Technology becomes essential for managing luxury and fashion supply chains

By Dominique Muret - May 18, 2022

The luxury and fashion industry has been shaken up by a series of crises for more than two years. Various economic and structural factors are forcing companies to review their supply chain operations, which has become the newest focus in the face of war, to move towards sustainability. In order to control their production chain, more and more industry players are resorting to digital and emerging technologies.

The luxury and fashion industry is currently facing a cascade of problems and disruptions that are making the system much more unstable, especially in the upstream portion of the chain. Just as the market was moving towards a post-pandemic recovery, supply difficulties arose. The explosion in demand, after two years of continuous decline that had considerably slowed down the supply chain, led to a shortage of raw materials. The situation was exacerbated by mass lockdowns in China, linked to an upsurge in Covid cases, which blocked part of the production and the port of Shanghai, slowing down the transport of goods.

This was compounded by inflation and rising energy prices, as well as the war in Ukraine, which heightened tensions in the market as well as energy supply problems. All these elements have produced what some countries are calling "a perfect storm", which is calling into question the current fashion supply model and its just-in-time strategy in logistics.

"This model is now being reexamined and we are returning to what was previously considered obsolete, namely the ability to anticipate market needs as much as possible by placing orders on materials well in advance. The sector is even thinking about the potential repatriation of part of the production chain to Italy and Europe," said Claudio Marenzi, CEO of Herno, a company specializing in long-sleeved pieces, and president of the Pitti Immagine trade show organizer.

Marenzi did not wait for the crisis to change his approach to production. The eco-responsible man ahead of his times set his company on the path of sustainable development a few years ago, relying on technological innovation. In 2020, he created the start-up BeSight with Andrea Ruscica president of the high-tech consulting firm Altea Federation, to offer technological solutions to fashion SMEs such as the shoe brand Panchic, launched in 2010 by Leonardo Dal Bello, which BeSight helped with traceability.
"By inserting an RFID tag in our shoes during the production phase, we are able to manage all logistical movements and are more efficient. We survived the pandemic thanks to our production chain," said Dal Bello during e-P Summit, the fashion and technology forum organized by Pitti Immagine in Florence in early May.

Herno has implemented a similar system. "RFID allows us to have a comprehensive overview. The challenge is to go further up the supply chain, tracking the flow of raw materials as much as possible. The company needs to know exactly when the product will reach the market in order to coordinate distribution and to launch campaigns," said Marenzi.

"Inaccuracy is no longer tolerated in the digital age. When a customer is looking for a specific product, they have to find it. All this requires a huge amount of planning and an incredible economic commitment between engineering, raw material costs and ever more complex organizations," he continued. "Costs have risen so much that the threshold for the minimum financial commitment, needed just to stay in business, is rising higher and higher, making it cost prohibitive for even the smallest of brands," stressed the entrepreneur.

"Paradoxically, I have experienced much more hardship this year than in the previous two years. With the war in Ukraine, I had to suspend many orders in Russia, one of my main markets. Although digital technology has helped us a lot, especially to sell on the other side of the world without having to relocate, the sales campaign has nevertheless been exhausting since we have had to be vigilant on all points," said Andrea Pilato Barrara, founder and owner of the small down jacket brand Bacon, distributed, among others, at Galeries Lafayette.

This complexity, which has become the 'new normal', has led several companies to accelerate their digital transformation in industrial processes. This was the case for Loro Piana, which joined forces with SedApta, a group specializing in software solutions to optimize supply chains.

"We were still doing very manual planning with [Microsoft] Excel. We were looking for software that would allow us to align all the company's business functions to manage the different commercial demands and inventory management, giving us the possibility to analyze any bottlenecks," explained Michele Taranzano, head of planning for the luxury goods division of the LVMH group's high-end textile house.

"Since we produce everything in Italy, we have production capacity limits, especially because our raw materials are very scarce. Hence the importance of having a tool that allows us to know the status of the production process," he explained.

Loro Piana involved its various departments, as well as its internal and external suppliers, in this digital transition. "This has given us great flexibility. We can now play with different scenarios to solve demands through a defined capacity plan in terms of suppliers, raw materials and forms. This means we can respond to specific requests in half a day, whereas before it took us several days to get an idea and confirm an order," said Taranzano.
From now on, production planning and purchasing policy and management will be carried out by the same tool at Loro Piana. By integrating subcontractors, the company no longer needs to spend hours on the phone explaining plans to them.

Several high-tech companies are offering tailored and progressively more sophisticated solutions for fashion brands. Pinko, for example, has partnered with Lectra, adopting its Kubix Link cloud platform, which, thanks to its intelligent and intuitive functionalities, helps it to optimize its production. The system combines PLM (Product Lifecycle Management), PIM (Product Information Management) and DAM (Digital Asset Management) functions.

"This has allowed us to clarify tasks and urgencies, with better control and improvement of production processes," commented Marco Ruffa, digital transformation director at Pinko.

"For example, we are increasingly distributed on the major international marketplaces and we are engaging in more and more dialogue with e-tailers, who ask us for customization in terms of languages, presentations and product information. This tool allows us to gather all the information and publish it on the different websites," emphasized the director.

Pinko has also used Retviews, Lectra's data analyst, to manage its price positioning in the Russian market over the past three months.

"In just a few months there have been major price changes. Retviews has enabled us to monitor the prices applied by e-tailers and to make very reactive analyses to maintain our level of competitiveness," he concluded.

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