

# Threads That Bind

Transforming the fashion supply chain  
through digitalization and transparency



# Executive Summary

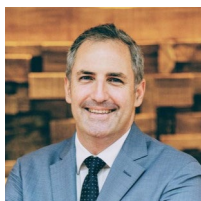
After years of working with leading fashion brands worldwide, we have compiled some of the most important trends and insights that we aim to share with the industry.

In this report, we will also explore some of the challenges that supply chains in the sector are facing and how technology can help customers win in the market. We speak with James Savagar, Head of Retail and Lifestyle Vertical, Greater China and Rickard Heiss, Head of Logistics & Services for Asia Pacific, to share insights on the industry and how technology can be leveraged to transform digitalisation and transparency across the fashion supply chain.



**James Savagar**  
Head of Retail and Lifestyle Vertical,  
Greater China, A.P. Moller – Maersk

James brings over 20 years of supply chain experience to help companies perform better so they can achieve their greatest potential. James and his teams have enabled leading organisations in the Retail, Lifestyle, FMCG and Technology sectors to deliver transformational change in their supply chains, improving customer satisfaction, top-line growth and bottom-line profitability. James' current role leading Maersk's growth in the Retail and Lifestyle sectors in Greater China.



**Rickard Heiss**  
Regional Head of Logistics and Services,  
Asia Pacific, A.P. Moller – Maersk

With more than 20 years of experience in the supply chain, logistics, and FMCG, Lifestyle industries, Rickard has accumulated an extensive amount of experience delivering leadership to wide variety of international logistics companies in Asia and North America.



## Key Learnings

- Fashion supply chains have become more complex and will continue to evolve in complexity
- Long term partnerships and technology contribute to added supply chain resilience
- Companies are taking tangible action for greater supply chain visibility

# Prominent trends influencing fashion supply chains

Consumers have always been at the forefront of focus within the fashion supply chain and brands have been increasingly working to place the consumer at the centre of their business, to build strategies around them. However, it is not a 'one size-fits-all' market. James Savagar shares the trends shifting this highly stratified market:



## 1 Shifting consumer demand

There are various dimensions of shifts happening simultaneously, including:

### Geographical shifts

The traditional large markets of the US and the EU are being complemented by fast-growing markets such as China, South East Asia and India. As a response, companies are crafting more precise geographical strategies that connect to the specific needs of each market.

### Sales channels

The effort from lifestyle brands in promoting and growing their 'direct to consumer sales,' i.e. their own branded stores, including physical and online, will continue in the years to come with a direct correlation to the profitability of that sales channel when compared to a 'wholesale multi-brand retailer sales

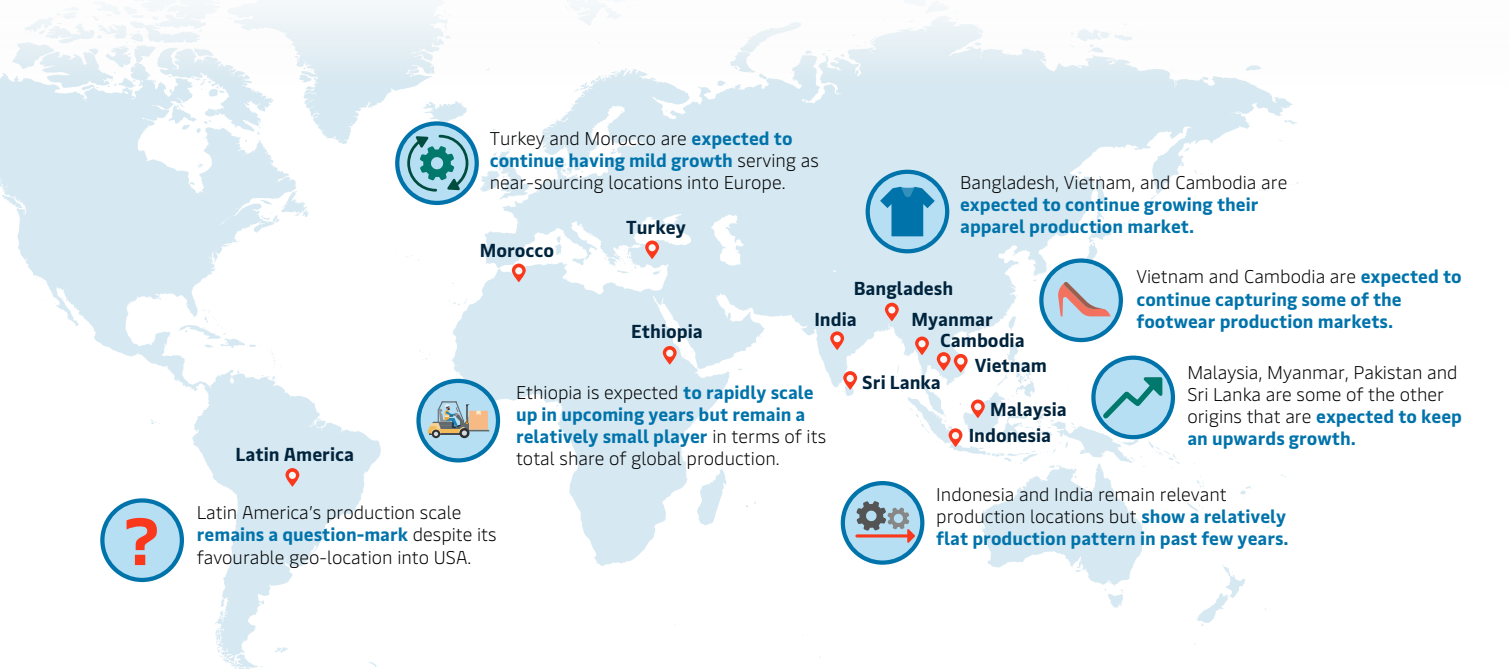
channel.' There is now an extra emphasis on online sales, which was already growing before the pandemic. The adoption ratio of digital sales will influence how much of the sales will be done by which sales channel. Scaling-up digital sales will only benefit your brand. Companies that do not do this successfully will suffer in the long run.

### Consumer spend behaviour

'Who buys what and for what purpose?' has changed in the past few years, and today we see many examples of these shifts. One is the growing popularity of athleisure across age groups and activities. With more progressive and flexible working environments, we have seen an increase in adapting comfortable attire amongst professionals across industries.

## 2 Growing Multi-Sourcing

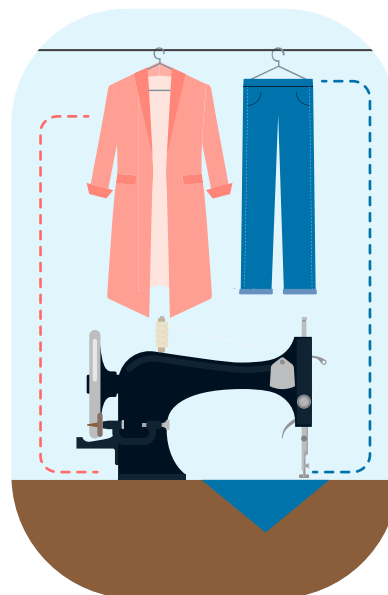
Sourcing has been expanding out of China for many years as brands are starting to see the capability and expertise in different sourcing markets and how it has made it easier for them to diversify their supply chain. While we still expect China to remain as the dominant sourcing player, below are some of the trends we have seen beyond its borders:



## 3 Prioritising Sustainability

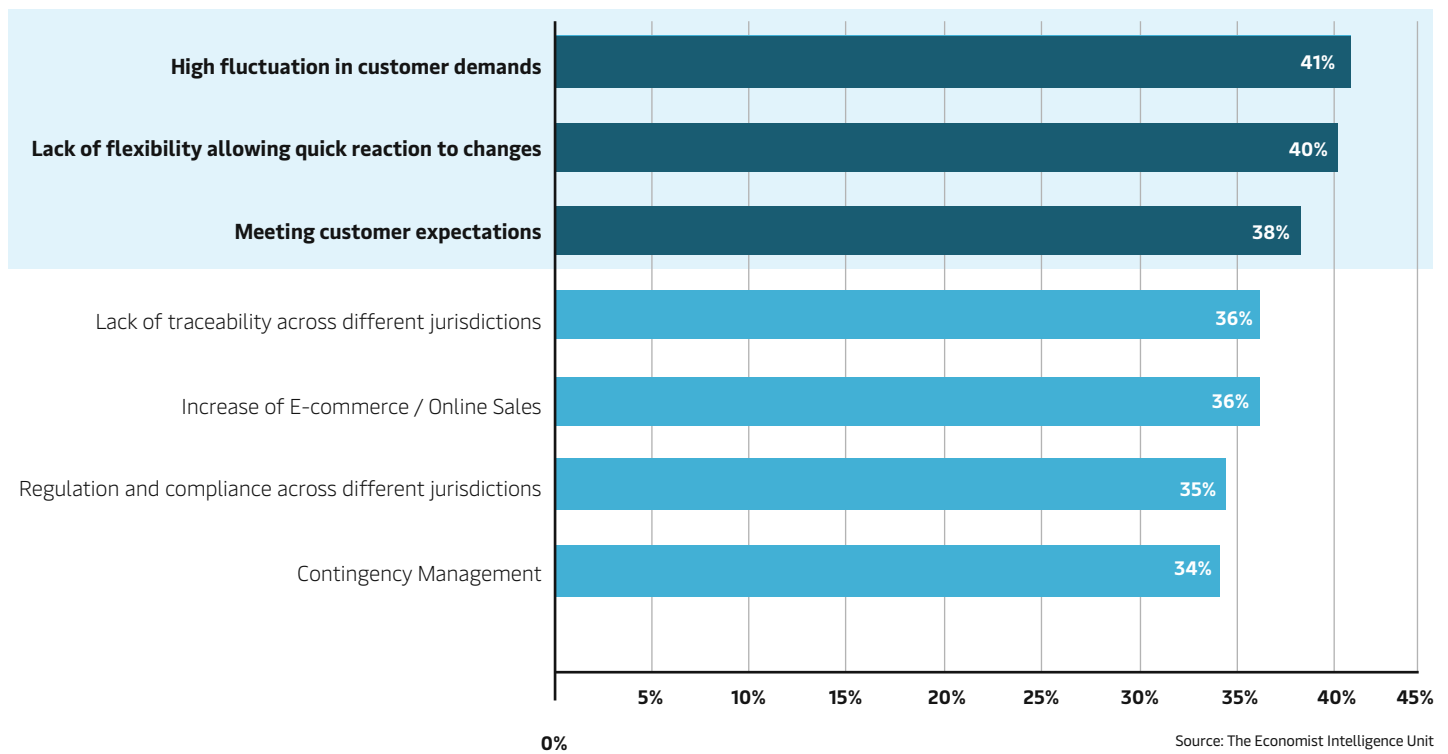
There has been increased scrutiny and attention from the media, specifically towards the fashion industry. Beyond regulatory compliance, these companies are now forced to display meaningful action while facing the consumer demand for transformational change. The top focus area so far has been responsible practices with an emphasis on manufacturing across social responsibility and environmental impact. The emerging focus area is supply chain.

It has become one of the most significant factors when it comes to consumer behaviour and choice. It is also more prominent with the younger demographic, who are a lot more aware and perhaps more proactive when it comes to sustainability.




For more sustainability in fashion supply chains, see our report, **“Fashionably Sustainable”** featuring an interview with Kaisa Tikka, Senior Global Sustainability Advisor at Maersk.

# Challenges facing fashion supply chains



The top 3 highlighted above are all linked to consumer behaviour and the speed at which they are changing. It is almost impossible to change consumer behaviour, but there are still some elements in these challenges that are within a brand's control— like their supply chain and how they handle the information to make fast decisions based on the rapid changes.



For more resiliency and other challenges that fashion supply chains are facing right now, see our report, **"Fashionably Resilient"** featuring and interview with Josue Alzamora, Global Head of Lifestyle Vertical at Maersk.



## How to face these trends

In a recent agenda poll by Gartner, it was clear that technological enablement was on many business leaders' minds but relying solely on technology to gain visibility is not the solution. Rickard Heiss, Head of Logistics & Services for Asia Pacific, shares that companies must make sense of the data to gain actionable insights and make more informed decisions.

Thankfully, technology's rapid advancement in recent years allows companies to utilise tools further to develop data in supply chains. For example, many companies used to struggle to create a decent forecast on a monthly basis. Now, with modern tools, this can easily be done daily with much higher levels of accuracy.

And with the pace at which technology is quickly progressing, logistics practitioners should also start equipping themselves with a new set of skills, like data science and engineering, as we expect traditional roles to be automated.

However, given the complexity and scale of the sourcing and production processes, these incremental steps do not go far enough. We must think bigger. To be successful, companies need to adopt a holistic approach driven from the top that brings together strategy and execution, plus a genuine desire to collaborate with other functions across the supply chain to break down the silos. Understanding the supply chain requires a realignment.

Technology is often seen as the main solution for all industry problems, but technology alone cannot solve key issues relating to visibility and transparency. The combination of transparency, control and business integration is what brings the real and powerful transformation. If we are to forge systemic change, a broader program of collaboration is needed, where different parties work together— and technology is simply the enabler to make this happen.

# Technology as an enabler of change

The combination of these three components is what brings the real transformation:

- Improved planning accuracy by leveraging real insights and machine learning to update and influence plans, which in turn leads to increased reliability.
- Greater ability to predict outcomes across the supply chain, leveraging predictive techniques and algorithms.
- Processes, people and infrastructure in place to direct the traffic through the supply chain dynamically in order to deliver the outcomes you want.

To gain most value from data and its insights, brands and suppliers must improve processes inefficiencies by upgrading their system, to keep them in the style.

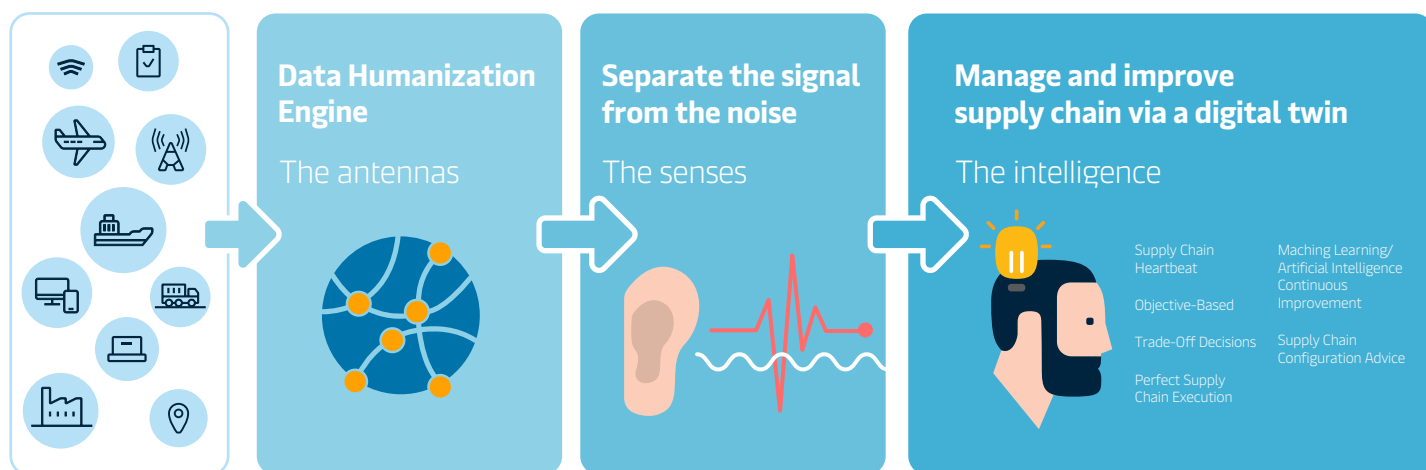
**“Creating value, from data to actionable insights, means capturing the right data, at the right time, with appropriate controls and measures to ensure its validity and using technology to unlock opportunities”** he added.

- Rickard Heiss



# From data to actionable insights in real time

Complex and unstructured reality  
- "cast the net on data"



To harness data and drive actionable insights, firstly, fashion brands need to recognise that there are multiple data sources in the supply chain - there can be up to 15-17 actors in the end to end process. Thus, it is essential to be able to connect all of them easily. But it can be tricky considering the varying degrees of digital maturity in the supply chain today. The ability to "integrate into the real world" requires flexible options to collect data in a timely way from partners at all levels.

Many sources of data are also available that can be used to provide status updates and insights that can be useful for better prediction.

Then, companies need to collect and harmonise the data from all actors in real-time so they can plug and play partners as required.

The final step is to sift through the data using intelligent algorithms and filters to create real-time signals that tell brands how the supply chain is performing and automatically raise notifications and exceptions.

By creating a digital twin through which the current performance can be viewed, it becomes possible to make the right trade-off decisions driven by insights. Leveraging this type of infrastructure allows companies to leverage modern tools and technologies to drive more effective decisions in real-time while still having a chance to impact the outcome positively.



# Transforming while performing

To improve the supply chain for sustainable growth, James Savagar identifies three recommendations that drive performance improvement. They are linked to one another and reflect the complex, interwoven and interdependent network of the fashion supply chain ecosystem.

## Increasing number of sourcing countries

Having multiple sources in the supply chain allow brands to react accordingly to the market situation and has evidently benefitted the companies during the unprecedented pandemic in 2020.

However, sourcing also includes selecting a reliable and experienced vendor that can procure raw materials when they decide to move production to another location. This allows them to get the lead time and cost implications that are vital to their supply chain.

## Weaving in new technologies

As exciting as it may sound to introduce new technology into a supply chain, it is important to adopt technologies that provides accurate and fast information.

Additionally, technology has helped one of our customers conduct virtual sales meetings when traditional face-to-face meetings were not possible in the last year. It has also cut down the cost of producing physical product samples as they could harness technology to provide virtual samples instead.

## Cultivating the transparency as a culture

And with the help of technology to deliver more insights, it is important to cultivate a culture of sharing information to improve transparency. Getting all teams involved in the early stages of production or a programme can help produce solutions that can be implemented earlier. On top of that, it affects consumers too, as they have been expanding to direct-to-consumer models with custom designs sent directly to the factories for production. While this means an increase in complexity, it also means that the logistics team has much more to offer.



**Did You Know?**  
Jeans have constantly been transforming its style since the 1800's but continues to stay in trend. The denim fabric is even expected to increase its market value to US\$105 billion by 2023!

See our **"Journey of Jeans"** infographic to learn more about how your favourite pair of pants makes its way from the cotton field to your closet

# Q&A

## What are some interesting trends have you seen in near shoring?

**James:** Bangladesh and Vietnam have been showing the highest increase in production. In addition to Bangladesh, Cambodia and Myanmar are showing the largest increases into Europe.

**Rickard:** Bangladesh and Vietnam have been showing the highest increase in production. In addition to Bangladesh, Cambodia and Myanmar are showing the largest increases into Europe. But we still see brands tend to select sourcing locations that are closer to their final destination.

## How effective is your current capability for dynamic prioritization of orders within the supply chain, to address changing customer demand?

**Rickard:** Ideally in a stable environment, you won't have to make such last-minute changes. But having the ability to do so is great when you need it and it's often accentuated during a crisis.

For example, one of our sporting goods clients were unable to sell some of their stock when lockdowns hit, and it kept piling up because they ordered them beforehand. So, what we did was to set up a flexible hub outside Singapore where we held on to the containers as a centralised holding location until demand picked up again. We were even able to move them to different markets that were not initially planned for. It gave them the ability to get their supply back online to meet the demand when and where it was required.

**James:** I think it is also important for a company to have a good system to support the supply chain and cultivate good discipline. In order to avoid incurring unnecessary costs, our customers practice alerting one another internally as soon as possible if there are any changes to inventory movement.

## What other technologies are contributing to the fashion supply chain like blockchain, AI, etc?

**James:** I think blockchain will start to gain a foothold in supply chain tracking partly because Walmart has been gaining success in their trial runs using blockchain in their perishable food supply chain. And I think there will be many applications for it in the fashion supply chain as it gives companies visibility on production and raw materials.

**Rickard:** On top of data I think the biggest impact blockchain will give is trust, as the increased level of transparency and validation breaks down communication silos between supply chain and logistics partners. TradeLens is a perfect example.

Implementing new tools is paramount in building resilience and improving flexibility. Apparel and footwear executives tackle the lack of flexibility within their supply chain by developing end-to-end information flows and boosting collaboration and information sharing between departments.

Another big one is Artificial Intelligence (AI). It is increasingly being used for applications such as Load planning – to maximise container / truck utilization and reduce costs. Also, Internet of Things (IOT) is an important factor that brings multiple benefits but perhaps the most impactful on the consumer is reducing manufacturing costs, improving operational equipment, uptime and availability, increasing efficiency and product quality. It can even improve safety and in factories. So, I think IOT is only going to continue to grow and become much more prevalent. It is still expensive today, but as the costs reduce over time, you will see that the adoption rate of IOT will skyrocket.

Visit [www.maersk.com](http://www.maersk.com) to read more about Lifestyle and Retail supply chains.



**REPORT**

**Fashionably Resilient**

How Fashion Supply Chains are Evolving and Why Resilience is so Important



**REPORT**

**Adapting to a Changing Retail Supply Chain**



**REPORT**

**Keeping shelves stocked**  
Trends & challenges in Supermarket Supply Chains



**REPORT**

**The changing shape of E-Commerce Logistics**



**REPORT**

**Fashionably Sustainable**

The Growing Importance of Sustainability in Fashion Supply Chains



**REPORT**

**Re-threading supply chains in the lifestyle industry**



**WHITEPAPER**

**Rebalancing supply chains for an agile, resilient and sustainable future**



**ARTICLE**

**Transforming while Performing**