

# OUTLOOK

Optimism tinged with significant concerns about the true health of the economy and the prospects for growth might best describe the overall sentiment when it comes to retail in 2014. Read on to hear what members of **Apparel's** Editorial Advisory Board and other industry executives had to say about gridlock in Washington, shifts in consumer demand, must-have technologies, an uptick in U.S. manufacturing, the TPP and much more of what will figure prominently in how the coming year plays out.



**Michael Benstock**  
CEO, Superior Uniform Group

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a “big picture” perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

Unemployment and more importantly underemployment are still too high. Until we see real economic growth and not just segmented, opportunistic growth (housing, banking, automobiles) we all should not feel comforted. Our economy is in a very fragile state and, sooner or later, issuing debt, printing money, entitlements and pork barrel projects have to be paid for. Our government on both sides of the aisle needs to address these longer-term issues which might in fact already have reached the point of irreparability.

Our customers want and need certainty in their businesses so that they will make the right investment choices for their futures. We rely on the financial health of our customers (generally B2B) to help drive our growth. They are seemingly better off than they were a year or two ago, but still nowhere as healthy as they were pre-recession. We all realize how fragile this slow recovery is. It could disintegrate in a flash.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

The apparel industry will continue to see flat sales. Unemployment settling in at around 7.5 percent, the shift of people from full-time to part-time positions and added uncertainty with respect to our country's financial future and leadership position worldwide adds up to a pretty gloomy picture for most, except the most innovative apparel companies. The key driver at this time is creating opportunities and expanding your ability to take more calculated risks. This is a great time to try to consolidate, acquire and forget the box (the one you are supposed to think outside of) altogether. This is a time for really bold moves. It's a time to develop and implement strategies that make you a trendsetter, that make others admire you, that set you completely apart and that will sustain you through the worst times ahead. Superior Uniform Group is thriving, and we are doing so because we see the complexity of the current environment as a chance to evolve in ways we never imagined a few years ago.



**Veeral Rathod**  
**President/Co-founder, J. Hilburn**

As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going

forward. From a “big picture” perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?

We continue to see our customer spend, however, we do believe our consumer needs to see economic strength and government stability. We are a men’s wear apparel brand, and men tend to be intentional shoppers rather than casual shoppers, so they buy when they need something. When the stock market is volatile, or job security is weak, men tend to be the first in the household to curb spending. Additionally, we are seeing consumer apparel spending below expectations in general, and this is because families seem to be spending on big-ticket items (homes, cars, etc.) and saving on less expensive, more frequent purchases. We hope that companies continue to focus on profitability as well as growth, so our consumers feel secure in their jobs and their futures.

How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?

Generally, we are seeing men’s wear pick up because men are taking more care in their personal appearance. However, apparel is a very saturated and competitive market, so differentiation really matters. It’s important to really know your customer and maintain a personal relationship with him. Companies that succeed will focus on the real emotional drivers of a purchase, whether it be value, convenience or luxury. It’s important to be intentional about who you are, and not try to be all things to all people.

What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?

The biggest challenges in apparel are fit, discovery and convenience. Transformational technologies will help consumers sort through the myriad of different options around fit and style by making personalized recommendations. Additionally, mobile technology will be important to help consumers cut through all the noise and find products and experiences that are important and relevant to them.



**Dan Stolarski**  
**Senior Director, AGORA Advisors**

As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a “big picture” perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?

While the U.S. economy in aggregate is growing and consumer spending is on the rise, the sobering fact remains that the apparel and footwear category has been flat or in decline since 1995. Compounding the issue is the fact that recent high growth categories with relatively high dollar items, such as smart phones, tablets, luxury and accessible fashion accessories, and tanks of gasoline, continue to attract a large share of wallet. Stripping these out, you’re left with a different picture of recent trends in discretionary consumer spending in the United States.

The big picture topics that we’re focusing on for our clients are about winning in an environment where the apparel and footwear share of the retail pie is shrinking and where the consumer is constantly evolving into a different way of shopping, deciding and communicating with brands.

We’ve been hearing a lot recently about the need to focus on omnichannel, but frankly, that is just one of many operating model dimensions that consumer companies must now rethink to win. For example, roughly 25 percent of the U.S. population is comprised of millennial consumers. Millennials not only spend more on apparel than other generational consumer segments, they are radically influencing a broader change in how consumers and brands/retailers interact. Many companies are not yet properly equipped with the supporting business models and infrastructure to respond effectively to these changes in purchasing and decision making. We take a holistic approach with our clients — encouraging consumer companies to challenge their conventional operating models and take bold steps toward reinventing the company’s strategy and operations. Small, incremental changes are not enough. With a shrinking pie and a dramatically different environment, brands and retailers must be nimble, efficient and noticeably differentiated in order to win. That means that winning companies must evolve, adapt and reinvent their core business models at an increasing frequency.

How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?

If we expect the apparel/retail trends to continue along this path, growth will not come from a significant expansion in consumer spending in the apparel category. If you agree that the overall apparel pie will remain constant or shrink, it follows that winners will be those who can create a clearly differentiated position and execute better than others in that category.

Category winners will be those that:

- have exclusive or unique product,
- create an emotional connection with the consumer (for example through a lifestyle attachment),
- and are available to consumers when they are ready to shop and buy

Winning companies will have accepted and mastered the art of continuous adaptation. They will invest in nimble supply chains to react to trends more effectively and more accurately. Margin pressure will continue and winners must master the concept of ‘total cost of ownership’ (measuring, understanding and controlling direct and indirect costs associated with the entire value chain — from design, sourcing and development to distribution, allocation and inventory management). These are certainly not trivial topics and solutions will not be shaped overnight. Leaders must be quick to recognize the magnitude of change in front of us, address the near-term opportunities and begin laying the foundation — even if return metrics on the foundational change are slower to materialize than other short-term fixes.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

There are likely four types of technologies that will help enable the type of transformative change I describe above; and no one company would obviously deploy all these new systems at once. But they will be an important part of the overall roadmap towards transforming into a nimble and adaptive company. PLM will continue to play an increasingly important role in product development and sourcing — strengthening supplier collaboration, reducing development cycle times and lowering development costs. Advanced planning systems will be instrumental in helping companies plan end-to-end supply chain activities such as demand planning, distribution, allocations management and inventory optimization — ultimately helping reduce the total cost of ownership of a product in a given season. Advanced CRM systems will help companies bring a much more personalized and customized experience to the consumer, as well as help companies acquire new consumers more effectively. And finally, reporting and big data analytics will help companies make sense of the growing amount of new data that are being captured through these new systems, including POS-generated data. It is certainly a busy agenda for management teams but one that we believe is a must for companies to embrace.



**Mike Todaro**  
Managing Director, AAPN

As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going

**forward. From a “big picture” perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

The major challenge to any “big picture” forecast is how few people in our industry have the luxury of taking that long a view on either their job or their company. We live in a highly tactical “what have you done for me today” environment and that sows uncertainty.

For example, “big picture,” TPP [the Trans-Pacific Partnership] will pass because it is so well funded. It will have a major impact but not one that the good companies can’t work around. The good companies compete on being better, not cheaper, so they will get better. The tragedy of TPP is its impact on the large population within the United States that has cultural and literal ties to “Latin” America. Any law that helps the highly consolidated retailers at the expense of the stability of jobs and industry in the Americas is extremely self-serving and shortsighted.

The U.S. government has all but collapsed, at least has frozen. Compromise is out. The middle ground, where the vast majority of us live day-to-day, is no man’s land.

The AAPN is the industry organization of the Americas. The major suppliers to, customers of and producers in this hemisphere are members. As Carlos Arias of Kaltex said at our last meeting. “The market has tipped. It is coming back to the

Americas. But what is coming back is not the same as what left. It is we who have to become consumer-centric — we in the chain and at the factory. We have been waiting for retail to tell us what to do. They don’t know.”

So our challenge is to educate the industry on the resources of this hemisphere.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

The key strength of any successful company will be to connect, to communicate. Supply chain partners who work at getting better and being more successful every day, long term, will continue to succeed. That’s why AAPN created the eight-criteria, 31-question Asia/Americas Report Card. It gives a score to the difference between “there and here,” “us versus them” or, more realistically, since the big guys source globally, “here and there.”

The Report Card is a way to evaluate yourself, your suppliers, their suppliers and, most importantly, your customers. It is a way of communicating, of organizing, documenting, measuring and improving.

We know what makes companies successful over time. Here are several of these “rules” of success and their sources:

- Networking is one of the most self-evident and one of the most dreaded. The alternative to networking is to fail, “How Leaders Create and Use Networks,” *Harvard Business Review (HBR)*: January 2007.
- You will never gain speed until you gain trust, “The Speed of Trust,” 2006
- Better before cheaper and revenue before costs, “Three Rules for Making a Company Great” *HBR*, April 2013
- The audience wants answers, but it actually needs truth, “Don’t Trust Anyone Who Offers You the Answer,” *HBR Blog Network, HBR*: Oct 2013.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

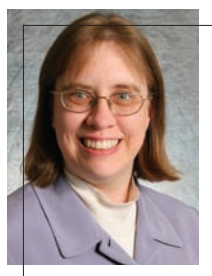
The most important word to the future of manufacturing is “connected.” Unfortunately, the most common word experienced day-to-day in our industry is “dis-connected.”

One AAPN member worked for months securing a Made in USA order. We thought it would be interesting to have her and her customer come to one of our meetings but when we asked, she replied, “My main sourcing contact was let go along with 40 others a month ago.”

That is the more common experience in our industry. This isn’t an apparel business as much as it is a people business. And

if it is true you can never get speed until you earn trust, the turnover of people kills. And because all companies compete as supply chains, it means they start over every time a new person comes in and has to be trained and has to get known.

There are technologies such as sublimation fabric printing; 2D and 3D modeling; body scanning; more integrated in-house workflow processing; fabric processing and much more. There is a ton of innovation going on just in the two Carolinas. Improvements in efficiencies are massive — but those committed to Asia need to learn this in order to expand their mindset to the Americas. So this is a much a marketing as a technology challenge.



**Janet Suleski**

**Research Director, Supply Chain & PLM, Gartner Inc.**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a “big picture” perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

I’m concerned that the effects of the government shutdown will ripple through the economy through at least the first half of 2014, raising uncertainty for both businesses and consumers. We’re also facing another round of political bickering in January and February, when Congress will need to authorize continued levels of budget spending and also look at raising the debt ceiling again. The rational response for businesses and consumers in the face of uncertainty is to budget more carefully and reinforce their individual fiscal security, and this may reinforce any negative economic trends. It’s all TBD at this point.

My company, Gartner, intends to continue to do research on how retailers, brand companies and manufacturers can create the most agile supply chains to respond to rapid changes in consumer and business sentiment, and to do demand shaping that results in satisfied customers and a profitable business even if times get tough. Through our advisory service, our goal is to deliver a steady stream of research and to engage our clients through inquiry work to give them the advice they need as they construct their supply chain technology and process strategies.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

I expect 2014 to look similar to 2013 and its ups and downs, because we continue to face the same kinds of uncertainties that have defined the past 12 months. It’s interesting — I think for apparel/retail companies to take leading positions in the industry we’ll see a combination of focusing on business basics, and looking at more leading-edge opportunities. For example, there’s a lot of interest among the companies I speak with in improving sales and operations planning (S&OP) processes. Sure, most companies have something they call an S&OP process in place, but in many cases it’s not adhered to, or it’s not very good, or it could be much better if the company put the spotlight on it. And, S&OP maturity sets the stage for supply-chain segmentation, which is really about deliberately designing distinctly different value stream outputs that balance a combination of customer value, product attributes, manufacturing and supply capabilities, and business value considerations. This end-to-end segmentation thinking is relatively leading edge, but gaining converts in the fashion industry. But, companies may need to go back and mature their S&OP processes before they can create an effective segmentation strategy. Companies that will take or maintain industry leadership are looking at doing just that.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

From my supply chain view of the world, I am looking at product portfolio management as a technology that will play a large role in helping companies reduce complexity while maintaining or, more likely, growing profits. Additionally, with a lot of attention being put on sales and operations planning, I expect companies will explore technology options for managing S&OP workflows and improving visibility to the planning information that needs to be shared “earlier and more often.” The sought-after outcome from these technologies is a reduction in portfolio and supply-chain complexities that frees up resources to allow the faster development and successful commercialization and merchandising of more high-value new products for consumers. The goal really is a streamlined set of products whose combined attributes meet customer and consumer value expectations, and which are delivered on time in the right quantities and to the right places to create the target value (aka profit) for the retailer, brand company and/or apparel manufacturer. These technologies are one piece of the puzzle that will help companies achieve this goal.



## Chris Devous

**Vice President of Information Technology, The Antigua Group Inc.**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

If economic growth stagnates because of fiscal brinksmanship, our customers will scale down, which means we will too. Hopefully, our elected representatives will be able to create a long-term go-forward position on budgetary matters rather than kicking the can down the road as they have traditionally done. Short-term solutions will only create more uncertainty and cause economic lag. However, a meaningful long-term solution would in and of itself stimulate economic growth, raise tax revenue and start mitigating the negative effects of a ballooning national debt.

The bottom line is that no one knows what they'll do. We have to keep our finger on the economic pulse and react quickly, by either ramping up supply or scaling it back. Unfortunately, in apparel we have a long supply chain and a short demand window, so we'll have to strike a balance between guessing too conservatively and too optimistically. Cross your fingers and hold on!

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

A lot of this will depend on government action. Assuming the Trans-Pacific Partnership is signed and ratified, it could help hold the line on costs for manufacturers and distributors. This is a big deal; the Fed has been printing money like there's no tomorrow and at some point that's going to have to result in some inflationary pressure. Keeping a lid on costs could help to counteract inflation and stagnant demand. If Congress arrives at a good budgetary compromise these two factors could contribute to significant growth.

Who will lead the industry? I think the retailers that are best at meeting consumer demand however and whenever it occurs and responding to market conditions will excel, and the distributors who partner with them effectively will rise with them. Those retailers will be able to fulfill demand in store and online, through smartphones and web-based storefronts and drive demand in creative and innovative ways (as with the Target-Missoni partnership), without putting themselves in a situation where they have an overabundance of closeout goods. The distributors who do the best job of helping those retailers by quickly responding to their needs will do well but also will have to keep a close eye on inventory positions. Flexibility, good planning and quick reaction are the keys.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

The technology between our ears will be the most important; it will take creativity and innovation to transform our industry. As to the kind of technology that plugs into power outlets, that which marries planning to supply chain will play a critical role. I sure don't see the demand cycle getting longer, or the supply chain changing in any dramatic way, so the ability to make supply-side adjustments to changes in demand will probably be the most critical. Of course, this is only effective in the hands of people who are constantly monitoring the difference between plans and results and reacting appropriately. Many have responded to an omnichannel world by isolating planning and inventory functions by selling channel. In order to meet the exigencies of consumer demand, these functions would best be moved to an organizational level. We have to think of demand as demand, and supply as supply. Trying to impose our internal taxonomy on what happens in between the two will simply hinder our ability to fulfill consumer desire.



## Christopher Straub

**"Project Runway" Season 6 Finalist**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going**

**forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

The consumer is, now, educated on what a quality item looks and feels like. They're investing in updated classics and less likely to embrace a newer trend. Our job, as designers and businesspeople, is to evolve the classics and move fashion forward at a slightly slower pace in order to gain confidence from the consumer.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

I see the fashion industry and consumerism to be consistent from this year to next. Companies just need to listen to their customers and continue giving them what brought them in in the first place.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

I see that digital prints are continuing to be a strong trend in consumer-ready fashion. Never before has this technology been available and the possibilities are endless when it comes to design and application. Here at Christopher Straub we are continually developing unique ways to utilize digital printing.



## Paula Rosenblum

**Managing Director, RSR Retail Systems Research**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a “big picture” perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

We cannot continue the erratic political behavior we've experienced over the past few years. It's demoralizing and destabilizing for the populace. And it's incredibly divisive. Political brinksmanship on both sides creates an environment of uncertainty at best, and that's never good for retailers. When you couple that with a supply chain that's very long (because we source so far from the point of demand), it makes it very difficult to plan inventory purchases or predict demand. There isn't a technology in the world that's going to help when we experience continued roiling shocks. It's just got to stop.

The only light I see here is that I believe this is a strong force driving interest in sourcing closer to the point of demand. So Walmart's "Made in the USA" initiative, for example, is a pragmatic response to political instability and rising transportation costs. At some point, it starts to make sense to manufacture in the United States again. And that would not be a bad thing at all.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

I think we've seen the end of apparel price deflation. I don't have a lot of statistics to support that position, just a general sense that there isn't much cost left to wring out of our products, and inflation in our countries of origin also act to move prices in another direction. I think common denominators will be one of a few things: 1) catering to the high end or low end of the market; 2) responsive sourcing; and 3) some imaginative design.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

The Holy Grail at the moment is finding a way to infuse all our merchandising plans (and assortments) with the customer data that most of us are now starting to gather. Product attributes can now be derived from sentiment along with a best guess of what will be appealing. Continued improvements in predictive analytics should help the industry get more precise in order quantities (assuming, again, an end to the political and financial shocks we've been experiencing).



## Art Krulish

**President, ARTK Consulting, LLC**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going**

**forward. From a “big picture” perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

The shutdown created a nightmare for retailers — from the lack of economic data and reports to concerns over processing of imported merchandise. The U.S. Census Bureau has had to delay employment and retail sales reports. In addition, other government responsibilities and functions, such as Customs and Border Protection, were stopped during the shutdown.

Retailers were already worried about sluggish back-to-school sales, with consumer confidence in short supply; the retailers are not expecting a large increase in holiday sales. The recent Thomson Reuters/University of Michigan preliminary consumer sentiment index shows consumer confidence falling to a nine-month low in October to 75.2 from 77.5 in September.

As a result, merchants probably will need to make up for slow sales in October, so that could mean more aggressive discounts in November, which may be designed to bring back customers to the stores.

Unfortunately, retailers pushing lower prices and coupons to attract consumers eventually will fall back on the vendor's shoulders, eroding margins and forcing lower earnings.

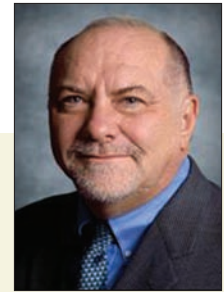
Shrinking the supply chain, retailers need to manage lower inventory levels but still react quickly to a trend to capture maximum selling on the floor.

We all were affected when the price of cotton skyrocketed; integrating PLM down to the BOM (Bill of Material) to ensure best possible utilization of fabric is a necessity.

Retailers are striving to develop that “360 degree view” of their customers by embracing omnichannel concepts in the day-to-day workplace, adjusting their merchandising planning for swings occurring in customer buying habits. Big data, sorting through information from all selling points, has created the need for developing new breeds of systems capable of analyzing and reacting quickly to changing customer requirements.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

The positive side: While some major brick-and-mortar retailers post weak sales of apparel, online sales of clothing and footwear have again trended upward. Industry analysts have forecast \$54.2 billion in online sales of apparel and footwear for 2013. The value of mobile commerce transactions is expected to top \$3.2 trillion by 2017, according to a recent report from Juniper Research, which tracks mobile market data.



**Apparel:** As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown that surely will have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a “big picture” perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?

**ROBERT McKEE:** This latest round of congressional “brinksmanship” has had more effect on Wall Street than Main Street. It is becoming a regular event for Congress to struggle to agree on the budget, spending limits, or debt ceilings — and thus bring the wheels of government and civil service to a standstill. In reality, the U.S. Congress has not approved a budget in a very long time — and the solution has been to fund the operating needs of the government through a series of “continuing” resolutions. This has effectively given Congress a perception of greater power and does not really stop the business community from operating on a daily basis — until we hit the next “brinksmanship event.”

Regardless of the media coverage on the government’s annual budget, most fashion companies continue to operate almost oblivious to what is going on in Congress, though there are impacts. Certainly many fashion company stocks took a hit — and likely rose the following day or days. And consumer confidence also took a hit. But, the issue of continuing high unemployment and equally high under-employment weighs far more heavily on the minds of the fashion value chain than do the power struggles that exist between the executive and legislative branches of our government. The issues that are top of mind for our fashion customers may appear to have little to do with the U.S. annual budget except where it directly impacts their commercial endeavors, such as with changes to interest rates, import/export trade tariffs or employment legislation.

Fashion companies are perhaps more concerned with the pending legislation on TPP (Trans Pacific Partnership) than any annual budget. Textile manufacturers in the United States and Central America are particularly uneasy about the lowering of tariffs for Asian imports, which may affect their competitiveness in the North American market.

Yet the shenanigans around the annual budget do have an indirect impact. The statistics on the economy appear to indicate it’s picking up, but there are indications that consumer confidence may be ebbing due to an influence from the lack of agreement in Washington. This obviously has a knock-on effect on the use of disposable income to acquire fashion goods, which would boost the apparel industry. And while both un- and underemployment remain high we have to keep in mind that those seeking employment keep buying clothes to present the right image when they finally get the interview.

**Apparel:** How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?

**McKEE:** All indications would be that 2014 will be pretty similar to 2013, with small increases in both sales and profits. We will likely see continuing expansion of retail channels other than traditional bricks-and-mortar. It’s also likely that we will see continuation of industry consolidation — both on the retail side as well as in the supply-chain side. Certainly we’ll see the age-old big fish swallowing the little fish going on in both Vietnam and Bangladesh as organizations become ever more profitable. And of course we’ll see more movement from coastal China to Western China. We’ll hear more conversation about “same shoring” and “near shoring” — but see slow evolutionary progress toward making it a reality. And of course we’ll continue to look for lower and lower costs for apparel and footwear to ensure the ability to show high discount percentages to consumers — and high net margins to the boardroom. In 2014 apparel companies should invest in technologies that enable them to better interact with the consumer community as well as the supplier community. More than ever, knowledge will mean power. Those who best understand the desires of their consumer will thrive. Those who remain passive will likely struggle.

**Apparel:** What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?

**McKEE:** The continuing development of e-commerce will be big for 2014. Those technologies that allow consumers, retailers, and the supply chain to openly communicate will be on the cutting edge for development of a new collaborative era in fashion — technology that will enable the value chain to ask and interact with consumers rather than “tell” or “surprise” consumers will lead the way. New technology for both optimization and customization of the consumer experience will likely be big winners.

One of the areas that will get significant attention will be the enhancement of the shopping experience as part of store operations. More and great use of things such as the roaming table checkout will become the norm. We can look forward to the “bricks-and-mortar-ification” of something that has its roots in “online” commerce so far. The rental of high-end products for a single use has flourished over the internet, so, it’s likely that will make its way to bricks-and-mortar in the coming year. It’s also likely that that we’ll begin to see the commercialization of customization. We’re going to see more opportunities for personalization and customization — to “get it your way” whether it’s apparel or footwear — starting from the body scan to the finished product in days rather than weeks.

No one strength will ensure a leadership position. Vendors and retailers will both have to tighten up their supply chains. Companies that can quickly react to trends with product will have the best full-price sell-through at retail.

Brick-and-mortar retailers will have to embrace new avenues for their products by developing applications that can take advantage of today's mobile consumer. Customers today interact through many different touchpoints such as in-store, call centers, websites, social media, smartphones, tablets, cars and even appliances.

Successful companies need to build social networking initiatives into their wider strategy to create meaningful connections with their customers, and incorporate applications such as digital wallets to make buying online easier. It's estimated that payments using digital wallets will grow to \$191 billion in 2017.

Using RFID technology throughout the organization to control inventory, eliminate shortages and lower chargebacks, will also be key.

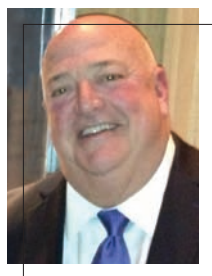
**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

Legacy technology systems need review to identify and replace those which no longer provide for the company's growth strategy. Most were designed to support each customer touchpoint uniquely, often without integrating them into a common enterprise technology.

Data warehouse systems need to be more flexible to consolidate all shopper data into a single, unified repository. Being able to react immediately to change is important to winning over your company's competitors.

Retailers need to be able to predict optimal pricing and maintain a price leadership position by analyzing price, optimizing inventory across multiple channels and anticipating future demand of products.

World-class customer service that includes helping your customers through every part of the sale will help a retailer stand out over the competition, while tracking and incorporating the opinions your customers — who are openly sharing on Facebook, Twitter, and a multitude of other sites — essentially constitutes market research, free of cost.



**Scott Kosmin**

**President, 24-7 International**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

While the chronic gridlock in Washington has become almost an "accepted" norm by many, the most recent issues with the implementation of the new healthcare programs bring the level of frustration to a more "grass roots" level with those that normally do not pay attention to the white noise of the bickering in Washington. As a business person who is dependent upon a high level of consumer confidence with which to facilitate a robust retail business environment, these are issues of concern and elements that help steer or modify our short- and long-term strategies.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

We are looking very positively at 2014 as we begin implementing some of the key initiatives that we have identified as a means to growth and incremental business for our company. We see continued growth and demand at the upper moderate and luxury level of product in the travel goods industry and the reintroduction of the Pathfinder and Andiamo luggage brands are products that are specifically targeted to this consumer.

We have also identified the outdoor retailer as a tremendous opportunity for growth, not only for typical outdoor retail products but for lifestyle and fashion. These key retailers represent some of the largest, if not the largest, retail footprints in existence today and the consumer is visiting these for a wide range of products including but not limited to just outdoor gear. To that point we have entered into a strategic partnership with Jordan Outdoor Enterprises LTD ("Realtree") to capitalize on this growing lifestyle trend not only in the outdoor world but in the traditional retail channels as well. As I am reminded by our new partners at Realtree, "Remember, camo is the new black."

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

With an uncertain retail road ahead, the prudent retailer will rely more on partners that can support their varied business models as efficiently as possible. Internet sales continue to grow as a percentage of the total and in the case of the larger brick-and-mortar chains, the web sites have become the "Top 5" if not the "Number 1" location of all units in their respective chains, in sales. The advent of electronic visibility of inventory with retailers and their trading partners has become a critical component of this new supply chain execution. Additionally, the key retailers are insistent on having vendor partners that can offer a variety of inventory logistics, marketing and POS support to help ensure the sell through of products at retail. Gone are the days of just providing a product at a good value and getting an order. Today's astute wholesaler must be present and accountable from the design and product development process through the sell-through of the product to the end consumer.





## Ilse Metchek

**President, California Fashion Association**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

The "big picture" perspective is a fundamental part of our daily discussions with the people who hold the key to planning for the future: bankers, accountants, designers, buyers, etc. Let's put it this way — no one is barreling forward with a sense of optimism! That is not to say that some industry participants aren't doing well; but even they "knock on wood" as they describe their current successes. Secondly, there is really no single direction that one can point to; the concerns are different for each generation. Although retailers seem to think that the millennials hold the key to future spending, some of us are not so sure. There is a vast chasm between the consumers for branded luxury products, that latest aspirational brand dictated by social networking, and the I-gotta-have-it "fast fashion" consumer — male and female. Even the financial and cultural futurists cannot agree. Therefore, if we can't read the tea leaves, then we switch to a crystal ball — and that means we all will be just guessing for some time.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

Unless there is another political meltdown (probably), or a major headline-grabbing world cataclysm, I expect 2014 to be a year of expanded online sales; however, with a concerted drive to get the shopper back to the bricks-and-mortar retailer. If we don't, we will forever lose that portion of retailing that was the "impulse" buy — the extra item that we picked up when we walked through a store. By some estimates from specialty store merchants with long memories (we don't want to say "old"), impulse purchasing made up almost 15 percent of a retailer's sales plan. Let's remember that it was a mere 10 years ago when candles, pillows and tchotchkes of all sorts crept onto an apparel floor. These were impulse items that are not purchased online when shopping for apparel. So, overall, this 15 percent may never come back again unless people are walking the retail floors.

The key strengths and common denominators for the "leaders" will, unfortunately, be the marketing strategy, including the now-boring term "omnichannel." This is a huge change for our industry where product, style and quality were always king. The most beautifully designed branded handbag in the finest leather with a famous pedigree will not have a chance against something "hot" determined by the latest Hollywood celebrity or the social media gurus. Fulfillment issues will also determine success. If we are to be a society of mobile shopping, then the consumers' demands for immediate gratification will force new inventory management decisions on the manufacturer.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

I believe that the new mantra will be "analytics." Understanding who is really visiting your social media sites will be key; knowing your competition, and taking Sociology 101 again, will be needed to define the customer for one's product. The choice of a company's supply-side technologies and SKUs will depend on the product, the distribution mechanism and the defined customer. There is definitely NO one-size-fits-all anymore.



## SFC David D. Hack

**U.S. Army, (Retired) and Founder, U.S. Wings**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

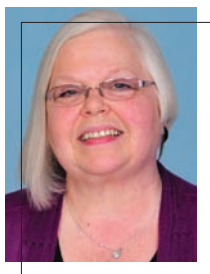
I think 2014 will be the best year ever for the apparel business, because people here in the U.S. generally dress up and buy clothing when things are down. As everyone is fully aware, these are not the best of times, and dressing up and going out just makes you feel better. Look at how many people go to the movies!

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

2014 should rebound and turn out better than 2013. One key strength is the ability to stay positive and stay focused on your business instead of worrying about others' businesses.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

Staying on top of the ever-changing internet and having if possible an in-house SEO department will be a must for this next year. Tablets and smartphones are becoming a strong method for purchasing apparel, so maintaining a site that is user friendly to those methods is an absolute must.



## Deborah Nelson

**Head Designer/President, Satin Stitches Ltd.**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

I am hopeful that the House and Senate in Washington DC will figure out what they need to do for our country, not just for their particular party, but it doesn't look very promising. So many positive things could be focused on, instead of all the negativity. Government's inaction is definitely hurting our country's ability to move forward. The economic recovery is in peril BECAUSE of the inactions or negative actions of Congress.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

I am hopeful that more apparel companies will pull their manufacturing back to the United States. I am hopeful that overseas manufacturing will become safer. Maybe this will only be achieved by increasing payment to these sources.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

More technology with CAD patternmaking and cutting and everything involved with this. Internet retailing continues to be more important, along with direct communication with clients. (We custom design and manufacture specifically for our clients.)



## Holly Henderson

**Founder, Chief Creative Officer, Simply Natural Clothing**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown that surely will have repercussions relative to consumer confidence and the general outlook**

**about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

According to the Conference Board.org, consumer confidence in general severely declined during and after the government shutdown and it is no wonder. The situation was outrageous and unnecessary, like a catfight. As a U.S. citizen, I found it very embarrassing and can only imagine what others around the globe must be thinking. Results from the consumer confidence survey show a 9 percent decrease while the employment trend index showed an encouraging 7 percent increase. It is clear that America is in a state of flux and it's true of the apparel and textile industry as well. In order to improve the economy, we need to create more jobs and revitalize the industry here. By putting people to work, they will be able to afford to buy quality clothing. We need to educate our consumers to purchase quality over quantity and spend their dollars more wisely. Our customers are concerned with sustainability and the environment and they deserve to know what their products are made from, how and where they are made and that the people who are making them are being treated well and paid fairly.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

It appears that more and more companies are looking to move some offshore production back to the United States and this can be a big boost to the industry in 2014. The problem is that local materials and production resources are scarce; mills are either extinct or outdated and in dire need of rejuvenating. Renewal and sustainability is the key for companies taking a leading position. Doing things status quo will no longer work. The companies who are willing to change and make a difference and startups that do things right from the beginning will have an advantage.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

The need for transparency in the supply chain opens doors for development of the "Sustainable Product Lifecycle Management" (PLM) system that should be customized not only for internal business purposes but house important pertinent data that can be accessed by the consumer.

Whole garment production and seamless knitting are of particular interest and have huge growth potential.

3D technology is allowing for the visualization of products before they are produced, helping to reduce waste and provide better fit or custom made-to-measure apparel opportunities. 3D also has a possibility for growth in the ecommerce environment for virtual fitting of garments on consumers, as more people are trending to purchase clothing online.

As we are looking to expand our ecommerce platform and more retailers are looking to do the same, there is a lot of opportunity for technology development specifically in apparel in that arena.

Integration with back office and fulfillment is something we are looking to move forward with as well. We are looking for technology providers to partner with to help drive these initiatives.



## Kevin Burke

**President and CEO, American Apparel & Footwear Association (AAFA)**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

2014 is going to be a big year in Washington, D.C., and the U.S. apparel and footwear industry should continue paying close attention to what's happening inside the D.C. beltway. First, we will likely see the conclusion of the Trans-Pacific Partnership negotiations. For the past several years, AAFA and others have pressed hard for an agreement that creates opportunities for the entire industry. It's been quite challenging, but we feel an ambitious agreement can still be reached. This will be a top priority for AAFA in 2014. Second, we hope to see significant process in the Trans-Atlantic Trade and Investment Partnership, the newly launched trade negotiations between the United States and the European Union. Both of the negotiations are finding their footing again after the government shutdown, so AAFA continues to educate negotiators about the issues most important to the U.S. apparel and footwear industry. But, all of these talks are for nothing if Congress doesn't work together and restore the President's ability to negotiate trade deals in good faith. We hope Congress takes this issue up as soon as possible in the New Year. However, Congress will be reluctant to consider major trade legislation in 2014 as Washington gears up for the 2014 midterm elections.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

In 2013, consumers, elected officials, the media, and the industry all put global supply chains under a microscope. In the wake of the tragedies in Bangladesh and increased uncertainty in other regions, it's clear the industry took a step back to seriously re-evaluate the role of risk in the global supply chain. We expect to see much more of that reconsideration and deliberation across the industry in the year to come. AAFA will be closely watching to see if there are any significant shifts in sourcing patterns or the emergence of new sourcing partners in places such as Sub-Saharan Africa.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

With so many increased government regulations and reporting requirements at home and around the world, 2014 will be a pivotal year for innovation when it comes to moving the supply chain from Point A to Point B. The supply chain is more transparent than ever before, and companies must now report on key regulations, such as anti-slavery disclosures and conflict mineral guidelines. It is more important than ever for brands and retailers to know exactly where the product is at any given time and what materials are being used to create the product. Being able to trace the supply chain is a top priority for the industry.



## Jim Klein

**President, Eastland Shoe Corporation**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

Government uncertainty has a tendency to create anxiety in customers causing them to reduce their spending and encourages them to analyze their purchases more closely. We see a rise in the demand for a sturdy, well-constructed, and high-quality shoe that is proven to last. We will continue to offer comfortable, long-lasting and versatile footwear created with the finest workmanship from quality materials.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

The apparel/retail industry will continue to see continued counter-recessionary success in 2014 over 2013. Key strengths for leading companies including delivering consistent product to customers, continued customer service, and non-saturation of the market.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

The smartphone and tablet are probably the number one technologies that will play the largest role in transforming the apparel industry in the coming year. Customers are shopping directly from their phones and tablets and they are using apps such as Instagram and Snapette to share and make purchasing decisions. Companies and stores will need to embrace this technology and build a social strategy to interact with their customers. Proprietary applications will need to be developed and tailored to individual consumers and provide enough information to support the customer's decision and to provide options that cater to the customer's taste.



## Lili Fortin

**Business Development Director,  
TRISTAN**

As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown that surely will have repercussions relative to consumer confidence and the

general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?

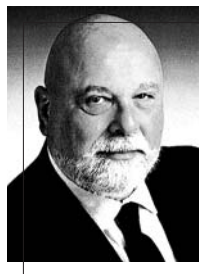
Our value proposition is to offer customers high quality products at affordable prices. When customers buy our products, they are making an investment because they know that they will last (both in terms of quality and style).

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

There are many key strengths that contribute to making a company take a leading position in the industry. Consistency (in terms of fit) is one of them. With online sales, a size 8 needs to always be a size 8, for all the different styles we offer. Innovation and image are two other key strengths. Companies need to reinvent themselves all the time and communicate with their customers on a daily or a weekly basis. Those companies who communicate well will take leading positions.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

Especially for companies like us, who still produce in Canada, efficiency and quality control are key. Technologies contribute to our success in giving us the tools to be competitive and to innovate.



## Bruce Berton

**Executive Vice President/COO  
(through Oct. 31, 2013), Roochi  
Traders Inc., Cotton Heritage**

As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer

confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?

I expect somewhat of a status quo as far as consumer spending. Local congressional elections in 2014 will contribute to a very unstable planning environment. Top concerns would be: 1) Obamacare issues stopping movement of hiring; 2) The U.S. dollar is not as valuable internationally, so wholesale prices are going up; 3) Interest rates are staying low, but we are in a very difficult lending environment; 4) the stock market will have high fluctuations; and 5) still no better performance by the government on the economy.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

Next year will stay about the same, with higher expectations, but lower profits. Leading companies will offer well-priced basics in apparel, with fashion taking a back seat to utility/core basics. I expect to see more startups, but more failures!

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

"Made in America" is becoming more prevalent, which requires the use of modern technology. Quick-response information software will become more in demand, and PLM software will be the key to lower inventory and more turns.

## Renee Bavineau

**President/Founder, Raise The Bar w/RTB Corp.**

As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?

For Raise the Bar the profile of our clients has changed tremendously in the past 18 months and I believe strongly it is directly related to the state of affairs in this country. The fashion industry as we know it is dying a slow death. We the garmentos have been spinning, chasing business and trying to serve the consumers who are all having their own crises related to this horrendous economy. The repercussions of the shutdown, Obamacare and all things financial and political have forced Americans to redefine their priorities — like it or not. Their fashion/clothing "needs" have been redefined and dropped lower down on their shopping lists — although too many struggle putting it into words or getting those requests us, the manufacturers. In general, "cheap and fast" (aka "disposable") is not so attractive. Quality is being redefined, clarified and communicated to the supply chain. ALL our new clients at Raise the Bar are developing and offering anything and everything other than cheap and fast. Meaningful product, designed and developed locally is not a fashion trend or a "Made in USA" bandwagon venture, but an opportunity for brands/designers to work closer and more intimately with the supply chain to offer "better than." The education and talent is the biggest missing link but a huge opportunity to support this welcome change.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

Open-minded leaders that embrace and welcome this shift in consumer spending, that can truly SERVE and fill the "quality" bucket all while educating the consumer/client about the "trading up" that comes with the extra cost of "better," get to 2nd and 3rd base and with patience, hit a home run or win the World Series if sustained. Education, sharing knowledge and investing in experience and talent will absolutely be critical to differentiate, support and sustain these businesses.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

Honestly I feel that the "hands on"/in person element — a back to basics/"old-school" approach — will be THE transforming "technology" that will make all the difference this year. This piece (albeit HUGE) needs to catch up with the amazing technologies available (that are sometimes sitting still) that can really fast track us all to the next levels of growth.



Steve Riordan

Kalypto Partner and Retail Practice Leader

Vipin Goyal

Kalypto Senior Manager, Kalypto

As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown, which will likely have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns

**that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

The government shutdown was just one more bump in the road to a recovery in consumer spending. The reality is that the "recovery" from the Great Recession will be a continued, protracted slow growth environment for retail sales. The exception comes from those consumers who have cashed out their investments from the run up in the stock market this year, but collectively they have only limited ability to drive growth in consumer spending for the foreseeable future. Virtually every economic factor that drives consumer spending, such as employment rates, wages, investment income, taxation rates, etc., is restraining consumer spending.

In this environment, companies should continue to translate innovation into near term, practical operating results, for example, leveraging innovation to significantly reduce the product development lifecycle, to generate higher success rates for the introduction of new brands and merchandise and to much more strongly inject the voice of the consumer into product design and development decisions.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

2014 will likely be another challenging year. Given this slow growth environment for consumer spending, companies can only grow by taking share. In order to take share, retailers and apparel manufacturers need to differentiate themselves from their competitors by driving innovation in one of three areas:

- Merchandise Innovation – bringing unique, innovative new brands and merchandise to market via store/own brand programs and/or collaboration with branded vendors.
- Consumer Experience Innovation – enabling the consumer to shop when, where and how he or she wants to shop, differentiated by consumer segment and channel.
- Business Model Innovation – leveraging emerging technologies and business concepts to serve consumers and make money in new and different ways.

Bottom line, innovation is the primary source for growth going forward. Cost reduction and operating efficiency are simply undifferentiated table stakes after five-plus years of a challenging economy.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

It is very fashionable to cite social media, mobility, cloud computing and big-data enabled advanced analytics. However, these are just raw, enabling technologies. We see the biggest breakthrough opportunities occurring at the intersection of the use of contemporary product lifecycle management (PLM) solutions and advanced analytics tools, which leverage both structured and unstructured data, such as social media sources. Retailers and apparel manufacturers can now get consumer market reaction from these advanced analytical tools via social media at each step along the product development process, from initial sketch to samples to finished goods, as managed by their PLM systems. This allows them to finetune assortments and specific items multiple times before they hit the store or website.



## Margaret Bishop

**International Consultant, Apparel and Textiles**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown that surely will have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

I think the government shutdown and the launch of the ACA [Affordable Care Act], while needed, have renewed or extended the period of fiscal uncertainty for consumers. The shutdown begs questions about the efficiency and effectiveness with which lawmakers address issues of keen importance to the country; changes resulting from the launch of ACA have created uncertainty for many Americans about the portion of their discretionary income they will have to allocate to health care. Together I think these will make consumers more conservative in the first half of 2014, but hopefully they will feel more free to spend money on discretionary purchases in the latter half.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

Looking at the apparel industry for 2014, and what will drive the winners (and losers), a couple of things come to mind. First, over the past several years, product has begun looking all the same. As product developers, merchandisers, and others have designed for efficiency and safety (just tweak last year's best sellers; bold new designs carry inherent market risk), and 24/7 access to brand and product imagery, it's hard to find something that feels individual, especially among big American brands. Secondly, as a rapidly increasing number of brands join or expand the digital marketing and omnichannel world, everything is starting to sound the same, all day, every day. There will continue to be an important market for all that stuff that looks the same from the big marketers that sound the same, but I think there will slowly but increasingly be a market for product, brands and stores that are unique and individualistic in their product, approach and the customer experience they deliver.

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

Technologies that facilitate the customer's shopping experience — both product selection, satisfaction (product delivers as the consumer expected), and transaction will continue to be key, but technology to deliver the order at lightning speed will become a must-have.



## Erik Lavalle

**Senior Director, Supply Chain Systems, Carter's**

**As we look to the year ahead, we do so from a perspective where the country has just emerged from a government shutdown that surely will have repercussions relative to consumer confidence and the general outlook about the position of the U.S. going forward. From a "big picture" perspective, can you share the concerns that are top of mind for you (or your customers) heading into 2014, and how you intend to address them?**

I think our economic outlook is trending positive, but the picture isn't entirely clear. The housing market is still shaky, with positive and negative elements affecting consumers' confidence, as well as the advent of the healthcare law changes and our increasingly fractious government, as seen in the recent shutdown and the fundamentals associated with that still not addressed. Consumer confidence is affected by all of these things, and we're going to keep our focus on providing a value product which our consumers will feel comfortable buying regardless of external factors.

**How do you expect 2014 to shape up vs. 2013 for the apparel/retail industry in general, and why? What key strengths do you think will be the common denominators for companies that take leading positions in the industry?**

2013 was a good year, with positive comps in general, and an especially high set of expectations from consumers for retailers to meet their expectations. Companies who will lead in 2014 will have the fundamentals of the product down, which is key to everything (people want their product and will overlook deficiencies in retailing if the product is hot), followed by knowing their consumer, and then bringing to bear the appropriate processes and technologies to enable meeting their customers' expectations in the most frictionless, channel-agnostic way possible —making inventory available across enterprises in efficient supply chains (B2B and B2C).

**What technologies do you think will play the largest role in transforming the apparel industry in the coming year, and what specific strategies will be built upon them?**

I look at it in two tracks; on the back office side, infrastructure to enable seamless inventory management is fundamental to enabling the end-user engagement on the front-end, which will increasingly be driven by mobile technologies, which I think is going to continue to change how retailers engage with their customers in ways of which we cannot yet even conceive.