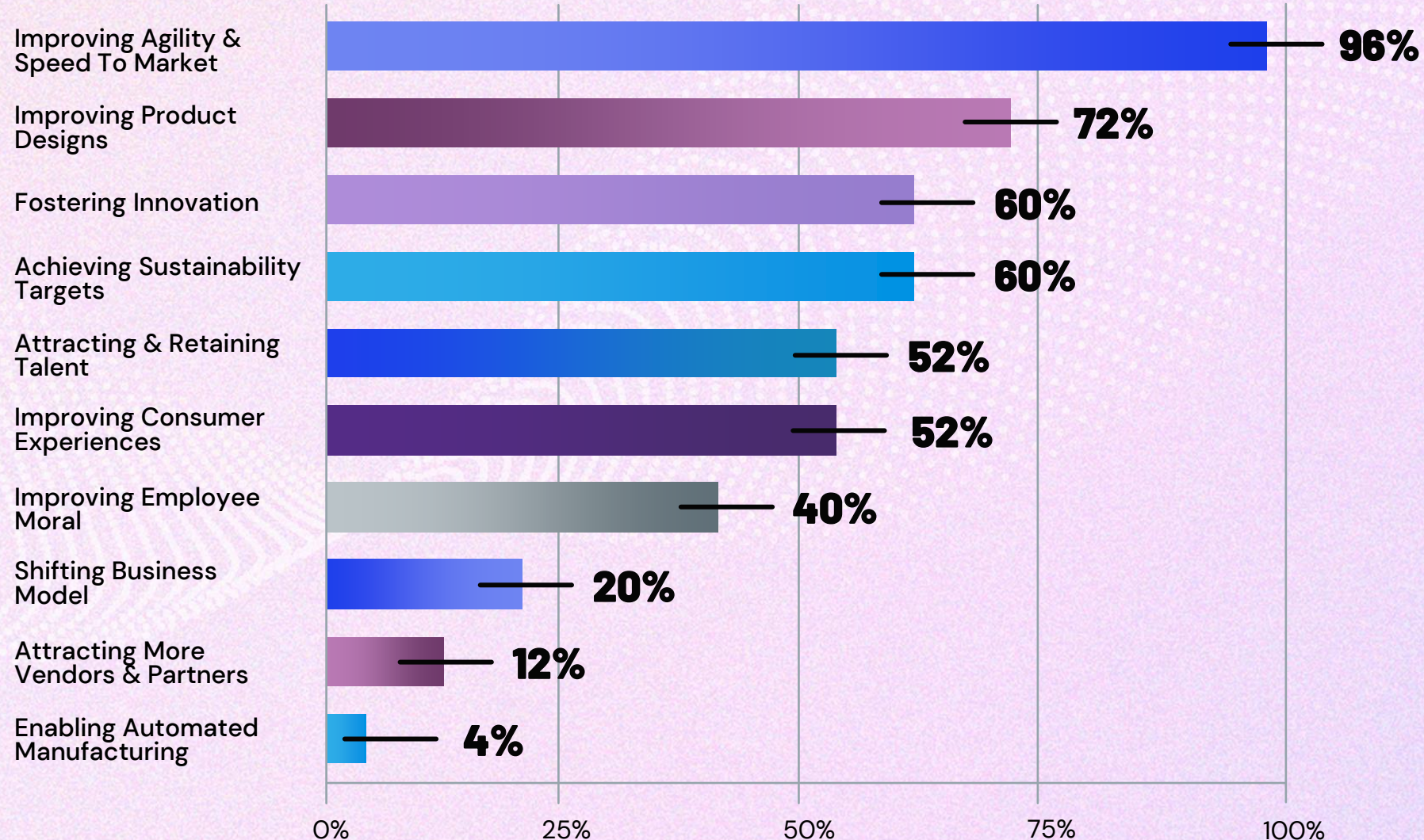
Using AI for design content generation is still in its infancy, with 80% of respondents indicating that they do not use it in any form.

However, as the industry tests the effectiveness of generative AI through tools like ChatGPT, DALL E2, Midjourney, DreamStudio and Adobe Firefly, we anticipate a rise in its use for creative purposes.

Adding this disruptive technology to the mix of DPC tools will present retail, footwear and apparel brands with a new suite of challenges and opportunities, such as redefining intellectual property rights and enhancing creativity.

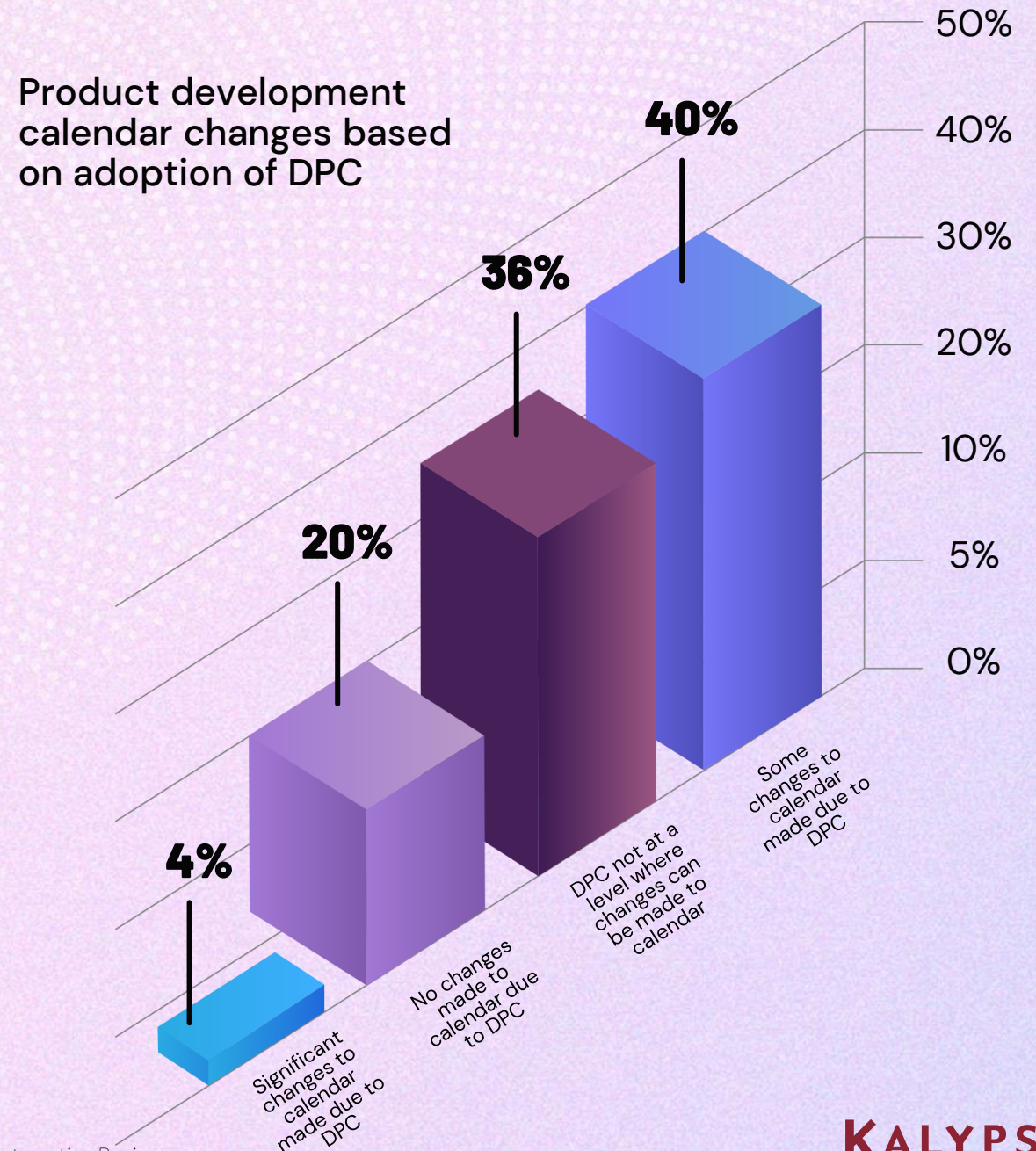


Strategic Imperatives for DPC



Unrealized Gains: The Untapped Potential of Speed to Market

While improving speed to market was identified by **96% of respondents** as a strategic priority for DPC, few respondents have committed to making alterations based on their current DPC solutions, with only **4% suggesting** they made significant changes to their calendars.



The Rise of Sustainability

As the world sees the impact of climate change, organizations are being pressured by both governments and consumers to shift towards more sustainable practices.

Historically, product innovation has been focused on bringing more new products to the market faster, but there is an increased focus on meeting sustainability targets through digital transformation.

Over 60%
of survey respondents
indicate that their
company is looking to
achieve sustainability
improvements with
their DPC program.

Lessons Learned

As many companies move to aggressively scale 3D content, they have found additional obstacles they must overcome to successfully maximize value



Increasing Change Fatigue

Adapting to the ongoing state of perpetual change will demand companies to fortify their OCM strategies in order to alleviate change fatigue



Foundational Tech Accelerating Growth

Optimizing the use of foundational technology, such as PLM and DAM, will help companies scale DPC processes



Near-term Pressure for ROI

Companies will need to build stronger benefit cases to keep sponsorship support



Leveraging New Talent & Org Structures

The scarcity of 3D talent will force companies to explore new org structures to enable DPC



Beware of Shiny Objects

The allure of tech trends like NFTs and the influx of new digital solutions can divert companies from their core transformation goals



Navigating Risks of Emerging Technologies

Amid the swift advancement of innovative AI, companies should proactively grasp risks, empowering adept market navigation

Thank you.

 [linkedin.com/company/kalypso](https://www.linkedin.com/company/kalypso)

 [Kalypso – Digital Product Creation](#)

Stay connected to keep the conversation going:



Will Yester

Director

will.yester@kalypso.com

[Connect with Will](#)



Alison Coddair

Senior Manager

alison.coddair@kalypso.com

[Connect with Alison](#)



Sophia Lara

Manager

sophia.lara@kalypso.com

[Connect with Sophia](#)



Esteban Garza

Technical Manager

esteban.garza@kalypso.com

[Connect with Esteban](#)



Cynthia Bailey

Senior Consultant

cynthia.bailey@kalypso.com

[Connect with Cynthia](#)



Daniela Gallegos

Design Manager

daniela.gallegos@kalypso.com

[Connect with Daniela](#)

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Respondent Detail

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