Enhancing Fashion Retail with SAP Fashion Management Solution (FMS)

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Abstract The fashion industry, driven by rapid trends and evolving consumer preferences, faces multifaceted challenges in managing supply chains, inventory, and customer experiences. In response, SAP, a leading provider of enterprise software, offers the SAP Fashion Management Solution (FMS). This paper explores the functionalities and benefits of SAP FMS in revolutionizing fashion retail, enabling companies to streamline operations, optimize inventory management, and deliver personalized experiences to customers. Through a comprehensive analysis, this paper also showcases how transition from Apparel and Footwear Solution (AFS) to SAP FMS empowers fashion retailers to navigate the complexities of the industry, embrace digital transformation, and thrive in an ever-changing market landscape.

1. Introduction

The fashion retail landscape is characterized by dynamic consumer demands, shortened product lifecycles, and global supply chains. In this competitive environment, traditional retail strategies are no longer sufficient to meet evolving customer expectations and sustain profitability. Fashion retailers require robust solutions that integrate business processes, enhance operational efficiency, and foster innovation. SAP Fashion Management Solution (FMS) emerges as a transformative tool, empowering fashion companies to adapt to market changes, leverage data-driven insights, and deliver compelling experiences across all touchpoints.

2. The SAP Fashion Management Solution (FMS)

represents the next evolutionary step for AFS customers. Initially designed as a manufacturing system, the SAP Apparel and Footwear Solution (AFS) posed challenges for businesses operating across the retail spectrum, struggling to seamlessly oversee the entire supply chain from production to retail sales. The complexity of data flow obscured the comprehensive view companies needed.

In response to this pressing business need, SAP developed Fashion Management, an integrated solution merging the functionalities of SAP AFS with those of SAP Retail. This unified approach amalgamates manufacturing and retail processes into a cohesive vertical solution, enabling companies to streamline their operations within a consolidated system landscape, powered by the robust capabilities of the Business Suite fueled by HANA technology. The inaugural release of SAP Fashion Management, Version 1.0, debuted in June 2014.

SAP Fashion Management empowers fashion enterprises to efficiently manage and optimize their end-to-end business workflows, spanning from design and development to production and distribution. Leveraging the SAP S/4HANA platform, the solution seamlessly integrates with other SAP offerings like SAP Ariba, SAP Customer Experience, and SAP SuccessFactors.

Available as an add-on for SAP ERP Retail, SAP FMS is built upon SAP Components Material Management, Sales and Distribution, and Logistics General. While retaining familiar functionalities for fashion industry

players, SAP FMS also introduces novel features tailored to meet evolving market demands. Its flexibility ensures robust support for multi-channel global business strategies, promising benefits such as reduced inventory, heightened customer satisfaction, and minimized chargebacks through the efficient sharing of critical processes across a global inventory network.

3. Transitioning from AFS to FMS:

AFS Background: SAP's Apparel and Footwear Solution (AFS) was tailored to address the intricate logistical demands inherent in the apparel and footwear industry. Positioned as an optimal solution for fashion wholesale, AFS offered a unique array of services and tools empowering stakeholders to collaborate effectively, regardless of location or platform [1].

Limitations of AFS: While effective for wholesale distribution, AFS fell short when businesses expanded into retail ventures. The trend of wholesale distributors venturing into retail and vice versa necessitated a solution capable of seamlessly managing both wholesale and retail operations within a unified system. Operating disparate ERP systems posed new challenges, prompting the development of FMS (Fashion Management Solution) to harmonize AFS and Retail functionalities into a single ERP ecosystem [1].

FMS Features: SAP FMS consolidates wholesale, retail, and fashion-specific processes into a singular backend system. Introduced to the market in June 2014, subsequent iterations of FMS expanded to encompass manufacturing processes as well. Its features include:

Master Data Management: Unified view of Articles, Customers, Vendors, Seasons, Collections, and Sites.

Merchandising: Centralized management of listings, pricing, promotions, and inventory.

Sales: Integration of Direct-channel orders, deliveries, and point-of-sale systems.

Planning: Support for seasonal forecasting, multi-channel allocation, and store replenishment.

Manufacturing: Management of manufacturing planning, production, and supply chain.

Figure 1 [1]

FMS facilitates multichannel and vertical integration, enabling companies to manage diverse sales channels and streamline wholesale, manufacturing, and retail processes within a unified environment. Retaining key functionalities of AFS while introducing new features, FMS supports global omnichannel enterprises. Built on the SAP for Retail platform and incorporating SAP HANA's powerful in-memory database, FMS offers real-time insights for enhanced efficiency, faster time-to-market, and superior inventory management. These insights empower proactive decision-making, driving operational excellence in the dynamic fashion industry.

Advantages of transitioning from AFS to FMS:

Omni-channel Visibility: Gain comprehensive insight into all sales channels, including brick-and-mortar stores, online platforms, and catalogs, ensuring seamless coordination and management across the entire retail landscape.

Unified Transparent Global Inventory: Consolidate inventory data from various sources into a single, transparent view, enabling efficient inventory management and optimization across global operations.

Single Product Master Data: Maintain consistent and accurate product information across the organization, facilitating streamlined operations, enhanced decision-making, and improved customer satisfaction.

Store and E-commerce Connectivity: Seamlessly integrate retail stores and e-commerce platforms, enabling synchronized operations, unified customer experiences, and improved order fulfillment processes.

Real-time Analytics: Leverage real-time data analytics capabilities to gain actionable insights into sales performance, inventory levels, customer behavior, and market trends, empowering proactive decision-making and strategic planning.

Stock Protection: Mitigate risks associated with stockouts, overstocking, and inventory discrepancies through advanced inventory management features, ensuring optimal stock levels and minimizing potential revenue losses.

Consistent Customer Experience: Deliver a seamless and consistent shopping experience across all touchpoints, enhancing customer satisfaction, loyalty, and brand reputation.

4. Capabilities of SAP FMS:

Flexible Data Processing: SAP FMS empowers companies to manage a precise end-to-end flow of materials across all procurement applications. It facilitates data processing based on various characteristic values such as style, color, size, and season, enabling flexible segmentation for enhanced efficiency [2].

Segmentation: The solution allows categorization of materials or articles based on their physical and logical characteristics, facilitating efficient management of sales and stock segments. This segmentation supports tailored approaches in sales orders and planned independent requirements, optimizing stock distribution and procurement [2].

Multichannel Planning: SAP FMS enables forecasting of future demand and procurement for multiple sales channels. It allows separate management of channel-specific demands such as retail, wholesale, e-commerce, or franchise, ensuring efficient MRP processes and optimized inventory management [2].

ATP with Segmentation: Advanced segmentation and availability check methods ensure priority channels receive planned quantities, even in the event of delayed demand, enhancing order fulfillment efficiency and customer satisfaction.

Season Management: Fashion wear production can be aligned with seasonal demands, facilitating season-based collections and themes. Validity periods can be defined for each season, with seasons assigned to articles used in sales and purchasing documents, streamlining document transfers [2].

Characteristic Value Conversion: SAP FMS supports representation of characteristic values on different scales for different countries or regions. It allows the definition of characteristic conversion controls and conversion IDs for articles, customers, vendors, and user parameters, enhancing global scalability and adaptability [2].

Value-Added Services (VAS): Customers can request special services for their goods, such as labeling or specific packaging. SAP FMS handles these services, including associated costs, via value-added service management, ensuring accurate service assignment and cost calculation [2].

Order Allocation Run: Optimized assignment of existing stock to open requirements is facilitated through the allocation run process. This process ensures efficient allocation of available stock to open requirements based on business rules and priorities, enhancing stock management and order fulfillment efficiency [2].

5. Benefits of SAP Fashion Management Solution:

(i) **Facilitates Rapid Global Expansion:** Enables swift expansion into wholesale and retail markets worldwide by supporting multiple languages, currencies, tax regimes, and import/export requirements.

(ii) **Centralized Stock Management:** Provides global command and control over stock holdings across all channels, utilizing real-time supply and demand insights to drive informed decision-making.

(iii) **Consistent Customer Experience:** Ensures a unified solution supporting all channels, delivering a seamless and consistent customer experience across retail, wholesale, and e-commerce platforms.

(iv) **Enhanced Inventory Efficiency:** Improves inventory management efficiency by maintaining a single global inventory for all retail, wholesale, and e-commerce channels, reducing redundancies, and optimizing stock levels.

(v) **Increased Operational Efficiency:** Boosts operational efficiency through standardized processes that share a single set of master and transactional data across all channels, minimizing complexity and streamlining operations.

(vi) **Support for Vertical Expansion:** Enables traditional business models to expand vertically, providing a vital solution for sustained business growth in the fashion industry.

(vii) **Vertical Integration for Optimization:** Supports and optimizes multiple channels including manufacturing, wholesale, and retail by integrating common processes on a shared inventory platform, enhancing operational efficiency and profitability.

(viii) **Unified Platform for Growth:** Brings all business operations under a single platform powered by SAP HANA, enabling faster adaptation to fashion trends and facilitating the growth of a flexible and adaptable global business. This consolidation helps increase revenues, margins, and overall efficiency.

6. Use case [5]

A leading US-based designer of women's handbags, luggage, and accessories, along with additional product lines such as home decoration items, jewelry, eyewear, and stationery, operates through both indirect and direct channels. With over 2700 gift and specialty stores and nearly 100 full-service retail outlets, the company generates annual revenue exceeding $500 million. However, consolidating data from legacy systems and ensuring synchronization across various teams posed a significant challenge [3].

Objectives [3]**:**

(i) **Streamline Multi-channel Operations:** Harmonize order strategies across distribution centers to streamline operations.

(ii) **Enhance Cash Flow**: Optimize inventory management to reduce overstocking and free up capital.

(iii) **Implement a Unified Dashboard:** Develop a comprehensive platform for efficient operation and field service management.

(iv) **Cross-channel Integration:** Deliver a seamless online shopping experience comparable to physical retail.

(v) **Margin Management and Personalized Marketing:** Implement targeted marketing strategies, loyalty programs, and personalized offers.

(vi) **Customer Insights:** Utilize social listening and customer journey analysis to enhance customer insights.

Solution [3]**:**

Integrated Micros POS with SAP FMS using SAP Customer Activity Repository (CAR) and BO Data Services (BODS) for seamless data flow. Developed custom objects in SAP to address identified gaps. Enabled end-to-end transparency in processes and customer data encapsulation.

Results [3]**:**

(i) **Consistent Omnichannel Experience: Achieved** significant growth, productivity, and expanded reach across regions.

(ii) **Cost Reduction:** Improved cycle times and retail efficiencies led to quicker customer response times and reduced costs.

(iii) **Enhanced Transparency:** Gained deeper insights into supply chain operations.

(iv) **Product Integrity:** Implemented production serialization to track and trace products, ensuring product integrity.

(v) **Data Consistency:** Consolidated master data produced a dashboard with enhanced data consistency and real-time analytics.

(vi) **Improved Service Levels:** Enhanced predictability of time to value and improved service levels.

7. Conclusion

The adoption of SAP Fashion Management Solution (FMS) represents a pivotal advancement in the realm of fashion retail, offering a comprehensive suite of capabilities to address the evolving needs of modern businesses.

By consolidating data from disparate legacy systems and synchronizing operations across multi-channel retail environments, SAP FMS has emerged as a transformative force in the industry.

From streamlining multi-channel operations to optimizing inventory management, SAP FMS enables fashion companies to enhance efficiency, transparency, and customer experience. Through the implementation of a unified platform, businesses can gain comprehensive insights into their operations and customer data, empowering informed decision-making and improved service delivery.

Furthermore, the cross-channel integration facilitated by SAP FMS blurs the boundaries between online and physical retail, allowing for seamless shopping experiences and personalized marketing strategies. This integration, coupled with real-time analytics and enhanced supply chain transparency, ensures product integrity, and enables businesses to adapt swiftly to changing market demands.

In essence, SAP FMS not only addresses the challenges of the modern fashion retail landscape but also propels businesses towards growth, agility, and profitability. As the industry continues to evolve, SAP FMS remains a cornerstone solution for fashion companies seeking to thrive in the dynamic and competitive global marketplace.

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