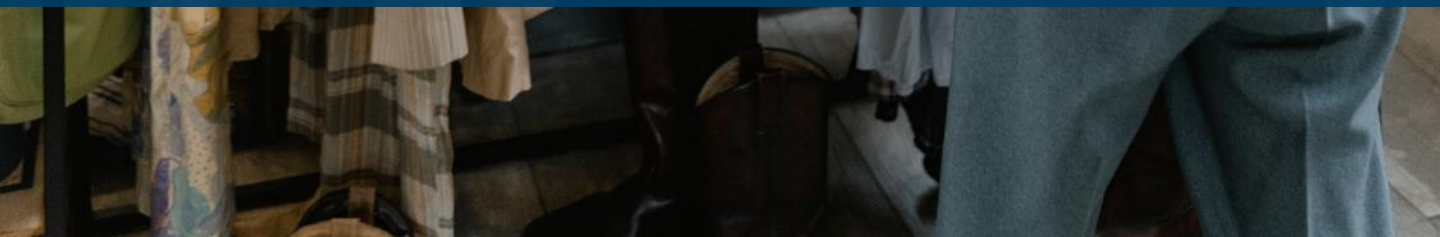# Revolutionize, Don't Revise:

Organization of the Future for Retail & Apparel Companies

# Apparel retailers need a revamp to thrive in today's dramatically changing landscape

Historically, fashion and apparel companies have been some of the last to adopt innovative technology and change:

- In a recent Gartner study, only 20% of retailers listed technology modernization as a top enterprise priority in 2023

- When the pandemic hit, retail companies were prone to supply chain disruptions due to limited technology adoption, and the presence of legacy organizations and ways of working hindered companies from pivoting to remote work.

Rather than waiting for setbacks to trigger reactive measures, retailers need to proactively innovate to stay ahead of the game.

Now is the time to overhaul processes and organization structures to prepare for the next wave of changes. It is no longer acceptable to just invest in technology. Technology must be integrated into all aspects of the company. Tech must be elevated to become a member of your organization rather than only an enabler. Apparel companies that are adapting to prepare for these changes will win with the customer. Those who wait will be caught on their heels, likely inefficiently playing catch up.

So, what does the future look like for retailers? In this article, we will discuss key trends driving apparel companies to change how they run their businesses and how to integrate these technological changes to empower a global organization of the future.

Future-ready Organizations

Transformative Forces

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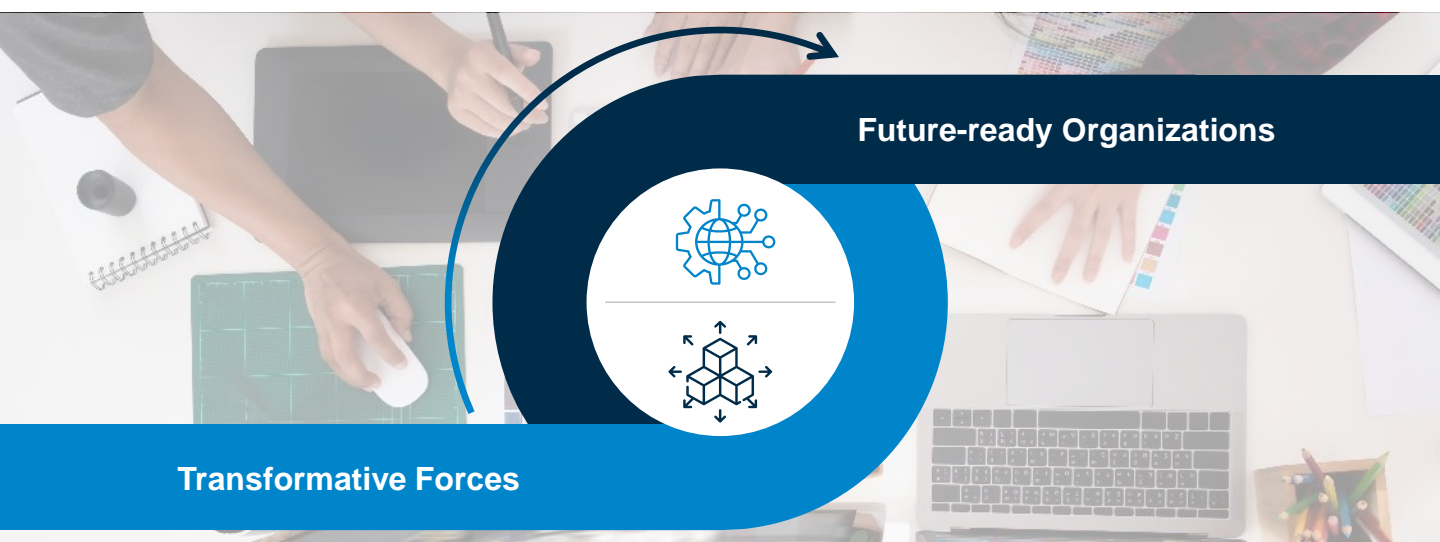
Transformative Forces: Shaping Now and Beyond

Change is persistent in the retail industry. From brick-and-mortar stores to eCommerce and omnichannel, apparel companies have witnessed drastic shifts in consumer behavior and experienced evolutions in their business strategies, organizational structures, and operating models. With the uncertainty of a recession looming and the rise of disruptive startups and technologies, there could be a number of challenges ahead. Below are 5 key trends that will reform how retailers organize and run their businesses.

Transformative Forces

01 Customer experience is the new battlefield: *Customer-centricity*

02 Fast is not fast enough: *Accelerated Speed to Market*

03 Sci-Fi level technology is here: *Technology Advancement*

04 Don't fight it, embrace it: *Work Flexibility*

05 Fashion trends & partners are everywhere: *A Global Mindset*

01 Customer experience is the battlefield: Customer-centricity.

No longer will fashion companies succeed telling customers what they should want. With the influence of Instagram and TikTok, consumers have greater access to trends and are more deliberate in styling themselves. Customers dictate and control the terms of retailer engagement, and traditional retailers need to earn their influence and competitive advantages to fend off niche brands taking over. 98% of leaders expect to compete based on customer experience alone, compared to 36% only four years ago (Gartner). Retail and fashion companies need to replace product-driven strategies with customer-first initiatives and organizations prepared to tackle customer experience as the new battlefield.

02 Fast is not fast enough: *Accelerated Speed to Market.*

The ability to quickly deliver an item from design to shelf is an imperative for fashion retailers. A&M CRG's survey showed that 50% of consumers want to buy a fashion trend within the same week they discover it and will shop other brands if the trend is not available. This means that retail and apparel companies need to find ways to work smarter with more agility in an ever-expanding global market.

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03   Sci-Fi level technology is here: *Technology Advancement*

The rapid advancement of AR, AI, and haptic technologies has unlocked efficiency in select functional areas (i.e., supply chain and allocation). The exponential growth we're witnessing in technology capabilities and upgrade frequency can't be ignored. Instead of a wait-and-see approach, technologies should be embraced and adopted to streamline key processes and ways of working.

04   Don't fight it, embrace it: *Work Flexibility*

The multi-year work-from-home experiment has fundamentally changed how most employees expect to work. Employees do not want to be constrained by traditional workspace, with 94% of U.S. workforce believe they should be able to work from anywhere if they can get the work done (Topia). Location flexibility is here to stay and should be a core element in the future in retail organizations.

05   Fashion trends & partners are everywhere: *A Global Mindset*

ECommerce has enabled brands to access consumers from around the world and capitalize on regional trends. In turn, working with international partners and suppliers has been critical to captivating and capitalizing on the global consumer. Apparel companies need to reconsider the concept of a single home office and reset their processes; close working relationships and fast turnarounds require not only nimbleness in decision-making but also proximity to consumers and business partners to drive a "fast fashion" mentality.

Pathway to Change:
Future-ready Organizations

Technology of the future is here, requiring an overhaul of how companies serve customers and operate. Instead of constantly chasing trends or reacting to global events, companies need a bottoms-up, innovative transformation that embeds future-ready innovations into their organizations and operations. Below are 6 key levers retailers can leverage to transform their organizational structures and operating models to be future-ready.

Future-ready Organizations

01 Data-driven customer-centricity

02 Organize around tech of the future

03 Global brands with global headquarters

04 Give tech true decision rights

05 Construct digital twins

06 Teams & tools as extensions of employees

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01 Data-driven customer-centricity

To win at customer experience, retailers need to harness the wealth of data they have on customers and integrate it into operating models.

- Retailers have a wealth of customer data at their fingertips; however, most lack the tools or organizational functions to analyze big data and translate it into applicable business decisions. Upskilling or dedicating specific resources that can run customer data through efficient, functional platforms and integrate these insights into cross-functional decisions will allow retailers to serve the customer what they want when they want.

- For instance, instead of solely relying on suppliers for trends, Fila partnered with WGSN to leverage the latest market trends and forecasting analytics to inform product development concepts

02 Organize around tech of the future

Don't re-organize around the technology you currently have. Organize for the technology of the future – specifically the next 5 years. This will prevent re-organization every year as piece-meal changes in technology come around.

- Set your organization and operations to integrate AI technology into decisions. Pull the band-aid off and make one change to set you up for the future.

- For example, with emerging 3D design and image-generative AI technologies, design and development teams can streamline PD and manufacturing processes; thereby cutting down on physical sampling and optimizing consistent fit standards. This approach not only delivers faster product creation calendars, but also reduces costs spent and waste created on multiple rounds of sample production.

03 Global brands with global headquarters

For brands to stay closer to consumer, provide location flexibility for employees and reduce speed to market, teams need to structure differently to maintain agility and global brand identity.

- Don't build an organization that revolves around a single, large headquarters. Retailers need to establish one strategic hub that supports smaller, localized in-market teams. This will help adapt to employee's increasing demand for work and location flexibility and allow fashion and apparel to recruit talent from areas they have consistently struggled to focus on in the past, like tech, coding and data analytics

- Locating design and merch roles in local "hubs" closer to production and supply partners will allow for decreased lead times. Localized personnel can allow for closer collaboration with quicker iterations and aligned decisions across critical functions in the development and adoption process.

Industry Application 🔍

With CLO, Theory was able to have a 3D collaboration workspace that has helped the brand store, share, and collaboratively edit digital content. Designers and merchandisers can create and alter 3D garments, check all patterns and relationships of the assembly, and leave comments and annotations. Theory was able to increase PD efficiency with true-to-life silhouette modeling.

- However, a global team can only function when fully empowered by communication and collaboration software. Without robust technology to connect non-centralized teams, cross-functional collaboration will fail.

04   Give tech true decision rights

Much like developing a high-performing team member, data and supporting technology should be treated as a 'high-potential' role in the organization, appropriately developed funded and given autonomous decisions

- With the advancement of AI and the mass amounts of customer and product data retailers have, tech should be given reign to make business decisions, especially those that are dynamic and repetitive like pricing and sizing.

- During a time when most retailers are looking to save money through restructuring, they still need to provide a high level of customer experience. A portion of savings from restructuring needs to be re-invested in technology that allows the organization to function better and more efficiently

- Leveraging technology with AI can more efficiently process data-heavy, iterative tasks such as assortment allocation, sizing, and pricing. The launch of ChatGPT demonstrates there is functionality to create email marketing and graphics within brand parameters, reducing wait time for the increasing number of creative brands need across channels.

Industry Application 🔍

With the Impact Analytics AI tool, Puma was able to optimize choice count with historical data, product attributes, and DC constraints. Teams could easily test buy plans using scenario simulation and cluster performance results. Trusting and using the straightforward workflow, buyers and planners make edits and generate customized outputs like buy sheets, reporting dashboards, and buy-rollups in minutes.

05 › Construct digital twins

Building a digital image of resources and processes can further improve performance and provide much-needed visibility.

- Enterprise metaverse workplaces allow employees to meet and collaborate together in offices without being physically present, creating a seamless, synchronous communication experience.

- Digital replicas of supply chain facilities can enable real-time workflow modeling, uncover operational inefficiencies, and react faster; improving overall disruption recovery resilience.
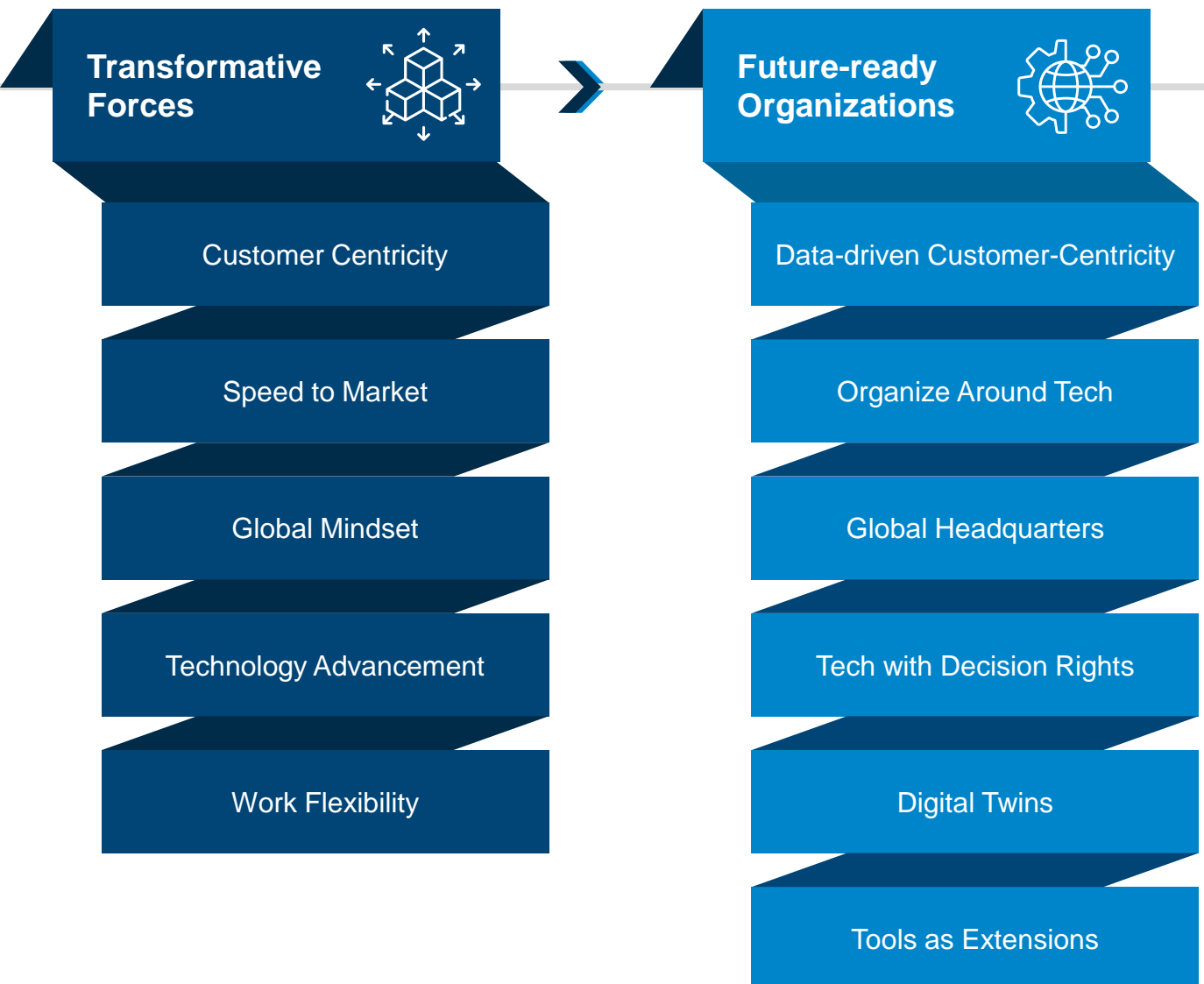
06 › Teams and tools as extensions of employees

- To distort workforce focus and efforts , companies must incorporate data and automation to redirect employees' time into more strategic tasks, partnership management, and the development and retention of top talent.

- Adoption and continuous enhancement of technologies and tools is necessary; however, this does not replace the benefits of efficient org structures and strong talent management.

Revolutionize, don't revise

The goal is not to tweak old models but to replace them with something radically superior. Retailers must be bold and decisive to break from the inertia of the past and invest in transformational technology. However, just buying technology is not enough; retailers need to build a highly responsive and globally-connected organization around innovation that treats technology as a member of the team with autonomy and decision-rights.

Transformative Forces

- Customer Centricity
- Speed to Market
- Global Mindset
- Technology Advancement
- Work Flexibility

Future-ready Organizations

- Data-driven Customer-Centricity
- Organize Around Tech
- Global Headquarters
- Tech with Decision Rights
- Digital Twins
- Tools as Extensions

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At A&M, we have the experience and resources to support you during these turbulent times. We are passionate about helping companies achieve their maximum potential and be on the right side of disruption. We look forward to connecting.

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