

## Empowering Your 'Backstage' Teams: Retail Digital Transformation for What You Sell, Not Just How You Sell

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**Summary:** *Implementing new in-store and online technologies such as virtual changing rooms, digital shopping assistants, roaming points of sale and AI applications to analyze customer data are the future of retail. However, investing in the most cutting-edge customer-facing technology means nothing if you can't consistently create innovative, in-demand products that are tailored to different channels and launch in the market at the right time. Product Lifecycle Management (PLM) solutions enable 'back of house' teams to innovate new products, plan high-impact product assortments and execute to plan while getting to market faster and with a lower Cost of Goods Sold (COGS).*

The retail world is abuzz with customer experience innovations, and using AI and data management to get a single view of the customer is recognized as the way forward for retailers.<sup>1</sup> With prevailing views that experiential retail is the future<sup>2</sup> and that retailers need to embrace digital technology to survive<sup>3</sup>, innovations such as virtual changing rooms, touchscreen-enhanced mirrors, roaming POS using digital devices, click-and-collect purchasing and AI-enabled targeted marketing are gaining traction.

But in the rush to transform virtual and real storefronts with digital innovations, it's easy to lose sight of the basis of retail – what you sell. Product is key. If you can't get quality, market-right products that people really want into their hands at the right time, it's going to be a lot harder to sway the customer with stunning in-store experiences. Why? Because they've already bought a similar product somewhere else, or you're simply selling something they don't want. Or almost worse, they buy, are dissatisfied and then let everyone know about their experience.

Digitally transforming customer experience while creating products the old-fashioned way with hundreds of spreadsheets, paper notes and emails is like your front end driving a sports car while your back end is stuck in a horse and buggy. It doesn't work. Both need to be running at the same speed to truly optimize and stay competitive.

On a broader strategic level, developing e-commerce channels, expanding internationally and harnessing big data to guide marketing efforts are only useful if your product development and launch process are also digitalized and fully connected to what's happening on the sales floor. Without input from regional sales teams, you risk planning and developing the wrong assortment of products.

Product Lifecycle Management (PLM) systems offer the solution, digitally transforming the process of planning assortments and creating, sourcing and launching products. Crucially, PLM helps retailers get all of their teams up to speed.

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1 <https://www.retail-week.com/analysis/retail-2019-ai-will-be-a-key-focus-this-year-say-25-bosses-/7031094.article?>

2 <https://www.thestorefront.com/mag/7-case-studies-prove-experiential-retail-future/>

3 <https://www.forbes.com/sites/nikkibaird/2018/06/26/eleven-things-retailers-just-said-about-the-future-of-the-store/#4fd373b87987>

## What is PLM?

PLM systems are software solutions that digitally sync all aspects of the product lifecycle, usually replacing ad hoc systems of spreadsheets, emails and file-sharing between internal teams and suppliers. While PLM solutions are often associated with the engineering and aerospace field where they originated, there are sophisticated PLM solutions on the market tailored to consumers goods brands, manufacturers and retailers.

A modern PLM solution should provide a 'single source of truth' so team members from every department are empowered with the information they need in real time from anywhere in the world. This includes executives, buyers, merchandisers, designers, product developers, suppliers, quality control and retail operations.

Retailers turn to PLM to drive growth because it empowers flexibility, responsiveness to trends and expansion into more markets, while streamlining product and assortment localization. Eliminating time-consuming manual data entry, version control errors and delays in communication has a dramatic effect on cutting product development timelines, while assortment planning is transformed with powerful reporting, overviews and visibility.

But PLM is a big investment. Do retailers really need it?

## Increase new product introduction success

It's an unfortunate fact for retailers that a dismal 50% of new product introductions fail to meet sales targets<sup>4</sup>. When retailers' resources and margins are being squeezed to the limit, this is a big waste of time and money.

Many retailers combat this with physical expansion, following the logic that new stores in new locations will generate new revenue streams. However, global expansion brings its own challenges. Retailers need to meet new regulatory and labeling requirements while also adding in the complexity of multiple languages and currencies. Each new location requires tweaks to the product mix to match cultural preferences and tastes. Tariffs and variations in COGS by region add in more complications. PLM can manage this too.

What's a retailer to do? Increasing prices is one way to hedge against the losses incurred by unsuccessful product introductions, but consumers won't tolerate price hikes well with a whole world of choice at their fingertips. It can be difficult to cut costs without compromising on quality (and your reputation) if you really don't have access to accurate information in real time. Sometimes by the time you calculate a product cost, exchange rates or supplier rates have changed so the information you just finished calculating is already out of date!

A good PLM solution helps retailers to increase new product introduction success from the very beginning. Centralized merchandise development plans make it easier to gain visibility of planned assortments and establish sales targets earlier, track progress against your in-season plan, pinpoint products that are failing to meet sales targets early on and optimize

assortments faster.

Modern PLM solutions enable your merchandising and product development teams to create 'what-if' scenarios without immediately committing to decisions. This makes it possible to play around with details such as materials, sourcing options and quantities (while keeping an eye on Minimum Order Quantities or MOQ) to automatically calculate how product costs will affect product margins and pricing, taking the guesswork out of successful product introductions.

With the ability to see complex product mixes across branded and private label assortments, it's easier to identify development opportunities and increase sell-through as you expand into more markets and channels with more product variety. PLM solutions hold all product-related data, which can be customized for different uses and channels. If your PLM solution offers the ability to create localized product descriptions and pricing in multiple languages and currencies, it will support global channel growth and market expansion; even help kick-start marketing and content development.

### **Streamline white/private label and supplier co-created development**

White or private label products are generally more profitable for retailers than branded items, as it's easier to control costs and delivery. With more and more consumers buying white label items, developing high-quality white/private label products is a core strategy for many retailers.<sup>5</sup>

Some retailers design and develop white label products from scratch, some co-create them with suppliers and others source finished products and package them as own-brand. Whatever your strategy, creating a successful own-brand label assortment is challenging. Retailers need powerful visibility from sourcing to retail to plan and manage assortments for different locations, while hitting the sweet spot in the mix of entry-level, mainstream, specialty, premium and seasonal products.

PLM can power the creation of own-brand label growth strategies and help develop product lines with innovative technology that supports product planning, design, development and go-to-market in order to get a wider variety of products to market faster. With a comprehensive view of your current offerings in any given category, you can start to 'fill in the blanks' with white label products or the opposite – lay out your own-brand strategy first and round off assortments with products from other brands.

The most dramatic effect of PLM is enhanced communication. PLM creates a centralized platform for product creation where designers and developers connect directly with merchandisers and suppliers, sharing the most up-to-date product information and assortment plans.

Teams find it easier to collaborate and share information quickly, condensing development timelines for your own-brand label assortments. By eliminating tedious manual data entry of

product information in endless spreadsheets and reducing costly and time-consuming errors, PLM improves the development efficiency of products created by retailers or co-created with suppliers.

### **Improve margins with volume sourcing**

Sourcing is too often the source (pardon the pun!) of frustrating holdups in the journey of products from concept to storefront. As your teams wait for replies, quotes and samples to arrive, the clock is ticking. Not having a clear view of what's happening with items in production and dealing with unpredictable costs and delivery timelines can hit your bottom line.

Retailers use different types of volume sourcing strategies to minimize the product margin-eating risks of sourcing. Some bulk buy from a limited number of trusted suppliers, developing strong collaborative relationships. Other retailers use a broad spread of suppliers, looking for the best offers to achieve more competitive pricing.

Retailers who depend on a small selection of suppliers usually intend to work with them on a long-term basis, which can cause panic issues if a problem arises and you have to look for a new supplier. However, sourcing from a lot of different suppliers leads to its own headaches. Making sure you always get the best combination of quality and price depends on your ability to maintain and compare large volumes of up-to-date supplier information.

PLM solutions can support volume sourcing strategies for retailers by streamlining the RFQ, co-design or material buying process with a centralized source for all product-related data that vastly expedites and streamlines supplier communications.

If your suppliers connect to PLM, you can say goodbye to sending multiple versions of the same spreadsheet back and forth, chasing emails with phone calls and playing the waiting game with samples. Suppliers have instant access to the information they need as soon as your teams make changes in the system, and vice versa.

If you work with a lot of different suppliers, look out for PLM solutions with specific facilities for high-volume and direct to factory sourcing, allowing you to send out RFQs to suppliers and agents en masse and then consolidate and compare responses on a single digital platform. PLM solutions can enable you to easily send out thousands of RFQs to source and co-create tens of thousands of products each year. So much faster than wading through heaps of emails and price lists!

### **Deliver highly desirable, high quality products**

Of course, it's not just about streamlining and speeding up the process of getting products to market, although that is one of the major benefits of PLM. The product itself is the critical piece of the puzzle. Your products need to be highly desirable, hit the right design trends or have the right features and meet the quality standards your customers expect. A unique and

personalized in-store experience is no good if the product breaks two weeks later!

Because PLM solutions make it easier to create and collaborate on product concepts, images and themes during the assortment planning and design stages, creating and sourcing desirable market-right items has a higher chance of success. Connecting PLM with enterprise systems like ERP that handle up-to-date sales data and feedback from regional sales teams makes it possible to connect 'front of house' with 'back of house' so that you can pivot quickly, react to unexpected changes in trends, and adapt product mixes accordingly.

On the quality side, if you want to cut the amount of time spent on product inspections without cutting corners, spot manufacturing issues quickly, analyze defect trends to avoid future mistakes and work more closely with suppliers to improve products, going digital for your quality assurance process is an easy win. PLM solutions can enable you to learn from customer feedback and experiences with products 'in the field'. Offering an in-store repair service makes it possible to collect information about defects and repairs in PLM for future reference and adjust testing protocols accordingly.

## **Conclusion**

It's important to give your customers memorable experiences, integrate online and offline channels for seamless shopping, and make it as easy as possible for customers to purchase what they want, how they want.

However, digitizing the front end of your retail operations and investing in the shiniest new 3D changing room apps or AI marketing engines are a waste of energy if your product teams can't keep up, your products are poorly designed or executed, products take too long to get to market or they just miss the mark completely.

Digital transformation is not just relevant to in-store experiences, point of sale and e-commerce platforms. Your teams behind the scenes need it too. Design, development, compliance and go-to-market processes can be transformed and streamlined with the right digital technology, empowering your entire retail business to work at the same speed. In fact, best in class retailers are already doing this!

With the right digital tools, retailers can develop amazing products across multiple categories, geographies and channels faster to better compete in today's accelerating marketplace. If you're considering investing in the new wave of digital technologies that enhance customer experience, think about your hardworking backstage crew – do they need a digital boost to keep up? Sure, PLM might not be as eye-catching as a touchscreen mirror, but it could do a lot more for your bottom line in the long run.