

FASHION & TECHNOLOGY CHAIR

Industry 4.0: The Digital Transformation of the Value Chain in Fashion

On the 31st of January, ESCP Europe's Lectra Fashion & Technology Chair held a conference about this topic as part of the Tech Days organized at the school's London campus.

By Robin Caudwell, ESCP Europe MiM's student
 but also Project Assistant at Fédération de la Haute Couture et de la Mode

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Hosted by the chair's Scientific Director and ESCP Europe's Dean of faculty, **Valérie Moatti**, the event gathered **Laetitia Hugé**, Vice President, product marketing at Lectra, **Dan Hartley**, Global Head of Digital Commerce at AllSaints Retail, **Pierre Mercier**, Senior Partner & Managing Director in the London office of the Boston Consulting Group, **Evelthon Vassilou**, CEO, Alison Hayes, and **Robert Diamond**, CEO and Founder of Fernbrook Partners.

Here's what went down and what you must remember!

Improved decision-making

The observation of the World Economic Forum 2018 is clear: the fourth industrial revolution will have a major impact on all industries and transform our society. Robert Diamond explained that the combination of data and artificial intelligence will allow for a drastic improvement in everyday decisions.

"Compared to other sectors, there is a lot more uncertainty within the fashion business model. There are couple reasons for that: one is the touchpoint between the product and the consumer", he went on. According to Pierre Mercier, the fashion value chain is very time intensive (there are many steps from the textile industry to distribution) and very expensive (raw materials, machinery, transport, communication, etc.). "Products get designed long before they ever get sold and sometimes, they don't even get sold. Lots of times, customers won't find the item they're looking for or brands send too much to a store and must discount. Both mean a lot of margin erosion". The major application of industry 4.0 in fashion is on the one hand to reduce uncertainty and on the other hand, to increase the flexibility of the value chain to react quickly to changes in demand. "The key is to speed up decision-making so that you can react very quickly and either stop producing something that is not going to be very successful or to ramp up production on something that is", commented Evelthon Vassiliou.

Robots are coming

In his opinion, automation is developing in fashion (e.g. Sewbo) but it is still limited to the manufacture of t-shirts. "The biggest challenge so far in robotics has been how to handle fabric which is very fluid material". Additive manufacturing meets the same technical limits as automation in terms of material, but sportswear giants Nike and Adidas are already using it for shoes. 3D printing makes small batch manufacturing more cost effective and opens up new possibilities for customisation. Evelthon Vassiliou added that while the results are not spectacular today, automation "may happen in 5 years or in 50 years, but we have to keep looking at it". Those who don't do it risk being left out...

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Personalized customer experiences too

But it's not just shoes and accessories that will benefit from customization. According to participants, the entire brand-client relationship will take advantage of the data collected to provide a renewed experience. Today, for the consumer luxury is more about experience than product. Robert Diamond, the data collected will help guide them to the products most adapted to their needs. The few who are reluctant to share their data need to come to grips with the idea that big brother is already watching them. "The main change will be interactivity, which is the ability to deliver a dynamic, increasingly personalized message in both online and instore and then for brands to learn from those interactions", he added.

Amazon, threat or opportunity?

Amazon multiplies forays into the field of fashion, but its major effect is to increase consumer expectations. "The fact is that Amazon was born with this technology so it's in themselves. In this way, they are far beyond most of the fashion actors", considers Laetitia Hugé. According to her, Amazon have created another experience for the customers, new expectations and a new way to consume fashion. "The reason why customers use Amazon is speed, added Dan Hartley. Amazon has the data, so customers don't need to keep re-entering information on every website and it offers the fastest delivery service in the world". For Robert Diamond, Amazon's strategy is comparable to that of major retailers launching their own brands. And even though Amazon has undeniably accelerated fashion trends, it is not a threat to brands today. "They have for sure disrupted the value chain, by aggregating the data and analysing it but I don't think they will kill the fashion industry", Laetitia Hugé went on.

Algorithms won't replace designers

Amazon will not kill brands and algorithms will not replace designers. In fashion and more particularly in luxury, craftsmanship and creativity are the DNA of the brand and bring communities together. "The creatives or some of the craftsmanship in luxury goods will remain", asserted Pierre Mercier. However, we must not ignore the usefulness of algorithms and artificial intelligence in creating them, which to Laetitia Hugé "can be interesting for designers themselves to support them, to assist them".

E-commerce won't kill the brick and mortar store

In tomorrow's world, there will be two types of distributors: stores where basic necessities are available and specialized stores. Anything in between will disappear. "There is an emotional dimension to a fashion purchase that makes it more emotionally engaging than replenishing salt or paper", added Pierre Mercier, for whom stores will become more of a showroom. According to Evelthon Vassiliou, "the question is not about brick and mortar stores disappearing, but the brands who end up disappearing because they can't manage that transition". Moreover, as fashion e-commerce is already dominated by pure players like Farfetch, it will be all the more difficult to make one's place. Brands may have to consider collaborations, like the Kering group, which has a partnership with Net à Porter for many of its brands. One thing is certain: as Pierre Mercier recalled, "as more and more generations grow up like that, the imbalance between physical retail and online will continue". In conclusion, the future is probably to be found in click & mortar.

Jobs will be more interesting

Like physical shops, many jobs will disappear, especially those of demand forecasters or salesmen in the traditional sense. But if technology has the ability to destroy many jobs because according to Robert Diamond "it's faster, it's cheaper and it makes fewer mistakes", he believes that it will also free up humans to do what he does best: create and innovate. "The job is going to become a lot more interesting, he claimed, explaining that salesmen will be more like personal stylists and advisors than stock managers. But of course, tomorrow's job "will require more talent"...

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The challenge: changing and embracing technology

Finally, all the participants seem to agree on one point: technology is here, it now needs to be embraced! "I think the problem is not technology, as we can already do a lot, but it is the ability to change and embrace this technology and to go beyond it", considers Laetitia Hugé. Dan Hartley confirmed that one of the biggest challenges has been the cultural change rather than the technology itself. And when it comes to the evolution of mind-sets, fashion is behind more general retail, and luxury is further behind. "There's a disconnect between the retailers and all the suppliers, and they are seen almost as adversaries", according to Evelthon Vassilou, who thinks one of the keys to 4.0's success lies in trust and collaboration between companies. Finally, luxury will have to skip a few generations of prototypes before offering an optimal technological experience. For Dan Hartley, brands should not be "distracted by the 'last shiny new stuff' because it probably doesn't add any value and probably isn't going to make the customers' lives any easier". According to him, the technology used should be worthwhile and benefit. The task for companies in the sector is to identify their needs, and how technology can meet them more effectively than people. For Robert Diamond, "it's all about human-machine alliance, which is letting machines do what machines do best and letting humans do what humans do best, which is engaging with people and coming up with ideas where tomorrow's solutions are different than yesterday's"...

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