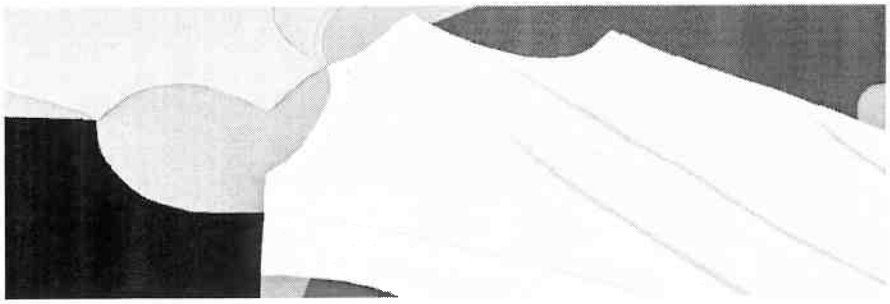

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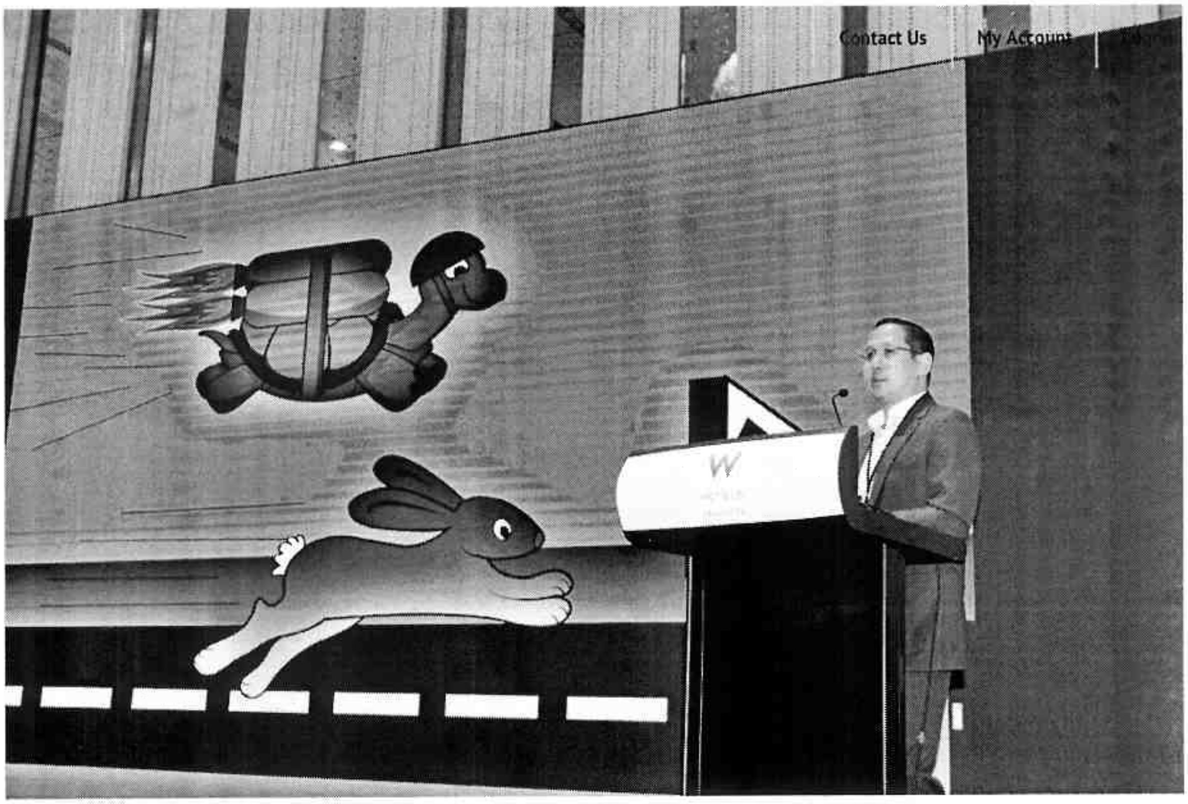
Spencer Fung Says the Apparel Industry is Moving Far Too Slow for its Own Good

By Tara Donaldson



At the Sourcing Summit Hong Kong, Spencer Fung explained that apparel supply chains can't settle for being a "faster turtle" when the consumer is a speedy rabbit.

Speed may now be the built-in buzzword in apparel companies' mission statements, but their attempts at quickening the supply chain aren't fixing fashion fast enough.

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Even Li & Fung isn't hitting speed as head on as it would like to be.

During a keynote speech at the Sourcing Summit Hong Kong Tuesday, Spencer Fung, group CEO of the leading supply chain solutions firm, admitted, "As a company that is 112 years old, we're not moving very fast. We're sort of the slow-moving company."

And it's not just Li & Fung, but the overwhelming majority of apparel industry players.

"The whole retail, the whole sourcing space, we're trying to catch up," Fung said. "But meanwhile, consumers are moving 10 times faster."

Painting a picture of his point, Fung said consumers are rabbits in today's supply chain, and brands, retailers and manufacturers are the too-slow turtles that can't keep up—despite knowing they need to.

"If they're moving 10 times faster and the whole supply chain, the whole value chain, is not moving as fast, it's not going to work," Fung said. "Eventually, we have to move as fast as the rabbit. Being a faster turtle from year to year is not good enough. Being 5 percent to 10 percent faster each year like we used to strive for is just not good enough, because your ultimate end consumer is going to move faster."

What's been made very clear in recent years is that the entire supply chain is being disrupted because of consumers' see-now, want now mentality, because of e-commerce and the convenience it offers, and because of new business models coming from startups that aren't bogged down by remnants of the old days and ways.

To survive it all, for those that hope to do so, it's going to take an end-to-end digitized supply chain.

"If we just fast forward four to five years from now, there's no reason to believe that this will not be completely digital," Fung said referring to a visual map of the supply chain. "Our thinking, just like everybody else, is we have to digitize our business as soon as possible. If we don't do that, there's going to be disruption, our business will go away, the value equation will change, automation will come in. There's a lot of things coming into this space and the speed at which this happens is actually shrinking really fast."

Li & Fung has been on its path to creating the supply chain of the future, and to get there has meant enlisting a more let's-try-it mindset and turning to startups to benefit both from what they know and what they don't.

"We really want to disrupt ourselves, if you will," Fung said. "To create the supply chain of the future implies that it's a conscious effort to disrupt your own business and to find new ways and new business models of how to actually engage in this value chain."

Among its first steps in disrupting its own, at times, staid supply chain, Li & Fung looked at its 8,000 customers and found that the average time from design to store was 40 weeks. For one of those 40-week lead time customers, Fung said the company was able to help them bring that development and delivery time down to 13 weeks. That's three times faster. What's more, sales went up 25 percent, inventory went down 25 percent and the company managed to minimize margins by 30 percent.

To do it, Li & Fung looked to fabric platforming, empowering vendors, and aligning roles within the entire supply chain to eliminate duplicitous efforts. They've also focused on 3-D design to cut customers' product development timeframes.

"What we see in the market now is that 40 weeks is definitely too long on average. Even 20 weeks may not be fast enough," Fung said. "You may have to get much, much faster. Remembering the rabbit and the turtle, you know to get from 40 to 30 to 20 weeks, that's just becoming a faster turtle. Eventually you have to become a rabbit."

A 5 percent to 10 percent improvement in speed each year can't hold in the face of startups that are growing much faster than that and widening the lead on traditional players in the race to the consumer.

"The fastest company we're seeing right now, they can go from design to consumer within a week or two," Fung said. "This is the speed at which consumers are moving, and eventually we have to figure that out too. How do you actually do that and how do you scale that?"

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