Top Six Things Every Retail Executive Needs to Know About PLM Transformation

by Vipin Goyal and Steve Riordan

It’s no secret that the retail market for product lifecycle management (PLM) software is growing rapidly. When used appropriately, PLM processes and software can help retail, footwear and apparel (RFA) organizations generate better ideas, manage product pipelines, design more efficiently, and collaborate across functional, organizational and geographical boundaries. However, retailers often embark on transformative PLM journeys without a coordinated, cross-functional plan of action. This can lead to conflict, confusion, disappointing return on investment, and failure to achieve strategic business and IT goals.

There are six fundamental things every RFA executive needs to understand about PLM transformations. By paying attention to all six of these considerations, retailers are much more likely to maximize the value of their PLM transformation investments.

1. PLM transformation is strategic
2. PLM is evolving rapidly
3. PLM vendors are very different
4. PLM business cases are multi-dimensional
5. PLM is not ERP
6. PLM is more than an implementation

In this article, we’ll outline the basics for each of these six concepts. In future follow on articles, we’ll add more detail and pragmatic suggestions for applying them to your unique needs.

PLM Transformation is Strategic

Most RFA companies have corporate level strategic goals to grow revenue through the continuous development of new and innovative products. Developing more robust product development processes and supporting them with PLM is a critical component for achieving these goals. Unfortunately, the highly creative nature of the industry means that most companies lack efficient product development business processes and even the proper organizational structure required to do this correctly. Very high SKU counts, rapidly changing customer demands and trends, and global collaboration requirements can make advanced processes and systems seem like a barrier instead of an enabler. When treated as a strategic enabler, PLM will help transform people, process and technology to help the organization achieve goals for innovation-driven revenue growth.

PLM is Evolving Rapidly

PLM implementation levels in RFA are rapidly catching up to earlier adopters in the aerospace, automotive and industrial industries. Within RFA, apparel manufacturers and retailers embraced PLM first, helping to drive the growth that brings us to today, when these solutions are adopted across most fashion goods and hard goods categories. Interestingly, companies with more years of PLM experience under their belts - like vertically integrated fashion retailers,
manufacturers and wholesalers - tend to have a relatively higher percentage of private label revenues.

PLM functionality for retail has evolved rapidly from early solutions that focused on product design and data management. Today’s solutions support many more processes, including advanced sourcing and costing, and integrate with the end-to-end supply chain. As PLM software solutions mature in their ability to serve the RFA industry, the associated business and IT benefits are also increasing.

All of this growth and maturity is wonderful, but it does pose a challenge to RFA executives who must now choose between growing numbers of highly capable PLM options.

PLM Vendors are Very Different

Leading vendors of PLM solutions for RFA have evolved from very different places. Some were already established in non-retail industries and expanded their solution offerings to RFA; some were ERP software vendors who saw the opportunity and market demand to expand in PLM; some were developed from the start to address specific product design and development needs for RFA; and some started with a focus on advanced sourcing, collaboration and vendor management and then expanded into the early product design and development areas to provide a comprehensive PLM solution.

To find the best vendor for your needs, you should understand their history, as well as their capital structures and industry expertise. It is almost as much art as it is science to select the right PLM vendor for your company.

PLM Business Cases are Multi-Dimensional

Building the business case for PLM is a critical step and a huge challenge. While productivity gains are predictable, PLM implementations rarely lead to significant headcount reduction. PLM drives a lot of intangible benefits which help a company achieve its strategic business and growth goals. Reduction in product costs and material cost savings due to consolidation is perhaps the most tangible quantitative impact.

PLM often drives improvements to gross margins, reduced cycle times, increased efficiency, and higher product quality. However, the credit for these gains must often be shared with other initiatives and other parts of overall supply chain. Strategically, PLM enables scalability to achieve growth objectives. Because of these challenges, PLM benefits should be measured across strategic, operational and financial dimensions when building the business case.

PLM is not ERP

Relative to ERP, PLM is much less transactional and much more iterative and revision-oriented. Because PLM is often the first software technology used during the product design and development lifecycle, it impacts many downstream applications that address integrated product and supplier data records, and many upstream applications that address merchandise line and assortment planning. Due to the highly creative and interdependent nature of functional and cross-functional teams in RFA companies, refining product development processes and enabling them with technology is much more involved than an ERP-type implementation of back-office or transactional systems. Unlike ERP, PLM directly supports high level strategic goals, so treating these projects like an ERP implementation will marginalize their potential and ultimately fail to improve process efficiencies.

PLM is More Than an Implementation

PLM affects many departments and requires a cross-functional team to work together and make decisions. However, end users tend to be much less oriented to the process, structure, roles and linear decisions required for a successful PLM program. As a result, PLM implementations typically require a significant amount of change management and process design work. Data migration can be another big challenge as the product, material, color, BOM and other data often resides in many locations (including emails), may be in multiple formats with varying levels of quality. All these factors mean that PLM cannot really be treated like an implementation; it should be treated as a strategic transformation and a journey that will help achieve business growth goals.

RFA companies recognize the need to leverage more advanced PLM tools in the coming years in order to
help achieve many goals, including improved supplier collaboration or cycle time reduction, so defining and prioritizing your unique goals is an important first step.

For instance, retailers looking to grow their private label business can leverage PLM to improve private label development and increase margins. By eliminating inefficiencies in the product development process, PLM can also reduce cycle times and allow retailers to respond more quickly to changing trends in the marketplace. Even retailers who outsource most of their manufacturing are able to use PLM to come up with a strategic sourcing plan. PLM is much more successful when it is treated as a way to achieve clearly defined strategic goals.

Create a Business Case for Strategic Change

Retail executives that develop and clearly communicate their strategic business goals can easily justify the need for PLM throughout the implementation process. By institutionalizing leading practices, PLM helps redefine the end-to-end product development process and corresponding handoffs, reducing inefficiencies and clarifying all roles within that process. The result is organizational change recommendations; not necessarily reducing headcount, but helping teams function better. It’s important to communicate this, and reiterate how the ongoing effort will benefit everyone.

For example, material and fabric development can be a significant source of frustration for many development teams. With so many different categories and divisions, it is nearly impossible to keep track of all material development across the organization by using spreadsheets. This siloed approach results in additional time and money spent testing for material and multiple material color development attempts. Retailers can lose quantity discounts when categories buy material individually, and end up conducting tests again due to duplicate records. Centralizing material development is an industry best practice that, once implemented, will affect team roles and organizational structure, and will also impact development cost in a positive way.

Since PLM is a strategic solution, executives must also understand the high level of change management required, and consciously work to justify this change by showing the important link to strategic business goals.

Part 1: PLM Transformation is Strategic
by Vipin Goyal and Steve Riordan

Most RFA companies have corporate-level strategic goals to grow revenue through the continuous development of new and innovative products. Creating more robust product development processes and supporting them with PLM is a critical component for achieving these goals. Unfortunately, the highly creative nature of the industry means that most companies lack efficient product development business processes, and even the proper organizational structure required to develop an effective PLM strategy. Very high SKU counts, rapidly changing customer demands and trends, and global collaboration requirements can make advanced processes and systems seem like a barrier instead of an enabler.

When treated as a strategic enabler, PLM will help transform people, processes and technology to help the organization achieve goals for innovation-driven revenue growth. Here are some ways innovation executives can help make this happen.

Set a Strategic Mindset

The first thing retailers must do when considering PLM is to clearly identify their strategic objectives. PLM can remain competitive. With the accelerated pace of PLM adoption and maturity, executives should think strategically about PLM by considering these six concepts. Stay tuned for future articles that will provide more detail on each one, and prepare for your PLM transformation journey.
Align Stakeholders and Sponsors to Maximize PLM Value

Once the business case for change has been identified and communicated, retail executives need to align stakeholders to the goals and objectives. A clearly defined goal will help to focus priorities and ensure commitment throughout the process. Senior-level sponsors should also be identified to help drive the PLM transformation and support a dedicated team who will own the implementation. The right support will ensure momentum and continued support from the business.

PLM transformation is strategic. To maximize the value from a PLM investment, retailers must ensure that, from the beginning, PLM is used as the strategic lever it is intended to be. Executives must be able to align the organization around the strategic business goals, and articulate how PLM can help reach them.

Part 2: PLM is Evolving Rapidly

by Chelsea Leenhouts and Vipin Goyal

PLM implementation levels in RFA are rapidly catching up to earlier adopters in the aerospace, automotive and industrial industries. Within RFA, apparel manufacturers and retailers embraced PLM first, helping to drive the growth that brings us to today, where these solutions are used across most fashion and hard goods categories. Interestingly, companies with more years of PLM experience under their belts – like vertically integrated fashion retailers, manufacturers and wholesalers – tend to have a relatively higher percentage of private label revenues.

PLM functionality for retail has evolved rapidly from early solutions that focused on product design and data management. Today’s solutions support many more processes, including advanced sourcing and costing, and integrate with the end-to-end supply chain. As PLM software solutions mature in their ability to serve the RFA industry, the associated business and IT benefits are also increasing. All of this growth and maturity is wonderful, but it does pose a challenge to RFA executives who must now choose between growing numbers of highly capable PLM options.

To maximize the value of PLM investments, executives should have a solid understanding of the history of PLM as a process and technology, its evolution in the RFA industry, and the trajectory it is likely to take.

The Birth of PLM

PLM solutions were born in the manufacturing industry. The idea of an integrated technology footprint to manage product data throughout development began to come of age in the mid-1980s. Years of software refinement and development for applications specific to industrial manufacturing, high-tech, and medical device industries have facilitated the adoption of PLM as a standard technology stack. The typical long product development timelines and large R&D investments in these industries made it crucial to streamline PLM processes and technology to manage these specific product development challenges. Today, PLM has a relatively high level of maturity and adoption in these industries.

The Evolution of PLM for RFA

When we consider the history of PLM in the RFA industry, we see that the demand and therefor the specific software capabilities are still emerging. Not surprisingly, the solution requirements for the RFA industry are inherently different from manufacturing. For example, constantly changing consumer and market trends result in the need for seasonal development for fashion-driven soft lines; however, low margins and price elasticity emphasize the need for careful cost management in commodity lines.

Since the manufacturing-based version of PLM doesn’t support these needs, managing the end-to-end lifecycle of a RFA product has typically been accomplished...
in multiple applications like spreadsheets, email and home-grown tools. The impact of disparate systems and tools often only becomes visible to leadership when margins begin to drop, product launches are delayed, and sample development costs increase.

PLM technologies are maturing to solve these efficiency problems, and support additional RFA-specific needs. Business model segments are blurring between mass merchants, traditional manufacturers, and specialty or vertically integrated retailers. The expansion of private label and store brand product lines also emphasizes the need for more holistic solutions that manage high levels of collaboration complexity. Therefore, it is not surprising that 63% of retailers have indicated that investment in PLM is a top priority for 2014 (source: Gartner).

**PLM in RFA is not just PLM**

The way traditional PLM solutions define product specification management doesn’t quite work in the RFA industry, where companies need to focus on both enhancing core product data management capabilities and enabling collaboration across internal cross-functional teams, external vendors and even consumers. Therefore, we’ve seen PLM solutions expand integration capabilities, including those with upstream merchandising and design platforms. This allows companies to capture product information at its infancy, including product placeholders, concepts, storyboards, and even high level financial targets.

As ideas become products, the scope of PLM solutions can include the management, analysis and reporting of specifications, samples, materials, construction, costing, multi-sourcing, and quality assurance. PLM modules and workflows support the movement of information between business partners in a centralized application over the entire end to end product development lifecycle. That’s why many describe PLM in the RFA industry as “Extended PLM” – because it integrates the product lifecycle management system with the broader supply chain.

**The Evolution will Continue**

Retailers have realized that running a profitable business, marching towards the strategic growth goals and performing in fast moving global market is not possible when using spreadsheets, email or multiple home grown tools. Over the years, niche RFA product development software solution providers as well as large cross-industry PLM providers have addressed specific areas of the Extended PLM needs of RFA.

At this point in the evolution, most of them have expanded solution capabilities along every dimension to address specific RFA industry needs and provide significant business value. They continue to invest in their own engineering and development teams to meet ever-changing RFA business models and needs.

Most likely, the PLM marketplace for RFA will consolidate in the next few years. Understanding the vendor landscape, as well as their history, strengths, weaknesses and various business models will be the subject of the next installment in this series.

Part 3: **PLM Vendors are Each Very Different**

by Hala Hassoun and Steve Riordan

Leading vendors of PLM solutions for RFA have evolved from very different places. Some were already established in non-retail industries and expanded their solution offerings to RFA; some were ERP software vendors who saw the opportunity and market demand to expand in PLM; some were developed from the start to address specific product design and development needs for RFA; and some started with a focus on advanced sourcing, collaboration and vendor management and then expanded into the early product design and development areas to provide a comprehensive PLM solution.
To find the best vendor for your needs, executives should understand vendor history, capital structures and industry expertise. It is almost as much art as it is science to select the right PLM vendor for your company.

Four Types of PLM Vendors

Multi-Industry PLM Vendors

These software vendors have a long history in product data management (PDM) or traditional product lifecycle management (PLM). Most of them developed their original systems for industries that defined the foundational requirements for PDM or PLM, such as aerospace, automotive, and heavy equipment manufacturing. As those industries matured in terms of PLM adoption, and the need for PLM in RFA evolved, these traditional PLM vendors developed new RFA-specific PLM solutions through partnerships or acquisitions. While the RFA PLM software market is growing, these software providers have continued to maintain a strong presence in their original industries.

Industry-Specific Solution Providers

While the multi-industry providers entered the RFA industry after having established themselves in other industries first, there are some solution providers who have been focused on RFA industry from the start. A few of these vendors began by offering early design and production software, such as patternmaking, before expanding into a full PLM solution. Some built their own PLM software while others gained functionality through acquisitions. While some of these companies may not have a long history of developing complex PLM solutions, they truly understand the intricacies of product development in the RFA industry.

Sourcing and Production Solution Providers

Product development in retail often refers to private or store brands. In reality, private brand product development often falls under a bigger sourcing group due to the heavy dependency on a large supplier base to design and develop products. This led to a strong need for robust software solutions which were focused on managing the sourcing and merchandise lifecycles. Vendors in these areas began by offering software that was adjacent to PLM, such as sourcing collaboration, vendor management, and merchandise and assortment planning tools. As the RFA PLM market demand grew, they expanded the scope of their solutions by adding core PLM capabilities that could integrate well with their existing sourcing and supply chain offerings.

Industry-Specific ERP Providers

Several vendors have a strong history of developing enterprise resource planning (ERP) solutions for apparel companies, related manufacturers, and retailers. Their original offerings included financial accounting, materials procurement and management, and inventory tracking and valuation. Through acquisitions or internal software development, they extended their offerings into PLM. Vendors in this category target RFA clients by providing software solutions that cover a wide “all-inclusive” range of functionality by offering ERP, PLM, SRM, and other solutions on a single or integrated platform.[1]

Key Takeaways for RFA Leaders

Align with Vendors on Future Vision and Roadmap

The scope of PLM functionality offered by vendors is rapidly evolving and moving beyond the traditional boundaries of PLM. Emerging trends such as 3D modeling and simulation, 3rd party collaboration, increased regulatory intelligence, and open source collaboration are just a few to look out for. At the same time, mobile, cloud and Platform as a Service (PaaS) solutions provide greater flexibility to customers. Each vendor will have a slightly different vision about the future of these trends as reflected in their strategies and product development roadmap. Retailers need to make sure their vision of the future matches the vendor’s vision.

Look for Strong Expertise in Your Specific Category

Because the needs of retailers differ based on their product type, most PLM vendors have developed solutions that are more suited to a certain type of merchandise. Vendors with deep expertise in Apparel and Footwear may not currently be as equipped to support Food and Consumables. As retailers and manufacturers expand their merchandise categories across softlines, hardlines and food/drug, vendors are seeking to provide solutions to all three merchandise categories in order to be a “one stop shop” for retailers.
Don’t Forget that Culture and Fit are Important

As with any industry, company cultures vary from one company to another. Variations could come from the type of customer being targeted, whether the vendor is a new start-up or a large established player, or if the vendor is a subsidiary as opposed to an independent entity. Even location plays a part: a company headquartered in the US with a national customer base will have a different personality than one headquartered abroad with a broad international customer base. When selecting a vendor, it is important to consider these and other factors to determine if the PLM vendor’s culture fits with that of the retailer.


Part 4: PLM Business Cases are Multi-Dimensional

by Steve Riordan and Greg Adkins

Developing a strong quantitative and qualitative case for PLM is a critical step and a huge challenge. While productivity gains are predictable, PLM implementations rarely lead to significant headcount reduction. PLM drives a lot of intangible benefits which help a company achieve strategic business and growth goals. Reduction in product costs and material cost savings due to consolidation is perhaps the most tangible quantitative impact. PLM often drives improvements to gross margins, reduced cycle times, increased efficiency, and higher product quality. However, the credit for these gains must often be shared with other initiatives and other parts of overall supply chain.

Strategically, PLM enables scalability to achieve growth objectives. To take advantage of this, business cases should measure PLM benefits across strategic, operational and financial dimensions. Here are our tips to help project sponsors build a persuasive, multi-dimensional justification for investment.

Common Business Case Challenges

Common pitfalls when developing a solid business case for PLM:

- Over-reliance on “soft” benefits
- Lack of current operating metrics
- Missed link to company strategy
- Understated strategic impact
- Narrow focus on design and product development
- Valuation of time based improvements
- Time phasing of costs and benefits

There are several common challenges when developing a PLM business case.

First, PLM projects do not normally lead to hard quantitative selling, general and administrative (SG&A) savings, such as headcount reduction in design, tech design and/or sourcing. Rather, these projects tend to lead to indirect or intangible benefits.

Second, the most significant benefits - such as a reduction in the cost of goods - must often be shared with broader merchandising or supply chain initiatives such as assortment and space planning projects, strategic sourcing projects and forecasting and demand planning projects.

Third, costs and benefits often are unevenly spread across functions within the product development process with designers and product developers increasing their levels of effort for the benefit of sourcing and production executives.
Categorizing Benefits

To overcome these challenges, successful PLM business cases should include three categories of benefits, including strategic, operational and financial benefits.

Strategic benefits tend to be intangible, yet very important, such as enabling a higher profile private label program or enabling a much greater emphasis on innovation at the front end of the product development process. Examples include:

- Increased customer and consumer satisfaction
- Increased market share via new products
- Increased shareholder value
- Lower cost of capital
- Improved competitive positioning
- Improved merchandise innovation capabilities
- Improved positioning in supply markets

Operational benefits are focused on improvements in efficiency and effectiveness, such as shortening the overall product development lifecycle, creating more capacity to scale the business, and reducing errors caused by data entry and the reliance on spreadsheets. Operational benefits may eventually generate financial statement benefits as a byproduct, but rarely do so directly. Examples include:

- Shorter product development lifecycle
- Scalable, repeatable and predictable product development capabilities
- Reduction in reliance on spreadsheets, email and “X” drives
- Better data quality and decision making
- Increased regulatory and social compliance
- Improved quality
- Reduced vendor abrasion, better collaboration
- Reduced dependency on tribal knowledge and heroism

Financial benefits result in direct impacts to the income statement, balance sheet and cash flow of the company, such as headcount avoidance, reduction in product costs and reduction in costs associated with maintaining legacy systems. Examples include:

- Headcount reduction and/or avoidance
- Reduction in raw material costs from concentrated sourcing
- Elimination of legacy system upgrading/maintaining costs
- Improved gross margin from new products

Aligning for Project Justification

Frequently, these categorized benefits are necessary, but not sufficient to gain project approval and funding. It is also important to build a cross-functional and/or cross-category team of project sponsors, selected from the end-to-end product development process, to develop, refine and gain approval for the project. The project sponsors often consist of representation from design, planning, tech design, sourcing and production. This group of sponsors is much more likely to develop a credible, impactful justification as a group than they would individually.

Part 5: PLM is not ERP

by Greg Adkins and Sonia Parekh

Due to the highly creative and interdependent nature of functional and cross-functional teams in RFA companies, refining product development processes and enabling them with technology is much more involved than an ERP-type implementation of back-office or transactional systems. PLM is much less transactional than ERP, and much more iterative and revision-oriented. Because PLM is often the first software technology used during the product design and development lifecycle, it impacts many downstream applications that address integrated product and supplier data records, and many upstream applications that address merchandise line and assortment planning. Unlike ERP, PLM directly supports high level strategic goals,
so treating PLM like ERP will marginalize potential and ultimately fail to improve process efficiencies.

At first glance, ERP and PLM initiatives appear similar – both are large scale technology implementations spanning multiple functions and requiring a significant investment of time and resources. And if implemented correctly, both ultimately drive increased productivity and support a broad reaching organizational transformation. However, upon closer look there are several key differences in the functionality, user base, business benefits and even in the structure of the software itself.

**Functionality**

In RFA, ERP systems are used to support the day to day transactions required to run the company. Setting up items, cutting purchase orders, and taking price changes are examples of operational tasks that are typically supported by ERP. While these tasks are incredibly important, they often can be executed in a very short, finite amount of time, by one person with minimal input from other stakeholders. PLM systems support the product design and development process from ideation through production. For RFA companies, this process impacts the lifeblood of the company – its ability to develop winning products. So the work that PLM supports is much less transactional and much more collaborative, iterative, and revision oriented as the team works together to refine the product until it is ‘perfect’.

**User Base**

ERP is typically used by supporting functions such as finance, logistics, or a merchant support team, and often has a very large user base. Multiple functions rely on ERP to be the central hub for data and information required to drive everyday operations. The primary user group for PLM is the product development function – including designers, engineers, sourcing, production, and quality assurance. The user group tends to be smaller but much more collaborative and interactive, leveraging the system to support a highly creative process by serving as the repository and means for communication of all product data.

**Business Benefits**

ERP drives transactional efficiencies on a large scale, so it’s easy to measure the tangible benefits, including reductions in resources needed to execute operational tasks such as purchase order management or month end financial closings. In addition, because the ERP system serves as the financial and operational backbone for the company, its benefits reach to all areas of the value chain. PLM implementations can result in some productivity gains, but rarely lead to significant headcount reduction. And while PLM can drive improvements to gross margin, credit for this gain must often be shared with other initiatives and functions. In most cases, the imperative for PLM is strategic – the need to maintain or gain market share and react to emerging trends faster – and business benefits include delivering better products and more value to customers in a timely manner.

**Software Structure**

ERP systems are modular – often with modules for merchandising, planning, allocation, price management, finance, and more – and are integrated across the platform. These modules can be implemented individually and still drive value, so companies often purchase and implement only the modules they need to meet their business objectives. PLM is an integrated toolkit. All modules work together to provide the solution, and when pieces are missing, the benefits of the system are severely impacted. For example, implementing sourcing capabilities without a bill of materials (BOM) in the system will cause the sourcing team to reenter all the information from the external BOM in order to get quotes from vendors. In addition, any changes made to the BOM will have to be manually communicated to the vendors – creating opportunities for confusion and mistakes.

The differences between ERP and PLM are substantial. Treating implementations the same way will marginalize PLM’s potential, and limit its ability to achieve the initial strategic objectives set by the company. ERP is very important for driving efficient operations, but PLM is an investment in building long term innovation and product development capabilities. Understand the differences to maximize your investment.
Part 6: PLM is More Than an Implementation

by Sergio Martinez and Vipin Goyal

Retailers overwhelmingly recognize the need to leverage advanced product lifecycle management (PLM) tools in the coming years in order to remain competitive. However, there are six key concepts Retail, Footwear and Apparel (RFA) decision-makers need to understand before considering transforming their business via PLM. Here is the final part of this six part series.

PLM is More Than an Implementation

PLM is not your typical IT system implementation; it is a strategic transformation initiative. Strategic transformations affect people, processes, data and technology. Companies that only focus on the technology aspect miss out on the true benefits of PLM.

PLM affects many departments and requires a cross-functional team to work together and make decisions. End users are usually not oriented to the process, structure, roles and linear decisions required for a successful PLM program. As a result, PLM implementations typically require a significant amount of change management and process design work. Data migration can be another big challenge as the product, material, color, BOM and other data often resides in many locations (including emails), may be in multiple formats with varying levels of quality.

In order to achieve a successful strategic transformation through PLM that helps achieve business growth goals, companies need to spend significant time defining and developing plans to address people, process and data. This includes changing early perceptions of PLM; aligning leadership, management and processes; and prioritizing change leadership.

Change Early Perceptions of PLM

Many of us have been through difficult, drawn out IT system implementations. These experiences can taint our initial perception of PLM. It’s important to help the whole company understand the enterprise-wide reach, along with the impacts and potential benefits for people, process, data and technology.

Consider this example: a designer sees a material in one of the top industry trade shows. Once back in the office, the designer asks the material and color development department to find out if they already have a similar material in their in-house database or if any of their current suppliers can provide it. He needs to define the material a little so that a ‘close-enough’ alternative can be found with similar aesthetic and quality characteristics. This means that at least three different parties are already involved with the new material research and development… for only one new item.

In reality, this scenario happens frequently and for a large number of materials, colors, and graphics. Each time, it involves the larger product development processes involving internal and external groups - merchants, designers, product developers, sourcing and quality teams. In order to make all of this work smoothly, the data all these people use to collaborate and manage all these development projects must be high-quality, clear and complete. PLM can help manage all of these processes and keep data streamlined.

This example underscores the importance of people, processes and data. Retailers must work to change early perceptions of PLM as a technology-only effort.

Align Leadership, Management and Processes

A successful transformational initiative aligns three critical dimensions:

1. Executive (top-down) direction setting or strategy to foster the right focus on the ultimate objectives
2. Middle-management (bottoms-up) defined performance improvement targets to drive engagement and commitment
3. Core process (cross-functional) redesign to arrange the task sequence and information flow in new ways to achieve breakthrough improvements
Each dimension is critical. If executive direction is absent or unclear, middle-management may focus on the wrong things, wasting time, energy and money developing and deploying new skills or activities that won’t be used. If middle management is not engaged, focus will be lost, motivation will falter, momentum will flag, opportunities for improvement will be overlooked and the required new skills will not be built. If the redesign of cross-functional processes is ignored, business function process improvement efforts will never add up to the critical mass of change required.

Without careful alignment of these three dimensions, PLM may help end users to marginally improve their performance, but it will not push the company meet strategic business objectives.

**Prioritize Change Leadership**

Many organizations overlook the importance of a change leadership structure to support a strategic transformation strategy like PLM. There is a general misconception that efficiency and cycle-time reduction will be achieved overnight after the go-live of a PLM application, but this is never the case. A typical PLM transformation encompasses two to three phases of functionality deployments; each of these phases may require the development of new skillsets and cross-functional collaboration methods.

To ensure a successful outcome, companies should establish a change leadership team that includes executives and well-respected business process leaders with a deep personal and professional commitment. Their role is to coach and influence middle-managers and business function leads, focus their change efforts and to provide a forum for objective discussions of gaps, progress and lessons learned. They also provide executive-sponsored support for continuous process optimization and issue resolution.

**Conclusion**

Strategic organizational efforts like PLM are more complex than just a technology implementation and require a transformational mindset. If not planned and managed well, they can overwhelm and fatigue the organization. When fatigue sets in, energy dissipates before the effort achieves its true objectives. It is very important to change early perceptions of PLM, align the key transformation dimensions (top down, bottom-up, cross-functional), and establish strong change leadership. The only way to achieve the maximum value of a PLM initiative is to transform the business to support it.

Product development in RFA is very complex. It requires a continuous flow of data and information, connecting numerous people and teams – both inside and outside of the company. Clear roles and responsibilities improve the efficiency of these hand-offs. PLM can support the needs and processes for teams responsible for planning, merchandising, design, development, sourcing, costing, quality, vendor collaboration, and production.

PLM represents a strategic organizational transformation. When used appropriately, PLM processes and software can help RFA organizations generate better ideas, manage product pipelines, design more efficiently, and collaborate across functional, organizational and geographical boundaries.

Don’t embark on your transformative PLM journey without a coordinated, cross-functional plan of action. In the series “Top Six Things Every Retail Executive Needs to Know about PLM Transformation,” we have discussed the core components that are critical to understand before you start. By paying attention to all six of these things, retailers are much more likely to realize the potential organizational growth and efficiency benefits, and to maximize the value of their PLM transformation investments.
Business Process Transformation and PLM
Part 1: Three Signs of Misalignment

by Traci Stapleton and Greg Adkins

For retailers and footwear and apparel brands, product lifecycle management (PLM) can transform business processes, helping to condense cycle times, reduce compliance risk, and improve the bottom line. An effective PLM solution will centralize the materials database and enable aggregation and collaboration across categories and brands. Additionally, PLM can ensure compliance within the development cycle, permitting only pre-approved suppliers and materials to be assigned to styles.

It is, however, important to realize that a software tool alone cannot deliver these benefits. Without sufficient planning up front to address process design and organizational change, PLM runs the risk of being no more than another database. Retailers and brands should first develop an overarching process improvement and transformation strategy that addresses people, processes, and tools, then optimize the business processes for product development, and finally implement a PLM system to sustain and support the process.

In reality, PLM solutions are often implemented without strategy in place, creating process and system misalignment. Part one of this two-part series will outline the most common symptoms of a misaligned system, all of which result in companies not meeting their PLM objectives.

Sound a little like you? Want to avoid these problems? In part two of the series, we will address how to overcome these issues and maximize the impact of streamlined business processes and PLM.

Common Symptoms of a Misaligned PLM System

Rampant Work-Arounds

When a PLM tool goes live after limited strategy and process design work, even well-meaning end users will figure out how to apply their old habits within the new framework. For example, in order to reduce social compliance risk, a custom product should not be sampled with a supplier that is not approved through the company’s vendor compliance and sourcing team. To prevent this, the system can be designed so a supplier that is not yet approved CANNOT be assigned to a product. Therefore, the product cannot be sampled through that supplier. However, a common end user work-around might be to set up the product in the PLM system, then download and email the product data with an email sample request. This work-around clearly identifies a gap in system adoption, and exposes the brand to compliance risk, as well as potential delivery issues if the product is developed with the supplier and the supplier is not approved on time.
Poor Process Discipline

PLM allows product development teams to define a series of independent and dependent workflow tasks with a specific owner for each task. System dependencies should reinforce the business process redesign and give management the visibility to ensure program adoption. However, if the workflow tasks, dependencies, and roles are defined in the system without a full understanding of the impact to the business, then these tasks will probably serve as roadblocks to the development cycle. For example, in line planning, the design team’s ability to create products should primarily be driven by merchandising’s need for SKUs of certain pre-defined product attributes. When styles are created outside of the conceptual line plan, resources are squandered on fruitless work as the styles don’t fit the merchant or business needs. PLM can support the business process by ensuring that style creation is systematically dependent on the line plan.

Product Data Stored Outside of the System

The leading objective of many PLM implementations is to centralize product documentation, creating a common reference for internal and external partners. Business process rules should state - and PLM should reinforce - that a product can only be approved if its data record is complete. This means that all materials, colors, and suppliers of the product must be approved. If a product is able to be finalized in the system even with critical product data missing, then there is risk that a user will miss inputting that data into the system, resulting in data that is inaccessible to a vendor or cross-functional team member.

These detailed symptoms demonstrate poor system adoption and point to the misalignment of PLM with the business process. If you experience any of these symptoms, you are at risk of poor integrity in development and reporting, and ultimately, a PLM investment that is worth little more than a digital filing cabinet. Part two of this series will offer leading practices to lower these risks through proper business process re-design, change leadership, and follow through business support, overall increasing the benefits of the process refinement and PLM solution.

Part 2: Three Ways to Maximize Your Investment

In the early stages of identifying an appropriate product lifecycle management (PLM) solution, retailers typically establish objectives that often include cycle time reduction, risk management, and increased profitability. Often times, though, executives find that two or three seasons after a PLM system goes live, they have yet to reap any of these benefits.

In part one of this series, we identified the symptoms of poor process and system alignment that cause retailers to not realize the full value of the PLM investment: rampant work-arounds, poor process discipline and product data stored outside of the system. In terms of maturity, it doesn’t matter whether a retailer has just gone live with a PLM solution or if they have been working with the solution for several seasons - if the symptoms are treated, retailers can increase PLM’s impact by delivering value to the business and decreasing business risks.

There is a common cause for missing PLM benefits: PLM is often implemented as a tool, not a business solution. So, how can you reduce these risks before you go live with PLM? If the system is already live, how can you maximize the value of your investment to date? Here are our top three suggestions.
Maximize Your Investment in PLM

1. Business Process Transformation

When diagnosing areas for improvement, gap analysis is critical. Start by defining current business practices to understand complex activities at the task level. Pain points will surface from the user groups and opportunities for improvement will become clear. Are different vendors sourcing the same components from the same suppliers, but your organization lacks this visibility? If you could aggregate these purchases across categories or brands, you may realize a significant cost reduction. There is no ‘one size fits all’ approach; working from the current state and identifying areas for improvement while reconciling the opportunities for improvement with the out-of-the-box application or technology solution will drive the definition of the desired future state. Alignment of business process with the PLM solution will ensure integrity and consistency of the optimized process across categories and brands.

2. Change Leadership

Understanding current business processes is just the first step in a multi-phase change leadership program. When subject matter experts and project team members partner to document processes, efficiency and collaboration opportunities quickly surface. Subject matter experts act as catalysts to the groups they represent as they share the vision of enhanced business processes and solutions.

Communicating the message of the organization’s vision, benefits, and change impact is the driving role of the change leadership communication plan, ensuring that end users understand the benefits and the impact of the change to their daily activities. The message should be a top-down approach where end users hear about the benefits and impact from the leaders in their group, rather than a third party. Often the high level business benefits are communicated without the role-level benefits, or the end users lack clarity about the changes to their role. While end users will hear about cycle time reductions (business benefit), they might not hear that pre-approved materials will mean fewer re-works late in the development cycle (role benefit). When end users understand the total business benefit as well as the “what’s in it for me?,” they are more likely to respond positively to the transition and adopt the total solution.

Lastly, as the system nears go-live and users are trained, the training should not be limited to the software itself, but also to the new roles, responsibilities, and business processes that were defined as the desired future state. Training that is specific to each role and that correlates to relevant business scenarios helps users understand how their system tasks fit into daily business activities.

3. Closing the Loop

All throughout system and process development - from current and future state definitions and gap analysis to system and process alignment - the project team should maintain close contact with the business to ensure the integrity of the defined business processes. User acceptance testing reduces risks and increases adoption, so it is essential prior to putting the system in production. Through collaborative testing, users will understand the end-to-end solution as it integrates with the product development process, and the impact of their role and tasks on future dependencies.

Collaboration is critical to change leadership and end user buy in, so it should not stop once the system is live. The project team should work closely with user groups through the change to ensure adoption. Are there tips within the new system that can be shared across teams or functions? Is there a part of the process transformation that is not clear? Close interaction between the project and user teams helps to maintain accountability for the vision and process transformation. This will be the difference between achieving and failing at the defined objectives.

The integration and adoption of a PLM program can only occur when business processes and systems are aligned with the same vision and support the same objectives. Implemented as a stand-alone technology, PLM’s benefits will be very limited. A strategic PLM solution requires a collaborative effort across teams and functions, with a unified vision to improve and streamline the business processes that are supported by technology.
The Art and Science of Selecting the Right PLM for Your Organization

by Vipin Goyal and Sergio Martinez, with contributions by Mallory Engler

Part 1

In today’s slow-growth consumer spending environment, companies must take market share in order to grow. Winning organizations differentiate by bringing stronger brands and better merchandise to market faster and cheaper with help from a Product Lifecycle Management (PLM) solution. Whether you’re a fashion, food or hardlines retailer or manufacturer, PLM success depends on asking the right questions to select a solution that best fits your company’s unique requirements.

PLM keeps coming up in internal and external conversations. Should this be a priority for us? If all the major players in my industry are doing it, shouldn’t I?

Answer: PLM can be a powerful and useful tool for your organization. However, the key to success is to find the right solution for your organization. All PLM solutions are not made equal.

Advice: There is a reason why major players in your industry are doing it. PLM has helped many companies transform the way they plan, design, develop, source and launch products. However, while there are many qualified PLM vendors in the marketplace, not all of them are designed to meet the specific needs for food, fashion and hardlines merchandise. PLM for retail can drive overall efficiencies in an integrated supply chain framework, versus PLM for discrete manufacturing which is more focused on engineering product data management. PLM solutions that are tailored to food, fashion and hardlines merchandise have improved significantly in recent years, so even if you looked at the market 3-4 years ago, it’s well worth a re-evaluation. Before you dive straight into the selection process, talk to PLM thought leaders who can help you pinpoint solutions that best fit your specific needs.

Who needs PLM? I’m a retailer and I don’t really “make” products. Do I still need it?

Answer: Definitely! PLM is not just software to manage your product data. Today’s PLM tools offer functionalities that integrate core product design and specification development with end to end supply chain, globally! For retailers who don’t “make” products, the key focus of PLM is to help you manage both internal and external collaboration in your product benchmarking and sourcing process.

Advice: Historically, PLM systems were primarily used for product data management, but today, PLM has evolved to become a true enterprise solution. Even if you are not actually developing products, you can still benefit from using a PLM system to manage your entire product lifecycle, including product benchmarking, line planning, sourcing, production and launch. In some cases, retailers also use PLM to manage post-sales product service support. Defining a PLM strategy upfront that meets your specific requirements is key to getting the maximum ROI from PLM.

I have several distinct product categories. Can I use the same PLM tool for all?

Answer: It depends!

Advice: First you need to define if the system will be used to manage product benchmarking, sourcing, development,
or a mix. If you intend to use PLM to manage benchmarking or pure sourcing, the process may be similar enough that you can fit all of your product categories into one PLM tool.

However, if you are going to use PLM to manage your entire product development process, it may be difficult to fit all of your product categories into one system, depending on their degree of variance. For example, some PLM tools are designed with specific product development management functionalities that are key in fashion, such as extensive material, color and seasonal development capabilities. Other PLM tools offer excellent integration functionality with engineering CAD applications that are typically used in hardlines categories. Some offer best-in-class formulation and ingredients management capabilities that fit the specific needs of personal care, food and beverage product development. With that in mind, if you are a retailer or manufacturer with products that fall into more than one of these categories, your best solution may be to evaluate multiple PLM tools to drive the best efficiencies for your organization. Most importantly, a higher degree of variation in product categories demands a higher focus on upfront PLM strategy and roadmap definition before you deep dive into PLM software selection.

My company is really running lean right now – how do I prove the business case for PLM if I can’t prove a hard ROI?

Answer: The goal of PLM is to make your employees more productive with the help of best-in-class business processes and technology solutions. Your justification for PLM will require both qualitative and quantitative components to prove your business case.

Advice: PLM results in elimination of non-value added tasks, reduced cycle times, and improved overall end-to-end process efficiency. This will help your organization to improve inventory efficiency and reduce your cost of goods sold, resulting in overall margin improvement. The PLM ROI analysis is a bit different than ERP or other initiatives which are transactional in nature. An effective PLM solution will integrate various functional and cross-functional business teams in the end-to-end supply chain to gain a variety of intangible and tangible benefits. Besides the hard ROI, many intangible PLM benefits lead to setting up a stable and scalable foundation to your integrated product development processes and systems to support future growth. Consult with PLM thought leaders to identify the right PLM business case and how you will measure ROI for your company.

As head of Product Development, can’t I just make this selection and get moving without the other departments fully engaged? I’m afraid that we’ll never agree if I include everyone.

Answer: PLM will only reach its full potential when it is effectively used by your entire organization. Gaining alignment between IT, product development and sourcing around the value of PLM is an absolute must prior to selection.

Advice: Getting the business aligned on the value of PLM will require a road map of the product development process in your specific organization, so that you can understand what value is created in each phase of the process and how it affects the organization overall. Once you’ve gained alignment on the need for PLM, you’ll also need a plan for governance of the decision process.

Even your time to decision has an ROI, so don’t spend time looking at too many vendors.

If you’re spending too much time on the selection, you’re missing out on your core focus: strategy and deployment. The selection process should be concise and thorough so that you can use your time on real priorities down the road. Having a solid understanding of your strategy and criteria will help you pare down your target list to vendors that are a better fit for you from the start.

What’s your view?

Still have questions on how to get started? In Part 2 of this Q&A series, we’ll cover what questions to ask regarding PLM implementation, and offer advice on how to find the best PLM solution for your organization.
When is the best time to implement PLM?

Answer: It depends!

Advice: Ideally, you’ll want to align your PLM implementation roll-out with the kick-off of a new season or new program for the product development cycle, but this is easier said than done. While there are many different factors that can influence the best time to implement PLM, start by establishing the best time to roll-out new PLM functionality in production, which will help set a timeline for when to start the implementation. The best time to roll-out new PLM processes and systems largely depends on the business calendar for product development and launch. If you have more than one brand, division or department that will use PLM, the roll-out plan should account for each impacted area.

We recommend first defining a phased roadmap for implementation (taking into account various business calendar milestones instead of a big-bang approach) and then defining a pilot and roll-out plan for each implementation phase to promote better training, increase user adoption, and minimize the impact on business.

Can’t my IT department just “install” the PLM solution? Do we really have to “implement” it?

Answer: Well, the short answer is No! “Installation” of PLM doesn’t work. In fact, the “implementation” of PLM is not that effective either without understanding the big picture. PLM, if done right, will transform your organization by driving business process improvements enabled by the best-in-class technology solutions.

Advice: The true power of PLM is unleashed when organizations treat it as a transformational process that drives efficiencies across an integrated supply chain, supported by best-in-class software. To accomplish this goal, the business stakeholders need to have a clear understanding of your company’s specific merchandising and product development requirements and drive the initiative with support from IT. Watch out for vendors that push you straight to the license purchase or for “quick / express implementations.” Instead, you’ll want to validate the technology before you buy it. Make sure it works for your specific needs and that you have a feasible implementation plan.

Unfortunately, it’s not uncommon for companies to spend time and resources to quickly jump on a PLM implementation without clearly defining how it will drive business process efficiencies and how business users will adopt it. However, more leaders are realizing today that PLM is not just an IT initiative to better manage product data. Companies that define a PLM strategy and roadmap first, before getting into PLM selection and implementation, are more likely to maximize benefits.
How quickly can we realize the benefits from PLM implementation? How do we make sure that our product development schedule and holiday/seasonal milestones are not impacted by our PLM project?

**Answer:** If done right, PLM implementations do take time, and thus should not be treated as a quick fix. That being said, the implementation cycle for PLM is much shorter compared to other enterprise implementations like ERP. Effective PLM implementation planning with close collaboration between your business and IT teams can ensure that the implementation does not adversely impact your business milestones and deliveries.

**Advice:** We recommend implementing PLM in phases instead of going for a big bang approach. Using this approach drives a better solution design and a faster adoption by business users, who can start using the system sooner and realizing benefits without waiting for extended implementation cycles. This “crawl, walk, run” approach drives maximum dividends for PLM implementations, and helps in managing the implementation around key business milestones. Again, define a PLM roadmap for your organization that addresses these specific milestones before you start the first phase of your PLM transformation.

My company has a lot of data... and more data, residing in legacy systems, network drives, local desktops, cabinets and enterprise wide ERP tools. How will that work with the new PLM solution?

**Answer:** Having a lot of data is inevitable in today’s global world. The power of online retailing has led to even more complex data management needs. However, it is not the volume of data that creates problems; it is not having structured and organized data that causes data integrity issues, resulting in duplicated efforts and causing a reduction in the efficiency and productivity of your workforce.

**Advice:** A key aspect of a PLM implementation is to clearly identify a system of record for various data elements and put some governance around data quality and usage. Effective master data management is becoming more and more critical for today’s industry leaders and the data residing in the PLM system becomes a key component of the overall master data management strategy for the company. The PLM implementation may mean phasing out some of your legacy systems, getting rid of network drives, and bringing the product development data into the PLM system. Keep in mind that PLM is not a process that occurs in isolation. When selecting your solution and planning your implementation, consider what kind of integrations you’ll need to accomplish seamless data migration and master data management.

As a project sponsor, how do I convince our designers and developers that their creative process and freedom in development won’t get stifled by a new system?

**Answer:** Involve them early and often. Don’t treat PLM as a “system.” Communicate that PLM will help to eliminate non-value added activities and harmonize business processes, leaving more time for designers during the product development cycle to do what they do best – creative design.

**Advice:** PLM is already implemented in numerous prominent retailers and leading fashion and apparel manufacturers. With proper education and involvement of your creative workforce in the process design of your PLM system, you can get over this hurdle. What’s important is that you consider how the PLM implementation may affect the people in your organization, and make a plan for it. PLM transformations generally need organizational change management (OCM). The level of OCM effort will vary based on the size and type of your organization; however, big or small, change management is an important part of successful PLM implementation as it has a big impact on your creative workforce.

Asking these questions upfront, before you go into the selection phase of your PLM initiative is key in designing the right solution for your business.

PLM can be a transformational process for your entire organization, and taking the time to think through your specific needs from selection through implementation is instrumental to a successful roll out. Still uncertain? Talk to PLM thought leaders who can help you define what a successful PLM solution looks like for you.
Is Your Data Holding You Back? Product Information Management for Retail

by Sonia Parekh

Retailers face pressure from an increasingly demanding customer who has less time, less patience and is less willing to spend. This pressure is compounded by an ultra-competitive landscape where new companies are emerging with innovative business models, while established companies are building new capabilities.

As a result, driving sales is harder than it has ever been, and there are two key capabilities that have become imperative:

**Omnichannel capabilities.** Customers expect a seamless experience across all shopping channels. They want to find products instantly, and they expect robust product information including descriptions, pictures, videos, and customer reviews to be easily accessible regardless of which channel they are using. Retailers who are not omnichannel players will find themselves losing customers.

**The ability to leverage ‘big data’.** Leading retailers use data to uncover new insights and enable better decision making – improving marketing campaign effectiveness, optimizing assortment and merchandising decisions, increasing product development and sourcing agility, and removing operational inefficiencies. A big data competency is table stakes in today’s world; without it, retailers will lose profits and share.

As many retailers set out to integrate selling across channels or embark on initiatives requiring robust data analytics, they quickly find the task to be much harder than expected. In fact, many find that building omnichannel and big data capabilities is simply not feasible given the maturity of their current systems and organizations.

What’s stopping them? It’s the data itself. Typically housed in disparate systems, multiple formats and with varying levels of quality – for many retailers their data are a huge limiting factor.

**The Case for Product Information Management**

Any retailer will tell you that success always comes down to one thing – the product. Beautiful stores and fancy websites won’t generate sales without the right products. Any efforts to “get the data in order” should start with the product related data.

**Product Information Management (PIM) is the alignment of organization, processes and technology to support centralized management of product related data. It enables the creation of one view of the product for the entire company – which can be used for operational or analytical purposes.**
PIM is a prerequisite for omnichannel business models and for robust sales data analytics. Here’s why:

Inconsistent data definitions hinder big data analytics. If the product development team defines “vendor” as the factory where the product is made, and the merchandising team defines “vendor” as the buying agent, and the online team defines “vendor” as the brand, the inconsistencies make it almost impossible to do analysis on vendor-related metrics.

Poor data integration thwarts omnichannel efforts. Many times the store buying team takes a markdown on an item in the stores, but there is no automatic feed to trigger price changes in the other channels, and they neglect to inform their counterparts in other offices. This causes disparate pricing and an inconsistent, frustrating experience for the customer, ultimately harming the brand.

In both of these cases, having one version of the truth for product data would solve the problem. PIM initiatives drive the alignment needed to achieve this.

Getting Started with PIM

It’s easy to assume that PIM is just a technology solution, but in reality, PIM is a combination of people, process and technology. Process integrity and governance help create and maintain good product data, while the right technology can properly store the data. There are three critical components for building an effective PIM foundation:

1. Set up a data governance program to ensure and monitor ongoing data consistency. Before investing time and money in process redesign and new technology, build a foundation to support data quality. Governance establishes business rules, formalized policies and procedures for managing data across functional groups. It keeps everyone aligned around the same goals and speaking the same language. Good governance also ensures long term success.

2. Integrate and streamline all processes that relate to product information. For most retailers this means integrating all the processes that have to do with setting up items in a given system. There are three that are the most important – product development, merchandising, and eCommerce. Integrating and streamlining these processes will remove duplication of work, and improve communication and efficiency.

3. Build a centralized repository for all product information. Product information lives not only in product development, merchandising and eCommerce systems, but also in the warehouse management system, marketing systems, and even in ad hoc desktop databases such as Microsoft Access and Excel. Creating one centralized location for all product-related data ensures a single version of the truth that all functional groups can access.

Besides enabling omnichannel and big data capabilities, PIM also drives other benefits for retailers, including:

- Decreased labor costs for managing data
- Increased speed to market from streamlined product development and item set up processes
- Reduced time spent researching and addressing data inaccuracies
- Improved organizational alignment around business objectives with everyone working from one version of the truth

The case for accurate and organized product data in retail can easily be justified because it is quickly becoming required to build the capabilities retailers need for the future. Don’t let your data hold you back.
Information Management in Retail: Turn Big Data into a Strategic Asset

by Sonia Parekh

Day to day operational decisions managed by retail executives have not changed over the years. They continue to ask and answer the same questions on a regular basis.

1. What brands should we invest in?
2. Which vendors should we partner with?
3. What products should we buy or develop?
4. How much should we buy?
5. How should we allocate the merchandise?

What has changed, however, is the way in which these decisions are approached. Fact-based, informed, timely decision making is a requirement when considering today’s heightened competition and demanding customers. Retailers need to find new ways to manage “big data” and use it to drive results – not just by answering these questions, but by using it to achieve strategic business objectives.

For example, determining order quantities has traditionally been done using rough estimations for sales based on recent performance of the same or similar items. Today, retailers can build statistical forecasts based on product attributes, seasonality, and the designated store location or channel through which the product will be sold. To make these decisions, retailers need timely, high quality, integrated data. Without it, achieving basic retail business objectives such as optimizing local product assortments, improving marketing effectiveness, and delivering a seamless brand experience to ultimately drive sales and profits, will be nearly impossible. And more importantly, failure to leverage data for these critical decisions will put retailers at a competitive disadvantage.

Why is This So Hard?

Unfortunately, existing retail processes and systems actually create poor quality data. Product Development, Merchandising, Marketing, eCom, and the other functional groups all have their own systems and processes and often work in silos. As a result, data is usually duplicated, stored in multiple formats, in multiple locations, and at varying levels of quality. Worst of all, the use of inconsistent data definitions can lead to groups working from “multiple versions of the truth” which makes it very difficult to drive companywide alignment around the achievement of common goals.

Industry trends are making data management even more challenging, and the already tough situation is getting worse. Data volumes are expected to continue...
to grow at an increasing velocity, while managing data variety — structured, unstructured, and semi-structured — requires building new capabilities. On top of that, most retailers have minimal data governance processes and operate legacy systems which require manual data input and integration. This further erodes the data quality.

A Holistic Approach to Information Management

Successfully addressing these challenges requires a holistic Information Management (IM) approach. IM is based on the principle of managing data as a strategic asset rather than an operational necessity. It starts with understanding what decisions need to be made to support the strategic objectives of the company, and then determining what metrics are needed to support those decisions and measure results. As an example, if driving increased loyalty is a business objective, then measuring repeat purchase rates, conversion, and customer profitability are the required metrics.

Once the metrics have been identified and defined, determining what data is needed and where it resides is the next step. This is when retailers run into roadblocks that have been created by discrete systems and processes; the data required to move forward is incomplete, poor quality, at varying levels of detail, or just not usable. Disciplined Information Management calls for root cause analysis, combined with remediation efforts, to address the organizational, process, or technology issues. Solutions to close the gap are then designed and prioritized on a roadmap for implementation. Ultimately, this helps drive standardization and consolidation, and to improve the overall quality of the data, effectively turning it into real information that can be used to drive value. Governance also plays an important role in IM. Retail executives must ensure that all key stakeholders are aligned around the key metrics and how they are defined, and they must clarify who owns and edits the data.

The Benefits of Information Management

Truly effective IM requires an investment, but the potential benefits are hard to ignore. Retailers that enable fact-based decision making by providing visibility to supporting information will streamline operations and increase efficiency and productivity. Quantitative benefits include top line revenue growth, improved inventory turnover rates, and reduction in time to market. Qualitative benefits include improved customer experience and brand perception. Data transparency drives cross functional alignment and collaboration. Associates will spend less time on low value added tasks, like data entry or manual reconciliation of reports, and more time on strategic work that adds value for the business. With a holistic investment in IM, both internal resources and external customers will benefit.

Retailers must fundamentally change the way they manage data today. While poor decision making has always impacted profits, today’s customers have more options and more information at their fingertips. Picking the wrong product or running short on inventory has a much greater impact on sales and margin, and even on the brand. Disappointed customers don’t have the time or patience for second chances. Data is no longer just an operational necessity used to support day to day business processes. It is a valuable asset that should be leveraged to drive sales growth and optimize profitability.
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