Top Six Things about Retail PLM Transformation
Part 2: PLM is Evolving Rapidly

by 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 second of this six part series.

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, 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 therefore 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.

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