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PLM 2.0: Achieving PLM's Promised Value

To thrive in an environment of continued economic volatility and uncertain consumer spending, leading retailers are upping the flexibility of their product development and sourcing operations.

But having more choices—and more data—doesn't necessarily lead to better decisions. This is well known to many retailers who have implemented a product lifecycle management (PLM) system but have yet to achieve its promised value. In some cases, PLM has even become a detriment, creating more work without adding any value.

But by using PLM to optimize processes and drive smarter decisions, some retailers are using PLM to its fullest.

Evaluate and improve processes

A PLM implementation usually results in retailers having to add a few new tasks to their workload, but also allows them to shift other tasks to their vendors. It stands to reason, then, that using PLM correctly doesn't create more work, but lets retailers focus on the most essential tasks to add value and better inform decisions.

But if not managed correctly, PLM can increase workloads without adding any value. For example, after implementing PLM, some retailers want to use PLM's testing functionality to try to take on managing the details of product and material testing results from a third-party lab. While there are situations where there is value in doing this, it isn't clear cut. Unless new processes and roles are added to analyze the data for better decision-making, the value generated from uploading all testing results into a PLM system may not be worth the time spent, as retailers generally need to see only the results of failed tests.

Traditionally, a lack of trust and control has prevented retailers from collaborating closely with vendors, resulting in redundancies across the value chain when both parties do the same tasks. But because PLM increases vendor transparency, retailers can feel comfortable giving more responsibility to vendors. Processes like BOM management, quality assurance and managing materials libraries can be modified to transfer workload and responsibility to vendors—in many cases, vendors are already performing these tasks in parallel.

Retailers may also benefit from handing some technical work over to vendors. For relatively simple items, retailers can remain focused on using PLM to describe the overall aesthetic and letting vendors manage the technical information. If a retailer or wholesaler has special competency in a given product category, focusing those key technical skills where they are most valuable and letting the vendor handle other tasks can help avoid big misses.

Instead of duplicating work, retailers are then freed up to focus on analyzing information and making better decisions. Extra time can also be devoted to developing two-way benchmarks to evaluate and improve the retailer-vendor relationship.

Transforming redundant tasks into analytical activities may create new roles and responsibilities or different headcounts. For example, pattern makers no longer have to worry about the basics that vendors can easily handle, but instead are freed up to focus on reducing material usage for high-volume items. Staff who previously managed material libraries now have time to work on consolidating fabric orders across products and negotiating lower prices with mills.

Ultimately, it's important to ensure that PLM is actually creating real change in processes. For example, a multi-billion-dollar footwear wholesaler thought implementing PLM would automatically provide them real-time costing information. However, this information was dependent on disparate pieces of data being entered into the system, which was rarely all captured at a single point in time. As a result, significant re-work was required whenever anyone entered new data.

To break free of this process, the footwear wholesaler identified points in the product development calendar when all critical information was due to be entered into the system and ran reports only at that time. In this way, the wholesaler was able to make the right decisions with the right information at the right time, while minimizing workload.

When faced with a similar problem, a multibrand specialty apparel wholesaler and retailer built BOM rules to try to fix their process, but they were too complex and slowed down the business. As a result, the company had to redesign its entire PLM system, taking out customizations and reinstalling the basics. Whereas PLM was historically a bottleneck, the re-engineered PLM system focused controls on managing key materials and lifted controls on less important materials—ones without consolidation opportunities or that vendors could source better directly.

An outdoor apparel retailer and wholesaler saves time by using PLM as the source of information for its catalog, exporting PLM data directly into its catalog documents to ensure catalogs are up to date. Of course, this takes internal coordination—staff must adhere to deadlines and

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ensure that a style is approved before it is exported into the catalog. But the result is well worth it: The company estimates it saves a month of work.

Clearly, a fundamental understanding of when and how to use PLM is as essential as the tool itself. Implementing PLM to increase process adherence won't necessarily work if those processes are broken. Using technology to focus communication and drive decision-making can help ensure the right processes are in place.

Drive smarter decision-making

PLM's vast amount of data can be extremely helpful when applied to decisions about materials, vendors, costs and cycle times. In an environment in which flexibility is so essential, PLM can enable easy, last-minute product changes by managing complexity.

For example, if a retailer needs to make changes to a product after approving the tech pack, PLM can provide data on the myriad sourcing options available—moving production to another country, for example, or switching materials—to help guide an informed decision.

A company that sources products across many countries has been especially successful at using PLM to create what-if scenarios on sourcing and costs. PLM allows this company to understand what the implications of changing sourcing countries would be across the entire global organization. As a result, PLM also enables a more proactive and collaborative process for achieving target margins. Before, merchandisers would develop a plan with a target margin and then hand it off to sourcing experts. But PLM allows for a continual dialogue between merchandising, planning and sourcing organizations on the different costs and benefits of each sourcing country, with an eye to where production has started and what has already been approved.

An outdoor apparel retailer and wholesaler takes another approach, using lead time and material production time to determine whether they have enough time to produce salesman samples and products. By rolling up the calendar, they can quickly spot any timing issues and make

adjustments to meet their deadlines. They also use PLM to track lab dip times, and this increased focus resulted in an average 18-day reduction in lab dip times.

Making smarter decisions also requires organizational change, ensuring decision-making happens at the appropriate level, and includes cross-functional input. Many retailers are moving approval processes overseas so they are closer to factories and letting PLM drive standard processes, involving the U.S. only when necessary.

Look beyond PLM

Leading users of PLM are finding that they may have to think beyond just a PLM system and toward a set of technologies to create a competitive advantage. Customization, separate toolkits or process modifications may be required to make PLM work for a retailer's needs. Yet many retailers stop short of achieving a system that meets their needs just because it's not out-of-the-box or requires a mix of tools. Even worse, some retailers invest in customizations that add no value. But if done thoughtfully and carefully, it is possible to minimize the impact customizations have on upgrades down the line, while achieving significant benefits in the near term.

Determining if customizations or additional tools are required starts with a clear definition of a brand's competitive advantage. Depending on a brand's core consumer, how should that brand set itself apart?
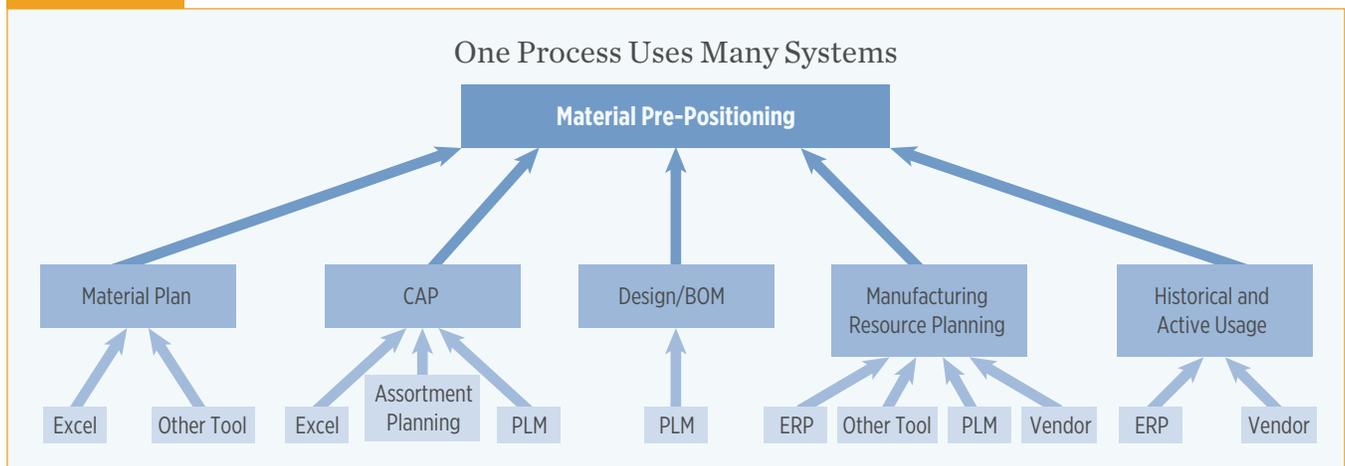
For example, let's say a brand wants to compete on low prices. PLM can help cut costs through advanced material management, supplier scorecarding and capacity management. But achieving best-in-class materials prepositioning—which can also reduce costs significantly—requires looking across a set of technologies and data sources, some of which PLM can handle, and others of which will have to come from other tools or systems (see Exhibit 1 on the following page). Many retailers also turn to material consolidation to cut costs, which is also next to impossible to manage without a combination of PLM and other tools.

When retailers are willing to combine PLM with other technologies, the payoff can be significant. For example, a leading outdoor apparel retailer and wholesaler uses a combination of PLM and ERP systems to manage material forecasts and commitments. The company uses PLM early in the product development process to estimate style quantities, and then uses those estimates to generate material requirements. Later on, an ERP system can merge that information with material lead times to inform decisions about when materials need to be ordered. By combining PLM and ERP systems, the company improves delivery reliability, reduces costs and increases efficiency. And in the near future, retailers may start including data from product development to point of sale in their BI tools to enable a deeper understanding of which product elements are driving sales.

Clearly, implementing a PLM system does not instantly equal reduced costs, shorter cycle times or higher-quality products. But by using PLM to improve processes and drive better decision-making and combining PLM with other technologies, retailers can achieve PLM's promised value as a guiding tool that leads to smarter, more informed decisions and a true competitive advantage.❖

EXHIBIT 1

One Process Uses Many Systems

Material Pre-Positioning

- Material Plan
  - Excel
  - Other Tool
- CAP
  - Excel
  - Assortment Planning
  - PLM
- Design/BOM
  - PLM
- Manufacturing Resource Planning
  - ERP
  - Other Tool
  - PLM
  - Vendor
- Historical and Active Usage
  - ERP
  - Vendor

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