IDC MarketScape: Worldwide Retail Product Life-Cycle Management (PLM) Applications 2012 Vendor Assessment

IDC Retail Insights: Retail Supply Chain, Sourcing and Product Life-Cycle Management Strategies

IN THIS EXCERPT

The content for this excerpt was taken directly from the IDC MarketScape: Worldwide Retail Product Life-Cycle Management (PLM) Applications 2012 Vendor Assessmentt" by Leslie Hand (Doc # GRI236445). All or parts of the following sections are included in this excerpt: IDC Health Insights Opinion, In This Study, Situation Overview, Future Outlook, and Essential Guidance. Also included is Figure 1.

IDC RETAIL INSIGHTS OPINION

The retail product life-cycle management (PLM) applications market for apparel, footwear, and hardlines products continues to evolve, with the focus shifting from merely enabling improved technical specification, sampling, and sourcing management processes to acting as a central lynchpin, from a supply chain perspective, empowering retailers to conduct customer-centric, efficient, and effective brand management. Key findings include:

● Retail PLM allows retailers to harmonize decisions at each step of the product life cycle, resulting in more profitable product launches, fewer product failures, and more business success.

● Retailers improve the performance of their companies and, specifically, private label brands with a broad spectrum of product life-cycle management capabilities from product conception to order receipt.

● Vendors that serve this space range from those that have long histories in PLM and CAD, vendors that initially were sourcing specialists and those that have emerged specifically to serve retail product or merchandise life-cycle management (retail PLM or MLM) needs. Regardless of heritage, many of these companies have increased retail-specific R&D in the past several years.

● To address the business and technical requirements of retail PLM processes, beyond core product development and sourcing, vendors are developing, partnering, or acquiring analytics, 3D

visualization, social networking, and collaborative platform technologies.

- Many vendors that appeared in IDC Retail Insights' last retail PLM vendor landscape document (see *Vendor Assessment: Retail PLM/MLM — Bringing Quality Product to Market Faster,* IDC Retail Insights #GRI220578, November 2009) are not included in this IDC MarketScape, and notably, one was added. Importantly, the vendors included meet the criteria established by IDC for inclusion in this MarketScape — their capabilities, market share, and growth potential all met our criteria.

IN THIS STUDY

This IDC Retail Insights study represents a comprehensive vendor assessment of the retail product life-cycle management applications market for apparel, footwear, and hardlines products using the IDC MarketScape model. Vendors were selected on the basis of estimated market share and potential for growth among vendors with the appropriate range of capabilities. This study ultimately provides prospective buyers critical insights into vendors' competitive market position, strengths, and weaknesses.

The evaluation is based on a comprehensive and rigorous framework that assesses vendors relative to the criteria and one another and highlights the factors that influence success in the market both short and long term. End-user feedback from current retail PLM customers was also considered when determining the position of each vendor in the IDC MarketScape framework.

M e t h o d o l o g y

We invited 11 vendors to participate in this study, extending an invitation only to those vendors that have PLM solutions specifically designed for apparel, footwear, and hardlines. One vendor, Lawson, had to decline because it was in the process of being acquired by Infor. The resulting retail PLM IDC MarketScape assesses 10 vendors that represent 45% of total worldwide named vendor software spending on retail PLM solutions (in all retail business segments).

There were a number of steps in this evaluation process, including:

- Product review and strategy briefings with each of the participating vendors

- Each vendor completing an extensive RFI and providing customer references

- Customer reference calls conducted, covering complexity of the project, vendor responsiveness, and strengths of vendor and offering

- Quantitative and qualitative assessment of each vendor against the evaluation criteria

- Review of scores and assessment with each vendor prior to publication to ensure factual accuracy

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of a review board of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

SITUATION OVERVIEW

Business Needs

Retail PLM Improves Return on Capital, Improves Brand Equity, and Reduces Risk

Retail PLM enables faster innovation and product cycle times, with improved regulatory compliance and reduced costs. The evolving best practices include establishing a common data repository, facilitating collaborative innovation, calendar management and workflow control, automated collaborative sourcing processes, and close attention to regulations and product, vendor, and factory compliance and performance.

PLM enables employees to return to core competencies — designers can design products, supply chain managers can optimize a well-orchestrated and instrumented supply network, and merchants can optimize assortments, efficiently buying and selling products. Retail PLM enables collaboration up and down the supply chain that reduces the cost of doing business and improves performance for all supply chain partners.

Retail PLM supports a retailer's desire to improve return on capital, improve brand equity, and reduce risk, and this is validated by Wall Street analysts. In a report, *Outlook and Top Picks for 2012* (source: Citi Investment Research & Analysis, January 13, 2012), Deborah Weinswig, managing director, Retailing/Broadlines, Food and Drug, and Home Improvement, Citi Investment Research & Analysis, reiterates that merchandise life-cycle management (MLM) (referred to as retail PLM in this report) is one of the most critical technologies that will drive improved bottom-line results. Note that we use the terms merchandise life-cycle management and retail product life-cycle management interchangeably, recognizing the need to differentiate application capabilities that retailers need from those of manufacturers of discrete or highly complex products, but in this report, we have dropped the more complex MLM/PLM phrasing we have previously used. The industry generally agrees that for retailers, the term PLM alone does not capture the breadth or depth of retail applications sufficiently but has not settled collectively on anything other than retail PLM.

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In summary, retail PLM enables improved performance by enabling the following:

- **Improves brand equity.** Retail PLM improves a retailer's ability to deliver product — on time, on trend, of right quality, and at the right value. It also offers an opportunity to bring customers closer to the process by leveraging social commerce to engage consumers in cocreation. Brand equity is also enhanced with suppliers as

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collaboration improves profitability bilaterally and fosters stronger partnerships.

- **Improves return on capital.** As the central version of the truth for all information and processes related to the product from the point of ideation to fulfillment, retail PLM takes cost out of design and preproduction processes, consolidates sourcing needs across divisions and channels, and reduces waste in materials, manufacturing, and logistics. Built-in business intelligence (BI), reporting, and dashboards enable high visibility, proactive management of critical path issues, and key performance measures.

- **Reduces risk.** Collaborative supplier relationships reduce risk as materials and labor costs, manufacturing capacity, and regulatory issues challenge retail product flow and performance. Moving inefficient processes "online" reduces the investment and time lost related to offline, back-and-forth negotiations, and sampling. Standardized electronic QA and compliance processes ensure quality products are delivered to market on time without unexpected costs. Additionally, the reuse of artifacts from a single data repository ensures product integrity in compliance with complex global regulations and with regard to social, environmental, and financial sustainability.

Retail Business Needs That Propel PLM Investments

PLM has the potential to solve many of the issues related to introducing new products to market, driving dramatic business performance improvement as a result.

To understand much more closely why this is true, let's do a quick review of the pre-PLM state of retail product life-cycle practices for most retailers. Current "legacy" retail product life-cycle management practices are linear, inefficient, and error prone. Independent designers and preproduction technicians often have unique processes and personal fit, grade, materials, and specification repositories.

Errors occur too frequently because of miscommunications, lack of standards, and individual mistakes. Spreadsheets, PDFs, and other documents are typically faxed or emailed to colleagues and suppliers. Communication lags and gaffes result as there is no assurance that reviews, approvals, or changes will be handled efficiently. Critical path management and document control in this environment are virtually nonexistent. We recommend that retailers compare the chaos and inefficiency of legacy product management processes with best practice retail PLM applications processes.

As it relates to product, the common objective is always successfully bringing customer-pleasing products to market at the expected margin and velocity. The challenges to doing this successfully for many retailers are:

- **Retailers need to innovate faster.** This requires better business and customer intelligence and analysis so that the right assortments of products are planned. But it also requires that the business process is efficient, eliminating existing workflow gaps, so that the cycle time from product ideation to shelf is faster.

- **Retailers need to actively manage product life-cycle events.** This requires active calendar management, real-time status updates, and alerting, enabling excellent responsiveness to unexpected events including materials issues, logistics challenges, manufacturer capacity constraints, and product demand changes. With the right tools, vendors can self-manage better, enabling higher ratios of on-time, on-budget product success.

- **Retailers need to apply human resources to the "art" of product design, planning, and selling.** This means that science should enable everything that does not have to do with the "art" of product introduction and life-cycle management, thereby improving efficiencies, reducing costs, and reducing waste. Managing where the most current version of the design, color library, or fit rules is should not even be a concern to a designer. Nor should sourcing managers have to worry about how they will coordinate schedules or communicate with and manage vendors that are halfway around the world.

- **Retailers need to collaborate with supply chain partners.** This requires a platform that enables electronic collaboration, with a shared workspace and shared product information including parts, specifications, bills of materials (BOMs), schedule, status, alert management, compliance requirements, quality control and audit data, and shipping information. Suppliers need to be better codevelopment and production partners.

- **Retailers need to ensure regulatory compliance and product quality.** Every aspect of a product is regulated, often differently in different parts of the world. Some of the current drivers are regulations including REACH, CTPAT, 10+2, and CPSIA. Retailers need to manage everything that goes into producing a product, including labels, packaging, materials, country of origin, and environmental compliance — this has to be right for all of the markets in which they distribute the product. This is no easy task, but the right software and audit processes can ensure compliance and that the product meets quality guidelines. Audit data needs to be accessible in real time to satisfy trading partner and regulatory body needs. Some retailers are going so far as to implement full traceability to facilitate reverse logistics processes, with just a couple also planning on providing consumers access to product heritage information.

FUTURE OUTLOOK

## IDC MarketScape: Retail PLM Applications for Apparel, Footwear, and Hardlines

The IDC vendor assessment for retail PLM applications for apparel, footwear, and hardlines products represents IDC's opinion on which vendors are well positioned today through current capabilities and which are best positioned to gain market share over the next few years. Positioning in the upper right of the grid indicates that vendors are well positioned to gain market share. For the purposes of discussion, IDC divided potential key strategy measures for success into two primary categories: capabilities and strategies:

- Positioning on the y-axis or capabilities axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

- Positioning on the x-axis or strategies axis indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level strategic decisions and underlying assumptions about offerings, customer segments, business, and go-to-market plans for the future, in this case defined as the next three to five years. Under this category, analysts look at whether or not a supplier's strategies in various areas are aligned with customer requirements (and spending) over a defined future time period.

Figure 1 shows each vendor's position in the vendor assessment chart. Its market share is indicated by the size of the bubble, and a (+), (-), or () icon indicates whether or not the vendor is growing faster than, slower than, or even with, respectively, overall market growth, which is currently growing at a CAGR of 11.4% (see *Pivot Table: Worldwide Retail IT Spending Guide, Version 2, 2011,* IDC Retail Insights #GRI235660, July 2012). Please note that some of the vendors covered in this report do not publically report retail PLM revenue, and therefore IDC Retail Insights estimated values for these companies. However, vendors were given an opportunity to review these values for accuracy before this report was published.

IDC MarketScape Worldwide Retail PLM Applications
Vendor Assessment

IDC MarketScape Worldwide Retail PLM Applications
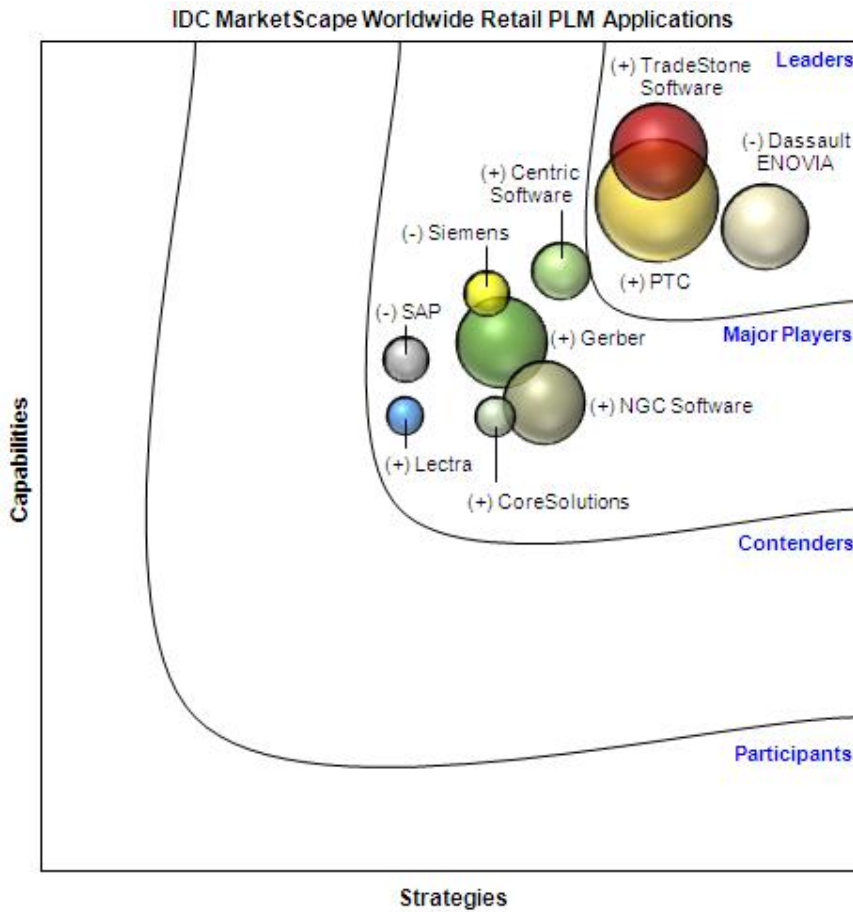
Source: IDC Retail Insights, 2012

Vendor Summary Analysis

This IDC MarketScape focuses on PLM solutions specifically geared toward apparel, footwear, and hardlines, including functionality to support the entire product life cycle for private-label goods such as design, sourcing, order management, and compliance.

IDC's MarketScape model balances the strategy of vendors with their current capabilities. Because marketing and sales, operational issues, and products are all critical in this evaluation, the IDC MarketScape model weighs these factors on the strategy side as well as on current capabilities.

Key findings include:

- Dassault had the highest strategies score, followed by TradeStone and PTC.

- TradeStone had the highest capabilities score, closely followed by PTC and Dassault.

- Innovation is an important component of this market as it has evolved over the past several years to meet the emerging private-label needs of many customers. The innovation score is particularly important as a result. Vendors that have made significant ongoing investments in product functionality enhancements scored high on the innovation scale. The three vendors that scored highest in innovation were Dassault, Centric, and TradeStone.

- Because of the intricate business processes these PLM solutions need to facilitate, and the need for them to work with internal and external systems, overall functionality of the product offering was an important criteria for scoring. The top overall score reflects the vendor's current capabilities as well as the vendor's product road map for providing functionality for product life-cycle management, sourcing, compliance, and order management capabilities. The top 5 vendors that scored highest in breadth of functionality and offering road map were Centric, Dassault, Gerber, PTC, and TradeStone.

The sections that follow provide more information and detail the key observations made regarding each vendor's offerings, capabilities, and strategies that led to their positioning in the IDC MarketScape (refer back to Figure 1).

Dassault Systèmes

Founded in 1981 and well known for its 3D modeling software, Dassault Systèmes launched its PLM offering initially in 2000. Today, the PLM offering from DS is organized around the CATIA, SIMULIA, DELMIA, ENOVIA, EXALEAD, NETVIBES, SOLIDWORKS, 3DVIA, 3DSWYM, and GEMCOM brands. With headquarters in France, DS has 9,500 employees worldwide. Revenue for DS grew 3.2% from 2010 to 2011 to $2.2 billion.

Of the company's approximately 130,000 clients in more than 80 countries, there are 120 companies in the apparel, footwear, and hardlines categories that use Dassault's PLM applications. The majority of these companies are in Europe and the Americas, and the numbers are roughly split among these two regions. Customer examples include Guess, Gucci, adidas, REI, and Under Armour. Recent customer wins include Mammut Sports Group, Benetton Group, and s.Oliver.

DS serves the industry through three sales channels: professional sales, direct sales, plus an extended network of partners with local and industry expertise. It has an extensive partnership network that includes 150 authorized education partners, 165 software partners, and 700+ channel partners.

Dassault Systèmes SA (Euronext Paris: #13065, DSY.PA) ENOVIA subsidiary is a Leader in our IDC MarketScape for retail PLM applications. Dassault Systèmes products offer a range of capabilities that should certainly land DS on the short lists of retailers looking for retail PLM to support product development for the apparel, footwear and hardlines categories. The company's PLM offering is being used for product design, sourcing, collaboration, and all processes up to execution of the PO. It supports preproduction PO management and integrates with ERP systems for PO execution. All Dassault PLM components are built on top of the Version 6 Web-based platform. DS recently added cloud business services through a strategic investment in Outscale, a SaaS provider. Beyond product development and sourcing, DS PLM extends into the store and channels with visualization and 3D capabilities that enable better collaborative planning all the way to the store shelf or rack.

Dassault Systèmes received one of the top 3 scores for its product capabilities. Among the strengths of the DS PLM offering are that all DS accelerators (such as the apparel accelerator) are Web based, and therefore available to any Web-enabled device, and that the 3DSWYM

social collaboration environment supports collaboration throughout PLM processes, with internal and external partners. Business users leverage this application to share trend and concept development information, and visualization and 3D capabilities from ideation and design through placement on a shelf are unique and support the complete product life cycle. This capability is best in class among this set of vendors, enabling manufacturing virtual validation, sampling and testing, and new virtual product collaboration and selling opportunities.

Additionally, EXALEAD, a search-based application, is also a best-in-class capability among the PLM vendors reviewed in this report. This capability successfully searches and transforms large volumes of structured and unstructured data into meaningful, real-time information intelligence. Retailers are successfully leveraging this capability to search for counterfeit images, thwarting potential harm to their brand image and performance. Hardlines retailers also benefit from the extended 3D CAD and simulation capabilities of 3D SOLIDWORKS.

Dassault Systèmes has plans to see overall revenue growth of 6–8% for 2012. The company's overall strategy for PLM is to expand penetration by extending the use of its collaborative business platform deeper into the planning, design, and supply chain organization. In the past two years, the company has added eight new retail customers for its PLM offering.

Dassault Systèmes received the highest score among this group of retail PLM vendors for strategy. DS has a holistic vision to help companies visualize and experience product through the product life cycle the way individuals experience products in their everyday lives. This is not an easy feat, but DS is investing heavily in innovation and acquiring complementary game-changing applications where it makes sense. While at times it seems like some of the areas DS is innovating in are a bit out of reach for many retailers, the company has not lost sight of enhancing the core product development and sourcing capabilities. Recent usability, compliance, and sourcing enhancements are a testament to the level of commitment to fundamental retail PLM.

Dassault has embraced mobility and social networking. In April 2012, the company announced an update to 3DSWYM, Dassault's social enterprise platform that was created internally in 2010. 3DSWYM is positioned as a "real-time, social dynamic referential environment" and can integrate with legacy information systems and business processes as well as Dassault's ENOVIA collaborative platform. Companies can develop their own complete secure, on-the-cloud community using 3DSWYM or participate in Dassault's many communities. The success of 3DSWYM has led Dassault to sell its equity position in blueKiwi SA, a European-based vendor of enterprise social software.

Guidance

Dassault Systèmes applications are a good choice for the apparel, footwear, and hardlines retailers focused on leading-edge innovation in product and process. Many customers of Dassault frequently approach a PLM evaluation to support growth initiatives. Customers we interviewed utilized an iterative approach to the configuration and implementation of the solution. Reasons for choosing DS PLM included the company's ability to integrate with and facilitate interactions between ERP systems, the flexibility of the solution, and the deep expertise of the company's integration partners. In some cases, retailers leveraged a third-party tool to improve workflow efficiency, but these customers were completely satisfied with DS.

Dassault is also reinforcing its position in the fashion industry with a strategic move toward collaboration in high-end apparel. In late 2011, the company launched FashionLab, a technology incubator dedicated to fashion designers and stylists, to explore and test new concepts using 3D. The ultimate goal is to create a solution that integrates the design, simulation, and collaboration tools required to create an entire collection.

These product and portfolio enhancements should bolster Dassault's ability to meet the goal for doubling revenue share in key markets over the next five years as an increasing number of retailers will seize the innovative advantage of working with Dassault.

ESSENTIAL GUIDANCE

Indications are strong for the future of retail PLM. Retailers with retail PLM generally outperform those without. Wall Street recognizes this, and stock performance often is reflective of this fact. Companies including Walmart, Burberry's, Under Armour, Nike, Urban Outfitters, and Kohl's have implemented retail PLM and are outperforming their peers by reducing cycle time, improving assortment performance, and ensuring customers that they take responsibility for product safety and quality.

IDC Retail Insights believes that retailers that leverage retail PLM technology to deliver quality product to market faster will strengthen their current market positions and will be more viable for the long term. It is very fundamental but cannot be minimized — the effective use of assets, coupled with good margin and revenue growth, positions retailers for success in good and bad times.

IDC Retail Insights' worldwide retail IT spending forecast data for some of the relevant application areas indicates that retail PLM spending has a compound annual growth rate (CAGR) of 11.4% for the five-year period ending in 2015 (see *Pivot Table: Worldwide Retail IT Spending Guide, Version 2, 2011,* IDC Retail Insights #GRI235660, July 2012).

Actions to Consider

For Retailers

With a clear vision of the opportunities, each retailer should define its priorities and establish its strategy to achieve optimal product development, PLM, and sourcing efficiency and effectiveness. This exercise results in a road map that is easily aligned to vendor capabilities, strengths, and weaknesses. Retailers should:

- **Define current barriers to visibility and efficient concept-to-fulfillment processes.** Construct the initial list of opportunities to review. This will require an in-depth analysis of all product development, PLM, and supply chain processes, followed by comparison with best-in-class processes.

- **Establish a strategy.** Define both short- and long-term strategies. What are your business' biggest competitive advantages? Can capitalizing on any of these opportunities create a differentiating market advantage? For example, does bringing product to market faster enable you to provide on-trend merchandise to your market better? Does it improve the customer experience? Or does having greater control over the design of its private brands enable faster response to market needs? Can the retailer improve its ability to deliver highly desirable products to market in response to changing market dynamics?

- **Define requirements and develop a road map.** Identify projects with the most significance — measured by ROI or market differentiation — and prioritize. Don't lose sight of the long-term needs of your organization when identifying your quick wins. Where is the biggest pain point? Is it managing product libraries and reuse concerns, sourcing effectively, sampling processes, calendar and workflow management, or something else?

- **Select a vendor.** Align your needs with the capabilities of the vendors outlined in this report. It's quite possible that one vendor will not meet all of your needs, given your business objectives, current IT portfolio, and short- and long-term road map.

For Vendors

- Develop depth of experience in retail. Understand retail pain points and deliver retail-focused capabilities, marketing, and services. Ensure product road maps are detailed and customer-value driven. Share as much as possible, including detailed release plans, with customers.

- Focus on delivering a combination of out-of-the-box functionality and efficient customization tools to accelerate time to value.

- Develop capabilities to extend the value of core functionality by leveraging mobile devices, social networking, and analytics.

- Integrate to existing retail ERP, assortment management, merchandising and business intelligence, and analytics capabilities.

- Support both on-premise and (private and public) cloud deployment models to meet future customer demands. This means

offering commensurate licensing policies that reflect the delivery model and allow customers to scale up and down as needed.

● Publicize credible use cases and customer ROI. Develop ROI templates to help customers understand and quantify benefits.

LEARN MORE

Related Research

● *How PLM Vendors are Supporting Better Customer Service with Collaborative Capabilities* (IDC Retail Insights #GRI235878, July 2012)

● *Perspective: Customer Needs and Strategies — Grocers Embrace Omnichannel Retail* (IDC Retail Insights #GRI235877, July 2012)

● *A Closer Look at Mobility in Retail* (IDC Retail Insights #GRI235133, May 2012)

● *Worldwide Retail IT Spending Guide, Version 1, 2011* (IDC Retail Insights #GRI233454, February 2012)

● *Perspective: NRF 2012 — What a Difference a Year Makes!* (IDC Retail Insights #GRI233126, February 2012)

● *Perspective: IDC Retail Insights' 2012 Supply Chain Predictions* (IDC Retail Insights #GRI233025, February 2012)

● *Worldwide Retail Industry 2012 Top 10 Predictions* (IDC Retail Insights #GRI232576, January 2012)

● *Best Practices PLM for Apparel Retailers and Brands* (IDC Retail Insights #GRI227824, June 2011)

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