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Rethinking fashion’s transparency game plan

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Fashion transparency is a hot topic these days. Conversations about blockchain, artificial intelligence, 3D printing and the Internet of Things mark agendas of numerous conferences, white papers and panels with good reason.

In the past, lack of transparency in a company's supply chain was seen as a competitive advantage.

A fashion brand wanted to keep its suppliers and manufacturers as mysterious as possible. The reasoning was, if no one knew where supplies were coming from, no one could replicate the products. Customers got used to this opacity, and it became a habit not to think from where apparel came.

Taking stock

Fashion brands also tend to artificially inflate their growth numbers through overproduction or, "conspicuous production," as Guram Gvasalia, CEO of Vetements, observed.

Overproduction is largely to blame for fashion's dire environmental record.

In combination, the business practices of overproduction and opaqueness of the sourcing and the supply chain led to all but one of the top 150 biggest global fashion retailers disclosing information about their social and environmental policies, practices and impact.

To reverse these business practices, we need to first reverse our business focus.

Traditional economics suggests that advantage is in owning supply, because then one can set the price. But, in the modern markets, value has shifted from companies that control distribution of scarce resources to the companies that control demand of the abundant ones.

Many of the largest companies Amazon, Uber, Airbnb and Instagram do not own their products such as inventory, cars, homes and content, respectively. They aggregate the demand that users have for products: commodities, rides, rooms and socializing.

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The new transparency playbook is focused on coming up with the new ways of creating, capturing and distributing value. It capitalizes on the shift from supply to demand, and helps companies think strategically about transparency in a way that grows their brand and their business.

The new transparency playbook assesses whether a company is using new technologies with the consumer in mind or does it make it about itself. It also assesses whether it creates incremental value for its business or does it transform it.

Four score
Depending on the answer, there are four tactics and methodologies that a company can adopt: addition, systems, design and disruption.

Addition revolves around incremental value and market focus.

Yoox 8 capitalized on transparency in the consumer market, where technology is used for better targeting, leading to less waste.

Yoox used technology as a value-add to its existing value chain. With its own proprietary AI tools, it combed fashion content across social media and fashion sites in key markets. It also looked at predictive indicators of trends that are only beginning to emerge, and analyzed data from products sold on the site, customer feedback, industry buying trends and top trend searches.

Thanks to AI, Yoox created an additional sales and marketing channel, effectively adding a new revenue stream to its core business.

Systems create transformative value and have market focus.

London-based designer Marine Jalgaard transformed her existing product offering by adding the materials sourcing information to it through blockchain.

With the help of the blockchain company Provenance, she produced the first garments with "smart labels" that consumers can scan to see sequence of the production process ranging from raw materials to finished product.

Ms. Jalgaard created transparency in her supply chain and facilities, effectively transforming how her business operates.

Design is customer-centric and creates incremental value-add.

In its design iteration, fashion transparency is created by exposing what is already in consumers' closets and optimizing it.

Finery is a wardrobe management application that asks users for their email address and permission to access email receipts of fashion purchases. It then determines what apparel is already in the user's wardrobe, and using this data, its algorithm suggests looks based on the users' existing pieces and making styling recommendations.

Disruption creates transformative value, and has customer focus.

A company is disruptive when it creates a completely new value in the established industry, and creates a value chain that is radically different than the one around which the industry has been built.

Shift from the supply chain to the demand chain in fashion means decentralized manufacturing, where production happens quickly in local, distributed hubs.

Ministry of Supply's nascent efforts to use 3D printing in its Boston flagship store signals the future of transparent fashion production, distribution, and consumption.

THE FASHION BUSINESS talks a lot about innovation. It throws money at technologies that promise disruption, but that really, in the end, merely use technology as added value to its existing businesses.

There is nothing wrong with incremental innovation that is, unless the consumer expects transformation.

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