



## ‘Fashion’s New Frontiers – What’s Next?’ conference review

The Association of Suppliers to the British Clothing Industry (ASBCI), recently welcomed a world-class panel of leading industry professionals and academics from fashion consultancies, supply chain, retail, technology, law and academia to discuss ‘**Fashion’s New Frontiers – What’s Next?**’

An audience of 130 delegates made up of retailers, manufacturers, university lecturers, supply chain and logistics companies heard how trust and strategic collaboration will help stakeholders meet the increasingly challenging demands of the retail and online clothing sector. The customer remains king and a visionary approach to satisfying shopper needs will require sophisticated management, risk assessment and flexibility on a greater scale while a lack of entrepreneurship could cause a business to disappear from the landscape.

**Dr Julie King**, ASBCI event chairman and head of fashion and textiles at the **University of Northampton**, chaired the conference and introduced speakers in collaboration with **Mark Randall**, business development director at **UL**, the event sponsor.

Mark Randall set the scene by explaining that the rate of change wrought by online innovation and globalisation posed serious operational and technology challenges to the supply chain. He argued that retailers and major brands are setting the bar for the industry and that only by working closely with their strategic partners will they achieve successful outcomes for people, businesses and the environment.

**Lorna Ward**, director at **PwC Consulting** explained ‘cost, quality and risk equate to value’ during her talk on ‘**Tomorrow’s Balance Sheet: Managing Supply Costs**’ and for retailers one of the most problematic issues is where to source from.

Although the minimum wage in China has increased by 13.5% since 2011, and is set to continue rising until 2016, it will continue to dominate global sourcing. She considered whether it was better to be: “A follower and stick to what you know or, be a leader and take a chance on relatively unknown new territories such as Myanmar.” Both options require clear supplier segmentation to support effective

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commercial planning. Consolidating contracts down to high value, high performance suppliers opens the door to strong strategic partnerships based on collaboration.” A realistic retail price point needs to balance against risk, and volume spending offshore is considered high risk, but a trained buyer can negotiate a fair deal whilst avoiding conflict. This kind of business practice supported with PLM solutions will encourage a seamless flow of communication, trust and transparency, thus reducing the possibility of unforeseen costly risks.

Looking deeper into sourcing trends was **Adrian Elliott, president of apparel & footwear at Coats Plc**. He spoke of the rapid predicted growth of Asia’s middle class by 2030. The increased demand for apparel and footwear will see the Asia-Pacific region shifting from being a production export base to becoming the world’s largest consumer market. The rapid development of Asian economies will see cost inflation exceed consumer price and digital technology will drive change further with increased investment in machine and process automation. Elliott stated: “The pursuit of the cheap needle is coming to an end” due to the challenge and huge trend of driving down lead times and upping productivity along the complete supply chain. He described rumours of the demise of China as ‘greatly exaggerated’ as 40% - 45% of world production still comes from this area, and a bigger mix of Asian and near-market sourcing will become more commonplace. South East Asia will become very popular within the next 5-10 years while new hotspots will re-emerge such as Sri Lanka, Pakistan, Portugal, South Africa, northern Africa, central America, Mexico and Columbia. Myanmar, undoubtedly, is ‘one to watch’.

Throughout the day it was evident that compliance will remain a firm fixture for sound business practice while corporate social responsibility will be integrated into more activities. **Laura Hawkesford, ethical trading manager at Marks & Spencer** spoke about ‘**Ethical and Responsible Sourcing: Planning for An Ethical Future**’, which detailed an integrated business approach to compliance, sourcing, buying and ethical issues.

Reports from China claim the demand for labour is falling as its young and assertive employees embrace social media and force businesses to keep pace with cultural shifts. M&S is using mobile technology in a factory environment to survey workers’ opinions and increase dialogue between the shop floor and management. By calling a freephone number on a smartphone and providing anonymous answers, the surveys have empowered workers to raise issues with management. However, it was acknowledged that fine-tuning was needed across issues of scalability and asking the right questions and that this type of communication would never replace traditional audits.

Sophisticated risk management within the supply chain was repeatedly acknowledged during the conference, and **Jeremy Opperer, European technical operations director at Intertek**, stated that

innovation will inherently involve risk. Opperer advised that risk should not be seen as an innovation inhibitor, but rather as an incentive to: “Invest in the (supplier) partnership. Highlighting issues and bringing the supplier in early to discuss the protocols and product specifications encourages dialogue and feedback.” It was recommended to “trust, but verify” in the supply chain and let suppliers fulfil their role without micro-management. The most effective way to foresee and eliminate signs of potential trouble is to communicate findings to the entire supply chain, a hurdle that many fall at. Opperer said, “Very strong brands do great risk assessment, but don’t communicate.” Another key message presented was: “Data is out there. You just need to take it – search out consumer information from multiple sources such as online product reviews, returns forms, fashion blogs and social media - an obvious quick win without much additional effort.”

**Vicky Brock, ceo of Clear Returns** described the reason for unwanted items as: “A black hole of knowledge” within the industry. The impact of this on the customer experience is one to be addressed sooner rather than later if retailers are to keep their heads above water. It was suggested the smartest move is to take a predictive approach and build a portfolio of characteristics of the buyer at category level and what it is they are likely to return. Retailers should focus on “who, not what, was returned” and with the high value shopper having a return rate of 1.7% analysing the behaviour of this group provides the most accurate indicator as to why items are unwanted. A service or product issue will usually be the cause.

Reiterating the point of effective utilisation and action on intelligence received, retailers must be responsive to issues, but with 43% of retailers capturing data and doing nothing with it, retrospective reporting is costly. Brock warned profit margins will be wiped out on an item if it is returned more than three times. Slow selling items receiving a push through marketing can also spike returns as just one ‘toxic’ product – either defective or of poor quality - can escalate costs by producing a 2.5% increase on returns of everything else in the same basket.

Protecting brand integrity was the topic of discussion for **Peter Nunn, associate** at law firm **Mischon De Reya**. According to the PwC Counterfeit Survey in 2013, 41% of British residents admitted to purchasing counterfeit items. Imitations are becoming harder to spot due to similar price points of the genuine article, product being sold on upscale looking websites produced at low cost and adverts on search engines. The internet has enabled the problem to become so proliferate with sales of fake goods via social media rising by 15% in the last year. The new challenge is that of 3D printing as counterfeiters already have the ability to print synthetic replicas of designer accessories. Cheap unbranded items will be harder to detect when entering the EU, plus with ‘finishing in the UK’ items can slip through the net completely. Other issues brought to the audience’s attention were that of 3D design files being intercepted and shared on peer-to-peer sites. To combat this we will be seeing trademarks inside of garments and in places other

than the label, electronic files will be protected and an interesting trend we may encounter is that of design files being offered for sale.

Change is coming and the industry must move with the times explained **Kevin Townend, non executive director at Advanced Supply Chain** and companies must be agile and responsive to their customers' specific needs. He cited the example of Primark where a logistical nightmare was averted after the retailer suffered a warehouse fire in 2005 that destroyed £175 million of stock. A global recovery plan saw one hundred containers of stock arriving daily to stores on time via sea. How did they do it? Townend said: "The plan was based on being agile and assessing all possible risks, learning from other companies and by preparing for the unexpected, now." He added: "You need to incorporate your values into your recovery plan." The customer still reigns supreme and so agility throughout the supply chain is imperative to gain a competitive advantage.

**Professor Tony Hines, professor of marketing at Manchester Metropolitan University** addressed delegates with his 'Iceberg Theory' which identified time, cost and value as the three things needing management in the supply chain in order to serve the customer better and faster. Hines said more collaboration is needed to enhance visibility as speed was 'the aim of the game'. He spoke of the consumer wanting a good deal and how they know to anticipate price fluctuations before making a purchase, which builds increased pressure on price flexibility. Also, with green issues high on the agenda retailers need to rethink how products are moved especially with the demand for fast fashion not showing any sign of slowing down. Nearshore production could be the answer to lowering risk, cutting lead times, and freight and compliance costs could be brought down providing better control for managing volatility. "Outsourcing is high risk but this may be lowered through contract, compliance and giving control to a vertical supply chain" concluded Hines.

Picking up on the trend of consumer power was **Jamie Murray Wells, industry head – retail at Google UK**, who spoke of the "ability and need to embrace change" and how established businesses struggling to do so will disappear from consumer consciousness. The industry must respond to the realisation that power is literally in the hands of consumer and that mobile technology is required to keep pace with the current trends and habits of shoppers. Global IP bandwidth is set to increase twelve fold by 2020 and access to the internet will be everywhere giving retailers more opportunities to converse with customers. Common grievances of in store and online shopping could be improved by enhancing the traditional bricks and mortar shopping experience with virtual shopping elements and vice versa. Using a mobile device in store to scan a QR code on a swing ticket and then being directed to a designated dressing room to find said product waiting could soon become the norm. Another global trend is the strength of social media turning regular 'civilians' into powerful industry influencers. Innovation hubs

are no longer predominantly the realm for pure play as the high street is now following suit; this reflects just how incredibly fast the world is moving.

Finally, **Leonie Barrie**, **managing editor** at **just-style.com**, and the event media sponsor, took to the stage to summarise the thoughts and ideas presented. She noted that the common thread heard throughout the day was that change is inevitable, and observed: "Although it's not possible to predict the future, it is possible to prepare. Change will bring huge obstacles for retail and sourcing, but what a great driving force this will be for the industry to rise to the challenge and create differentiation between the competition. Whatever the future holds it is very clear that supply chain collaboration and listening to the customer along with the assistance of technology and logistics will allow a greater chance at hitting the target on the ever-changing horizon."

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#### Notes to Editors

The Association of Suppliers to the British Clothing Industry (ASBCI) is a not-for-profit UK-based organisation with a membership that represents all key sectors of the clothing and textile supply chain. Formed in 1992, it is the only forum of its kind where component suppliers and fabric producers can exchange ideas and knowledge with designers, retailers and garment cleaning specialists. It operates without commercial preference and its impartial stance makes it a unique organisation, within an intensely competitive industry, where members can meet, discuss issues and share their experiences – all together, at one time, in one place.