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 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.

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and sourcing processes and lead PLM enabled business transformations. He specializes in the retail, apparel, fashion and consumer products industries.

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