Digital Loom: Unveiling the Fabric of Fashion ERP 2024

K3

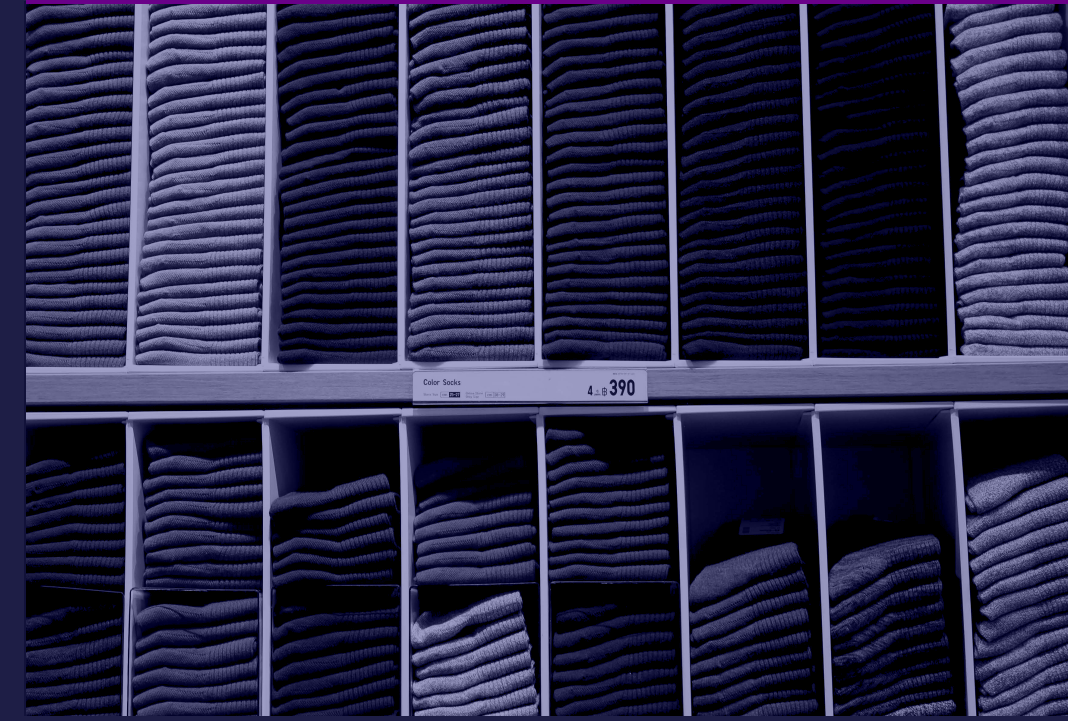# Contents

Contents

Introduction

Between weathering turbulent forces and racing to scale with AI, fashion companies are constantly struggling with their current technology stacks.

While businesses navigate an increasingly complex global market marred by economic uncertainty and disruption, their Enterprise Resource Planning (ERP) systems are being pushed to new limits.

Despite the burgeoning need for effective technology, satisfaction with current solutions varies widely across regions, business sizes, and apparel categories.
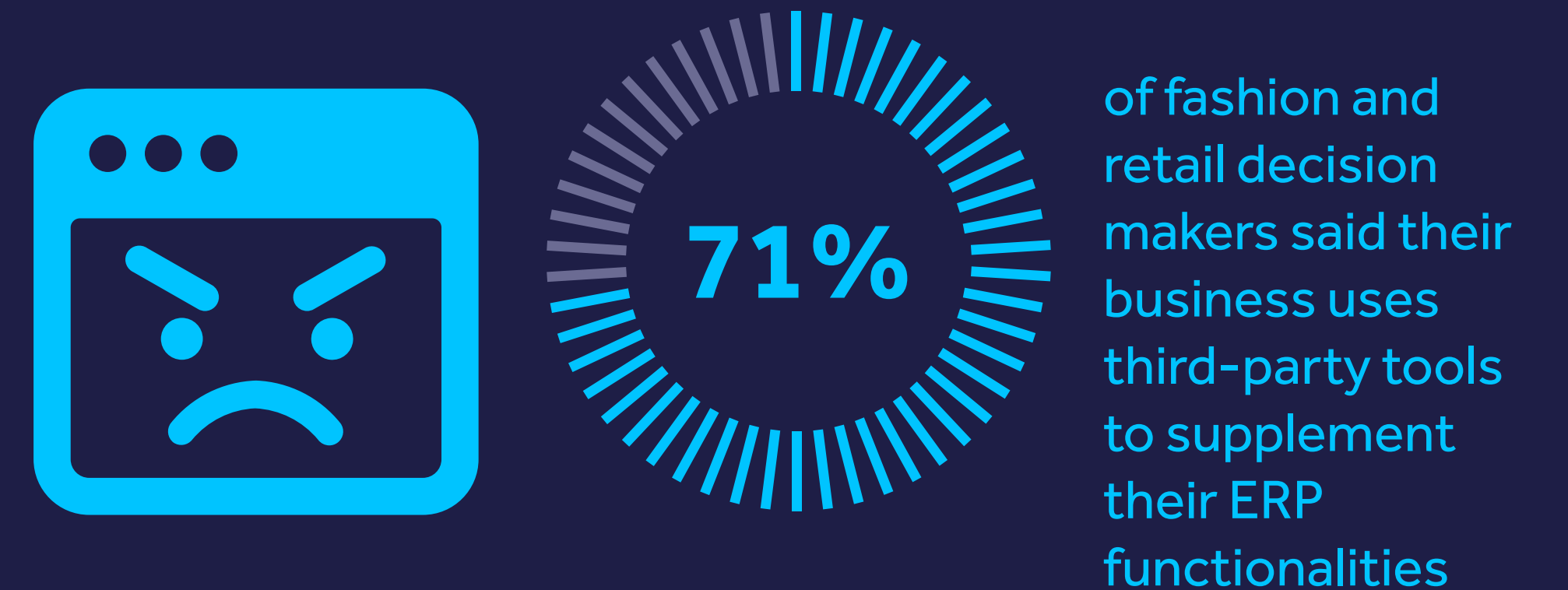
Microsoft has emerged as the dominant ERP provider, but no single vendor alone can fully meet the diverse needs of the fashion industry. From inventory management to sustainability reporting, fashion companies seek specialised solutions moulded to their unique challenges.

This whitepaper — our most comprehensive resource on fashion ERPs to date — explores the current state of fashion ERP, highlighting key pain points, regional disparities, and emerging trends that will significantly influence the industry's future.

Enjoy the read!

Key Statistics

Microsoft is the most dominant ERP vendor, with a

42%

market share

35% of UK fashion and retail decision makers said their ERP can silo stock cross each business channel

13% of Nordic fashion and retail decision makers said technology was pivotal to their seasonal planning and supply chain management

71% of fashion and retail decision makers said their business uses third-party tools to supplement their ERP functionalities
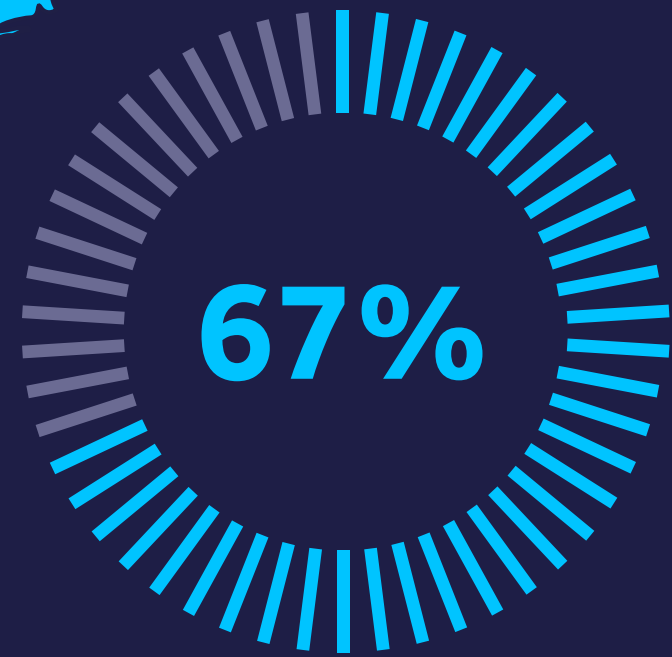
Key Statistics

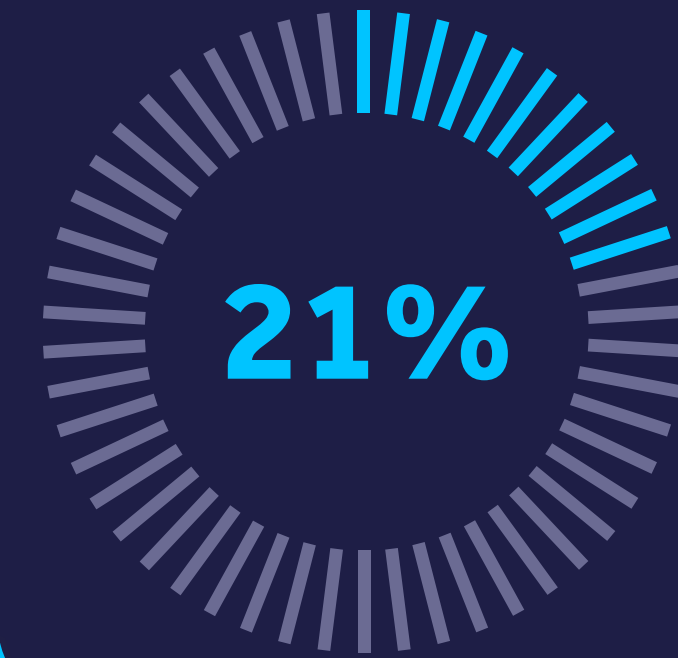**67%** of US fashion and retail decision makers selling outdoor wear rated their ERP 9 or 10 out of 10
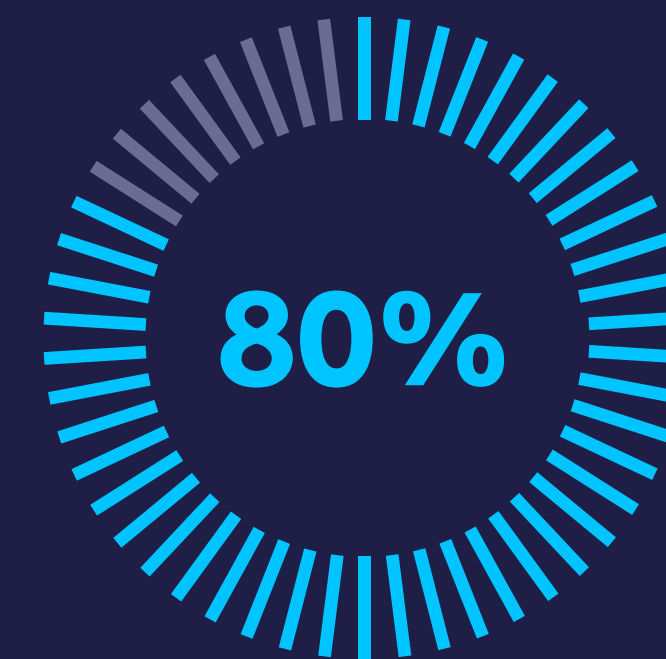
21% of UK fashion and retail decision makers selling outdoor wear rated their ERP 9 or 10 out of 10

13% of fashion and retail decision makers in Benelux use Microsoft

BUT

80% of fashion and retail decision makers in Benelux fill gaps in their ERPs with third-party tools

The Current State of Fashion ERP

The fashion industry is no stranger to Enterprise Resource Planning (ERP) systems.

With complex, multi-tier supply chains spread across the globe, the need to centralise data is essential for businesses. ERPs represent the beating heart of an organisation, the central organ to which data ebbs and flows. Like our literal hearts, companies cannot operate without an effective ERP in place. However, not just any ERP will suffice.

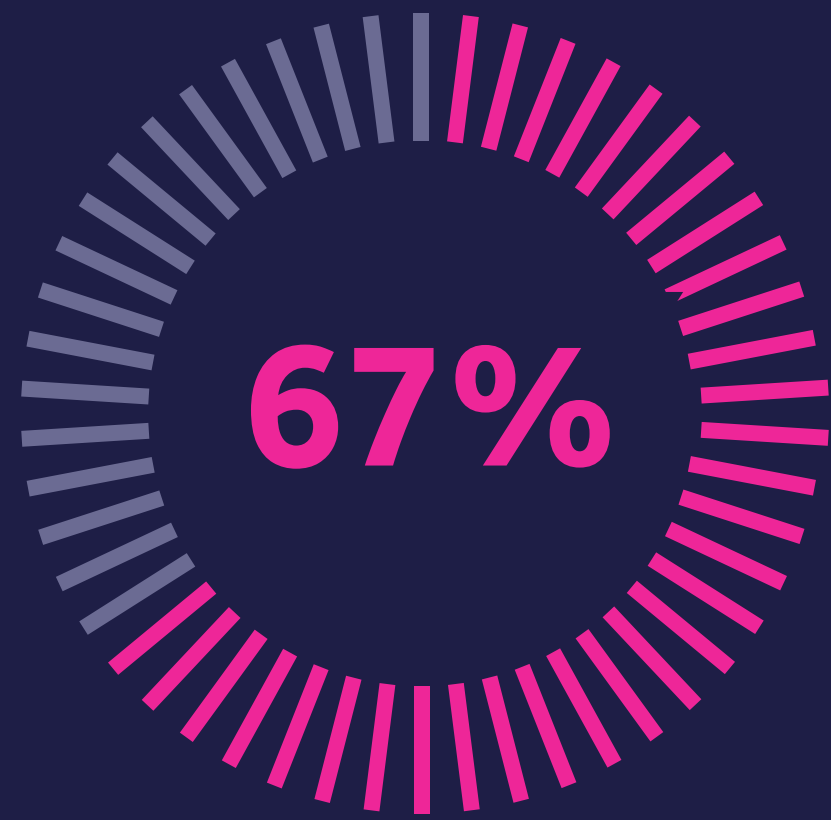> *Fashion is a highly nuanced and multifaceted industry that demands robust solutions.*

Our research provides a snapshot of the current fashion ERP landscape, revealing a market characterised by dominant players, regional disparities, and varying needs across business sizes. To ensure accurate representation, we included major ERP vendors as well as more niche and specialised Independent Software Vendors (ISVs) that appeal specifically to fashion. The vendors listed include Microsoft, SAP, Oracle, Infor, Trimit, Visionet, Sunrise, BE-terna, and Porini. To avoid any risk of bias, we did not include ourselves (K3).

Microsoft holds a commanding 42% market share among the respondents, showcasing its broad appeal across various apparel categories. This dominance is not entirely surprising, given that Gartner has consistently recognised Microsoft as a Leader in its Magic Quadrant for Cloud ERP for Product-Centric Enterprises. Forbes also ranks Dynamics 365 (D365) Business Central as the best overall ERP.

The ISVs listed integrate with Microsoft's ERPs, which could have potentially skewed the results; fortunately, they did not. Only a small percentage of respondents selected each ISV, and the numbers were too insignificant to impact the analysis. Therefore, our ERP comparisons will now solely focus on Microsoft, SAP, and Oracle, as there were not enough respondents selecting Infor to make accurate comparisons either.

67%

Share of Microsoft usage in companies with fewer than 99 employees

40%

Share of Microsoft usage in companies with more than 1,000 employees

Microsoft	42%
SAP	26%
ORACLE	17%
Other	15%

Shares of top players in the fashion ERP market

It was immediately evident that the leading players in the fashion ERP market are Microsoft (42%), SAP (26%), and Oracle (17%). Microsoft is particularly strong in companies with fewer than 99 employees (57% market share) – and those with more than 1,000 employees (40% market share).
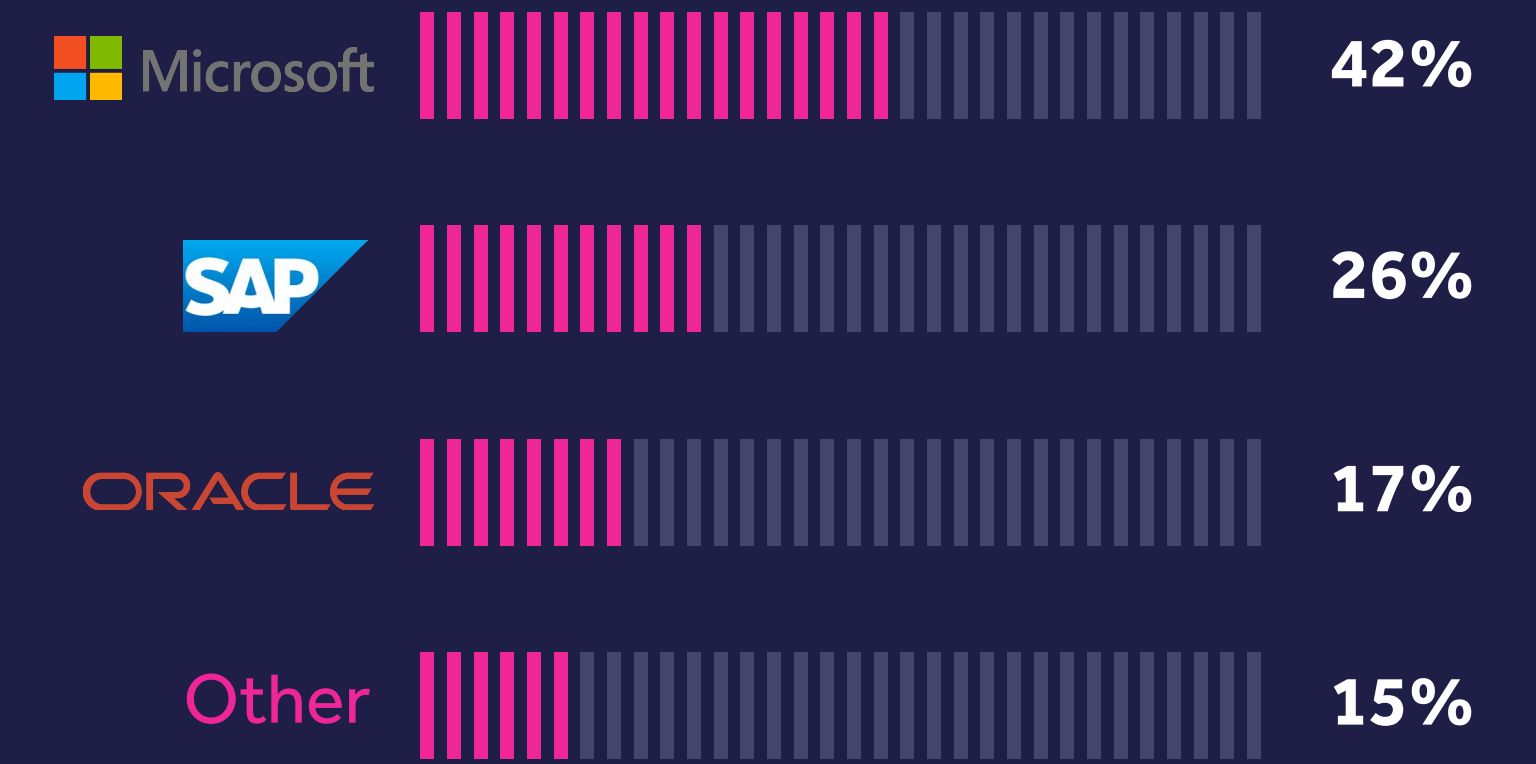
According to the respondents, Microsoft excels in inventory management, with 49% of users rating it as excellent in this category, outperforming competitors. Microsoft's additional strengths include supply chain management and stock distribution capabilities.

SAP holds the second position, with a little more than one in four respondents indicating that it supplies their ERP. Within the 500-999 employee segment, SAP outperforms Microsoft and is the most dominant vendor with a 36% market share. SAP users also reported that their ERP system better supplies Corporate Social Responsibility (CSR) functionality than Microsoft, with more than half (57%) saying so compared to only 40% of the latter's users.

Oracle follows in third position but performs very competitively in the 1,000+ employees category, ousting SAP. Some 44% of Oracle users said their ERP was excellent in data management, higher than Microsoft (42%) and SAP (24%).

Vendor performance across key areas revealed some interesting findings. While Microsoft leads in many aspects, it lags in product data management (PDM), with only 28% of users rating it as excellent, compared to SAP (33%) and Oracle (35%).

Microsoft is, however, significantly better with season management (36%) versus SAP (16%) and Oracle (24%). Notably, all vendors struggle with product lifecycle management (PLM), indicating an industry-wide challenge in current ERP environments.

While vendor adoption and performance were interesting data points, more eye-opening statistics emerged in the regional comparisons.

Generally speaking, US respondents reported higher satisfaction levels with their current ERP functionalities than other regions. Indeed, nearly three in four (73%) US respondents viewed their ERP provider as an expert in fashion and retail, compared to only 40% in the UK.

Meanwhile, Australian respondents showed a strong preference for detailed product information, with 95% considering it important, in contrast to significantly lower percentages observed in European countries.

The real shocks, however, emerged in Benelux and the Nordics. Chiefly, Benelux respondents consistently reported the lowest satisfaction levels across various ERP functionalities, with only 27% and 17% saying their ERPs were excellent in data management and customer engagement, respectively.

Benelux has the lowest number of respondents using Microsoft ERPs (13%) but the highest reliance on third-party add-ons (80%), indicating significant gaps in core ERP functionalities in the region.

Surprisingly, only 17% of Nordics respondents cited technology as pivotal to their seasonal planning and supply chain management, suggesting that businesses in the area have yet to fully embrace digital transformation.

Elsewhere, our research highlighted how business size significantly influences ERP requirements and satisfaction levels. Smaller companies (less than 99 employees) generally find their ERPs less adequate for customer engagement than larger ones. Conversely, the largest organisations (1,000+ employees) rate their ERP systems highly for customer engagement, suggesting better integration and resources for ERP management.

Mid-sized companies face myriad challenges. Those with 100-199 employees report significant struggles with manufacturing capabilities in their ERPs. This segment shows the highest demand for features like pushing sales orders into later delivery drops and calculating future inventory, highlighting their unique operational complexities. These features are paramount in specific market segments, like outdoor and luxury, as raw materials can sometimes become scarce, meaning sales orders have to be pushed to a later drop. Likewise, the ability to calculate whether there will be enough inventory to fulfil an order is essential for effective planning.

If anything is clear from our research into the state of the fashion ERP market thus far, it's that while Microsoft is by far the leading vendor, no one supplier fully meets all the diverse needs of the fashion industry . The disparities between small, mid-sized, and large enterprises underscore the importance of scalable and tailored ERP solutions. As the industry continues to evolve, ERP providers must address these varying needs to suit the nuances of fashion. But which areas exactly need fixing the most?

Assessing the Fit – Which Areas Need Addressing the Most?

In the last chapter, we identified that no one ERP supplier fully meets the industry's needs from a vendor, regional, and business size perspective. Now, it's time to examine how successfully current systems support specific industry processes and where needs enhancing the most.

To kick off, we'll start with a look into colour, size and fit handling, as well as general season management. Fashion and retail are cyclical.

> *Companies bring collections to market at least two to four times per year, each comprising hundreds, if not thousands, of item variants.*
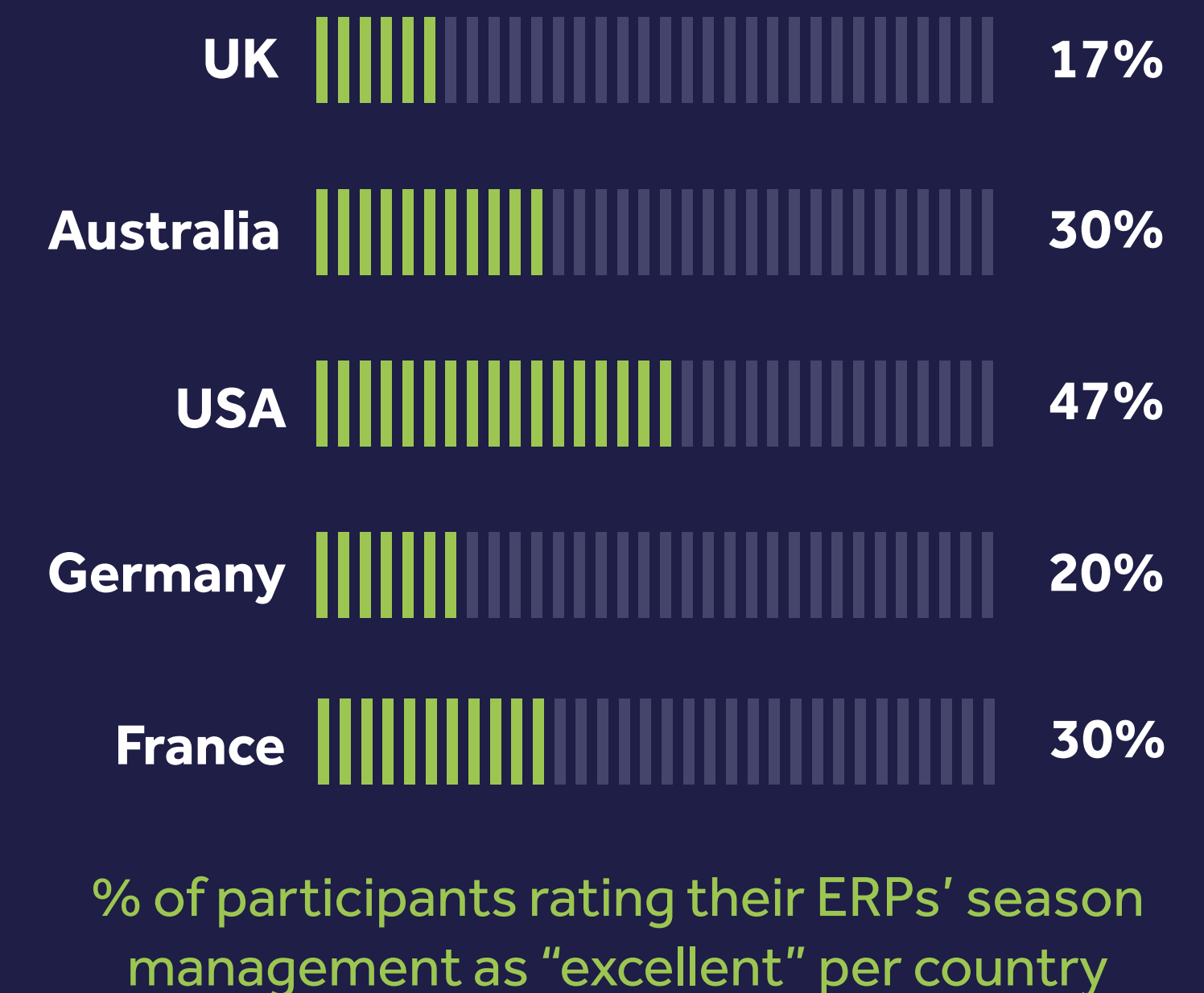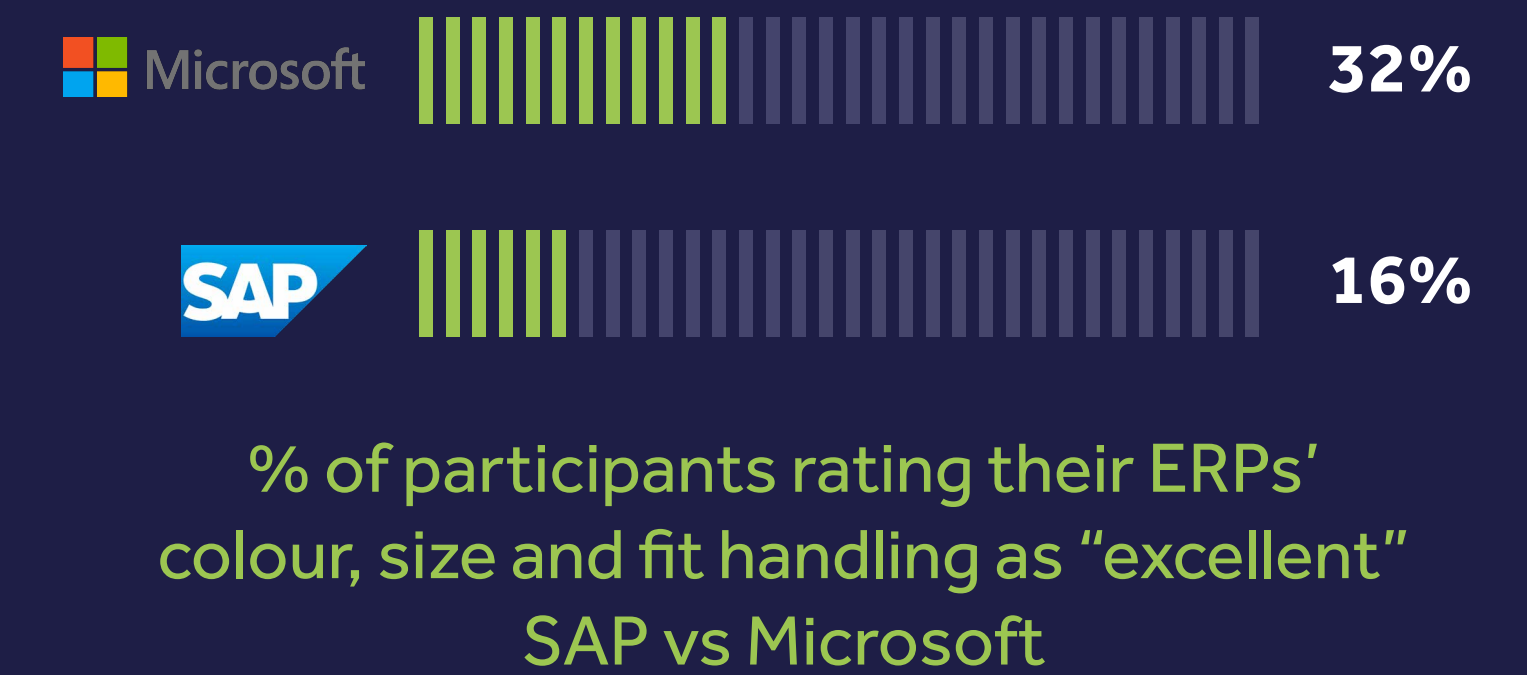
This can be a nightmare to manage without a practical solution, which is the case across the board. Only 31% of respondents rated their ERPs as excellent in this regard. Notably, US and Australian respondents expressed the highest confidence in their systems, with 47% and 45% rating them as excellent. French and German respondents showed the lowest confidence, with 23% and 20% rating their

ERPs as excellent in this area. Interestingly, the number of Microsoft users who reported that their ERP was excellent in handling colour, size, and fit management was significantly higher than that of SAP (34% vs. 16%).

Season management also appears to be a challenging area for ERP systems, with less than a third (29%) of respondents rating their ERP as excellent in this category. US respondents again said their ERP was excellent the most (47%), while the UK bore the lowest confidence, with only 17% saying the same. The remaining regions (France, Germany, Benelux, Australia, Nordics) all clocked in at around 30%, with the exception of Germany at 20%. Similar to colour, size and fit handling, Microsoft outperformed SAP in the number of respondents indicating their ERP is excellent (36% vs. 16%).

The above findings highlight that fashion and retail decision makers lack confidence in their ERP's ability to handle key fashion tasks, suggesting that tailored solutions are required to support them with their needs. ERPs themselves simply do not facilitate easy

season and item variant management.

Microsoft 32%

SAP 16%

% of participants rating their ERPs' colour, size and fit handling as "excellent" SAP vs Microsoft

UK 17%

Australia 30%

USA 47%

Germany 20%

France 30%

% of participants rating their ERPs' season management as "excellent" per country

Shifting focus somewhat to other key operational areas in fashion, effective inventory and supply chain management are two other critical pieces that enable sustainable operations. Without the ability to manage stock across various channels and the agility to navigate disruption in the supply chain, companies face countless inefficiencies that hamper their ability to serve customers. Indeed, 97% of US respondents believe it's important that their ERP can silo stock across business channels, with 60% finding it very important. This is a crucial piece of modern fashion operations that ensures that stock is reserved per business channel, helping companies plan their inventory and avoid under or overpromising orders. ERPs in the US are primarily capable of siloing stock across channels, with some 70% of respondents in the region indicating so. Conversely, it is a considerable challenge in the UK, with only 37% of respondents saying their ERP can effectively silo stock across channels. This is the lowest among all geographies, followed by Benelux and the Nordics (43% each). France and Germany were slightly higher at 57% and 53%, respectively. Meanwhile, Australia follows the US, with the majority (70%) reporting that their ERP has this capability.

These results call attention to something alarming for European fashion and retail businesses: they significantly lag behind other regions when it comes to effective stock management. It indicates a clear area for improvement that must be addressed. This trend is mostly mirrored when examining whether ERPs can calculate future inventory to determine whether a business could fulfil an order. This is another vital aspect of operations, ensuring companies do not overpromise on orders they cannot fulfil, leading to further problems like delays, stockouts and damaged brand reputation.

The US and Australia lead the pack, with 63% and 60% of respondents reporting that their ERP has the capability. Germany breaks the trend here, with an equal number of respondents to the US saying the same (63%). However, the remaining European regions are noticeably behind, with France and Benelux having the least number of respondents stating their ERP can calculate future inventory (37%). For reference, 43% of UK and 40% of Nordic decision-makers said their ERPs have this functionality.

To make matters worse, only 42% of all respondents said their ERP alerts users on activities impacted when raw materials are scarce. This is indeed concerning for specific market segments – like outdoor and luxury – that depend entirely on the right raw materials being available. Yet, these materials are rare and can often endure periods of extreme scarcity. Without these components, outdoor wear would not be as durable, nor would luxury goods bear that classic feel.

Given that the central role of an ERP system is to enable better planning throughout an organisation, there is a significant need for fashion companies to be alerted when their raw materials are scarce. Otherwise, planning becomes far more challenging. While overall, no region is particularly confident in their ERP's ability in this aspect (the US and Germany lead with 57% and 53%, respectively), Benelux is again particularly poor, with only 27% stating their system can alert users. For reference, the remaining regions are the UK (43%), France (33%), Australia (35%), and the Nordics (43%). The results here shine a light on another significant area for improvement, particularly for companies operating in market segments where raw materials are paramount to their activities.

27% of **Benelux** participants are satisfied with their ERPs' resource planning capabilities

57% of **US** participants are satisfied with their ERPs' resource planning capabilities
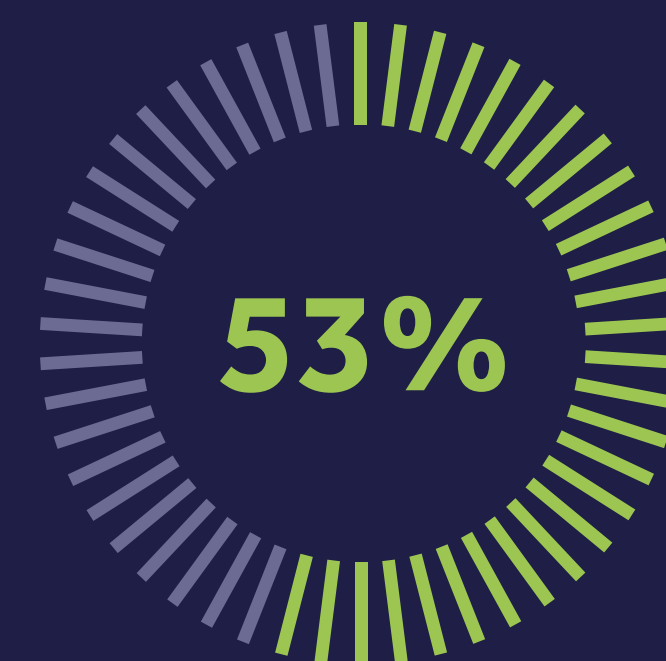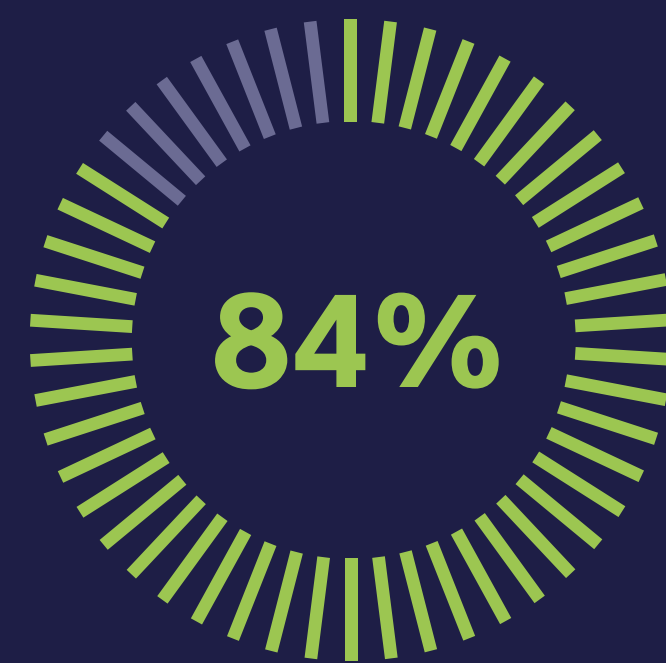
53% of **German** participants are satisfied with their ERPs' resource planning capabilities
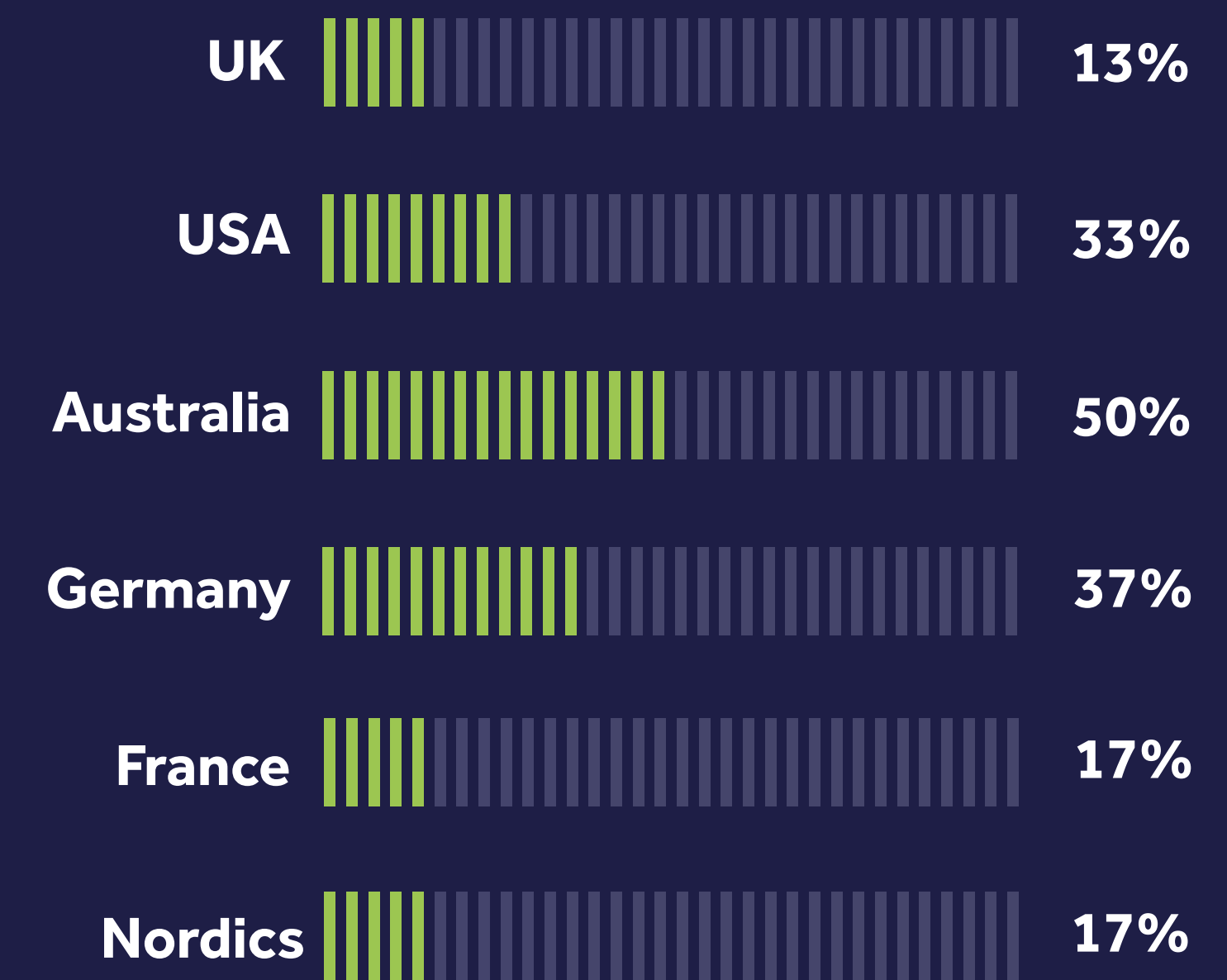
As the research continued, there was little improvement in other functional areas, with only 27% of all decision-makers rating their ERP as excellent in handling product lifecycle management (PLM). Significant dissatisfaction was noted in the UK (13%), France (17%), and the Nordics (17%). This isn't necessarily surprising since most ERPs have little in the way of PLM functionality, often leading companies to opt for point solutions to fill the gap. With that said, PLM is an essential component of the fashion industry. Without access to PLM functionality, businesses are unable to optimise product development processes, improve product quality, and reduce costs. In an ideal world, fashion ERPs contain PLM features to keep tech stacks simple rather than requiring companies to integrate with point solutions and potentially silo their data. The highest proportion of respondents who rated their ERP as excellent regarding PLM was in Australia (50%), followed by Germany (37%) and the US (33%). Clearly, PLM is yet another area that needs serious consideration in fashion ERPs.

The results were comparable when assessing product data management (PDM), with only 29% of respondents believing their ERP is excellent in this area – despite 84% of decision-makers believing granularity into product details is important to their operations. Australia, in particular, deems PDM important, with 95% of them reporting so. Like PLM, PDM functionality is a must-have in fashion and retail as it facilitates better communication with manufacturers to increase efficiency and time to market. However, PDM is not typically a core ERP function, so while there is a divide between the number of people who believe it's important and those who say their ERP is excellent at it, it's not entirely out of the blue. Nevertheless, there is a demand among fashion and retail decision makers for PDM functionality in their ERP systems.

UK — 13%
USA — 33%
Australia — 50%
Germany — 37%
France — 17%
Nordics — 17%

Participants rating their ERPs' PLM as "excellent" per region

84% of decision makers believe granularity into product details is important to their operations

29% of participants rated their ERP as "excellent" at PLM

Moving along, we sought to understand current ERP environments and their ability to support Corporate Social Responsibility (CSR) initiatives. Legislation is slowing down around CSR, but there's no denying it is still another critical factor in an industry that has historically struggled with environmental and social concerns. The majority of respondents find CSR functionality to be important, although fewer consider it very important. While CSR isn't at the top of the agenda, it's positive to see that at least it remains on business radars. 70% of US respondents noted that their ERP currently has the ability to provide CSR certificates and classifications – the highest among all regions. In this regard, the US is considerably ahead, particularly when compared against the UK (30%) and Benelux (27%). Australia is also ahead of the curve, with more than half (60%) reporting that their ERP provides CSR support. However, it should be noted that these results mostly marry up with each region's belief in the importance of CSR, with 60% of US and 55% of Australian respondents believing it's very important that their ERPs have CSR functionality. Conversely, only 37% of UK and 33% of Benelux respondents said the same.

So, while at first glance it would appear that Europe lags behind the US and Australia in adopting CSR functionality, that is largely because it is much less of a priority for businesses in these regions.

As we draw to a close on this chapter, we'd be remiss if we didn't also examine another two significant components of fashion and retail – customer engagement and channel management. Both of these are traditional core ERP functions that are present in any system. These two aspects go hand in hand since customer satisfaction largely depends on the right products being offered via the right channel. Yet, only 28% of all decision-makers rated their ERP as excellent in channel management, with especially low satisfaction in the Nordics (17%) and Benelux (7%). Australians are the most satisfied with their ERP's ability to handle channel management, with a little more than half (55%) reporting it as excellent, followed by Germany (37%) and the UK (33%).

Fundamentally, these results paint a bleak picture for fashion and retail as they suggest that current ERP environments cannot successfully support businesses in managing their various channels (i.e., wholesale, online, retail).

Interestingly, we found that larger organisations (1,000+ employees) are more likely to rate their ERPs as excellent in customer engagement compared to smaller businesses. This echoes our channel management satisfaction results, with 40% of larger organisations citing their ERP as excellent in this area compared to only 24% of small businesses (less than 99 employees), and reinforces our notion that customer engagement and channel management are inextricably linked. ERPs strong in the latter will lead to more positive results in the former. Evidently, there are significant gaps between what companies need and what their current ERP systems provide. The key pains identified in our research pertain to:

- Insufficient granularity in product details
- Inadequate PLM capabilities
- Inventory management across channels

From a CSR perspective, demand is certainly strong in regions like the US and Australia but less so in Europe. Whether or not gaps exist in ERPs for CSR ultimately depends on where the company is located.
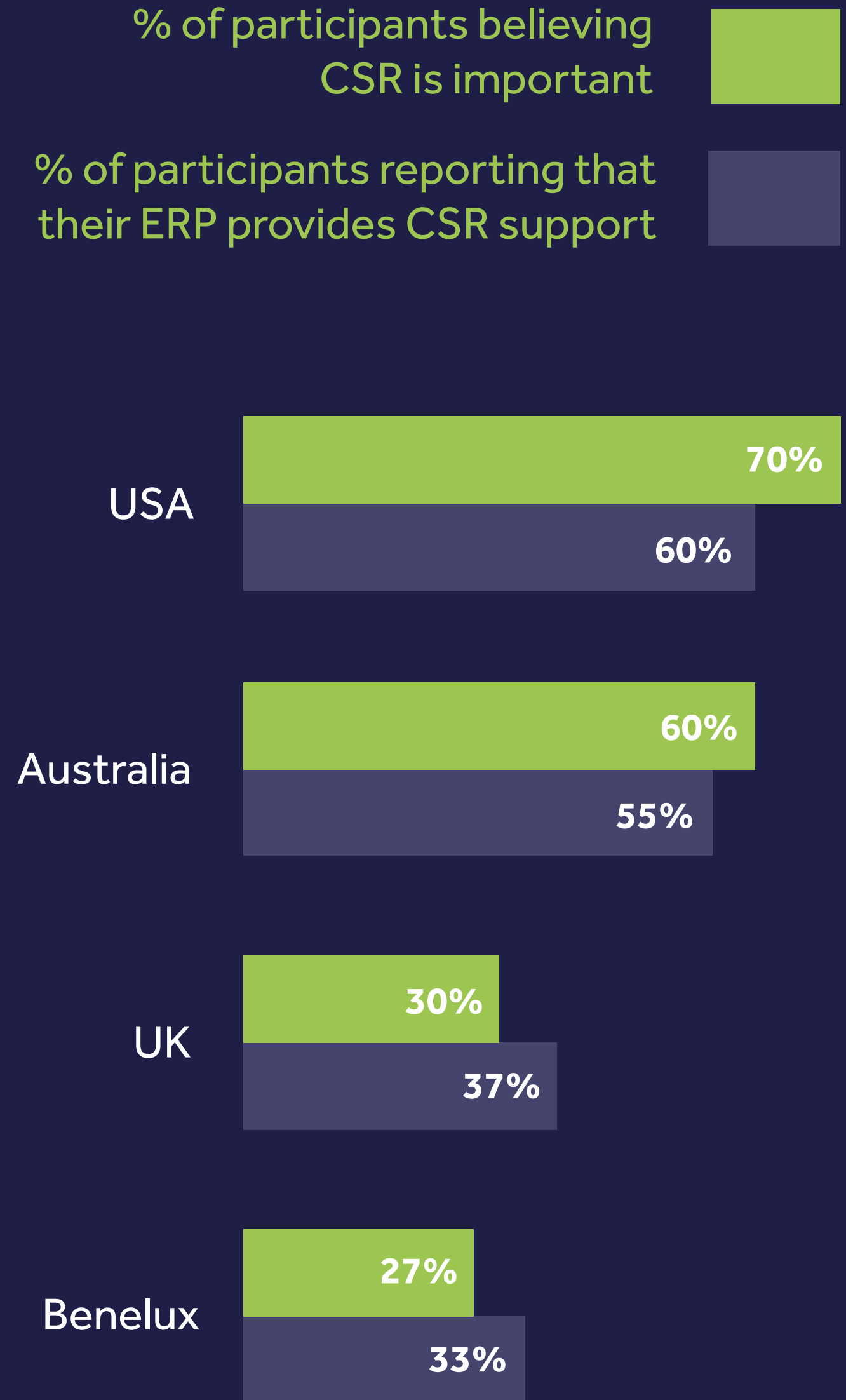
The key takeaway for fashion and retail companies in this section is that they must seek specialised and tailored solutions to support their specific needs.

▎ *Traditional ERPs simply don't cut it.*

On the other hand, ERP providers must examine how best to add additional value to their fashion clients, and that will mostly entail embedding better inventory and channel management features, as well as PLM and PDM functionalities.

Large Corporations |||||||||||||||||||||||||||| **40%**

Small Corporations ||||||||||||||||||||||| **24%**

% of participants rating their ERPs' as "excellent"
Small vs Large corporations

% of participants believing CSR is important

% of participants reporting that their ERP provides CSR support

USA
70%
60%

Australia
60%
55%

UK
30%
37%

Benelux
27%
33%

Chapter 3

Key Challenges by Apparel Type

While we have explored ERP vendor adoption, regional differences, business size needs, and key pains pervading fashion and retail companies, it is important that we also examine the individual differences and issues between apparel categories to gain a more comprehensive understanding of the industry.
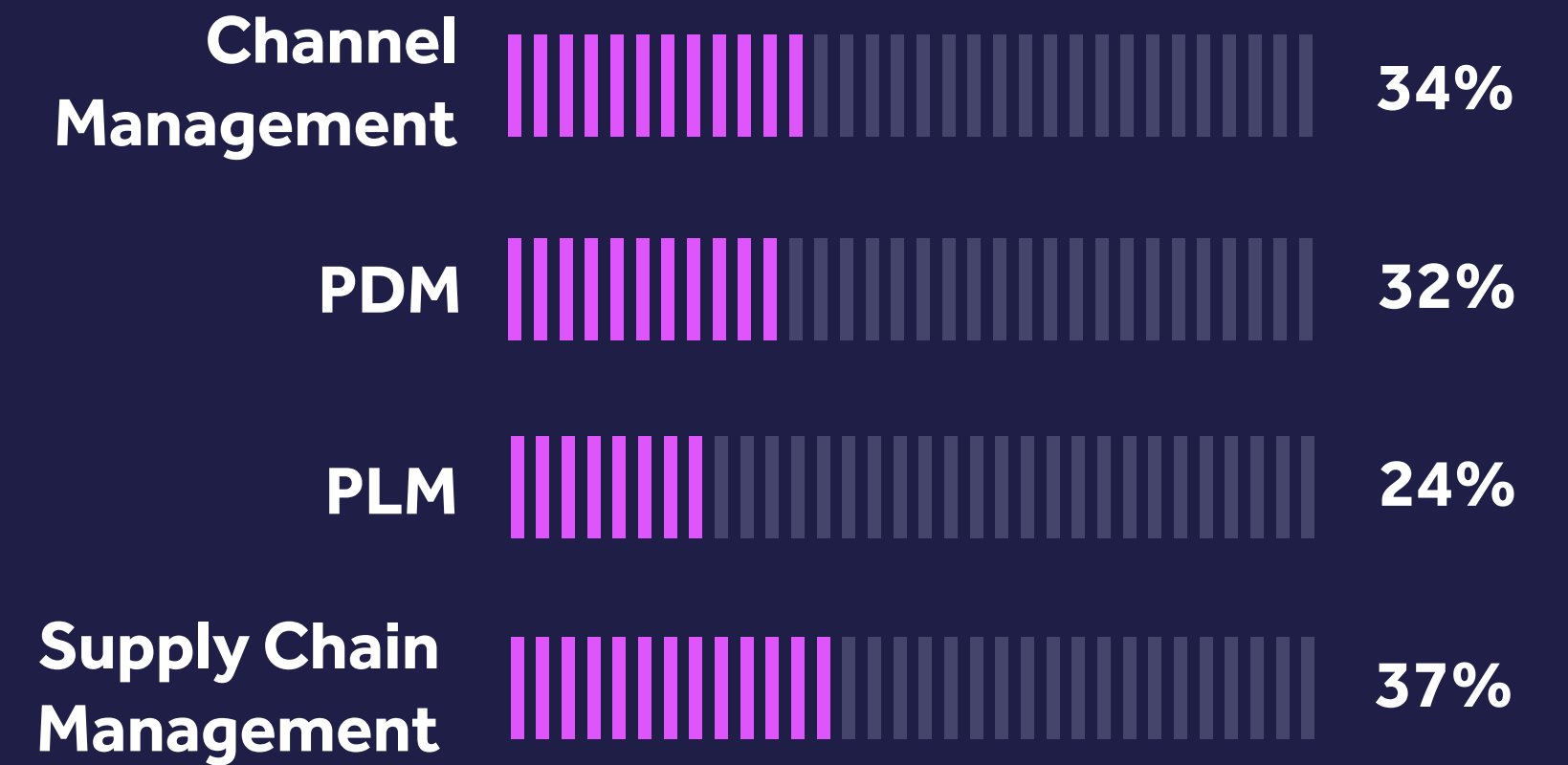
Denim

First, we looked at the denim segment and found that companies in this market struggle significantly in various areas. For instance, the number of respondents who indicated their ERP was excellent in PLM was particularly low at 24%. Likewise, only a third said their ERP was excellent in PDM (32%), channel management (34%), and supply chain management (37%). However, the biggest challenges companies face is budget constraints and persuading the c-suite to invest. This suggests that while denim companies recognise areas for improvement in their ERP, they struggle to secure resources for complete digital transformation projects.

Swimwear

Swimwear companies face similar difficulties, with only 24% reporting their ERP is excellent at PLM. Again, approximately a third said their ERP was excellent at channel management (31%) and supply chain management (35%). However, results differed when respondents were quizzed explicitly on their biggest challenges, with the two most commonly cited answers being change management and a lack of functionality in current ERPs. Swimwear businesses are acutely aware that their ERPs need to be more robust to implement company-wide transformation.

Channel Management 34%

PDM 32%

PLM 24%

Supply Chain Management 37%

% of **Denim** Industry participants rating ERP fuctions as "excellent"

Supply Chain Management 35%

PLM 24%

Channel Management 31%

% of **Swimwear** Industry participants rating ERP fuctions as "excellent"

37%
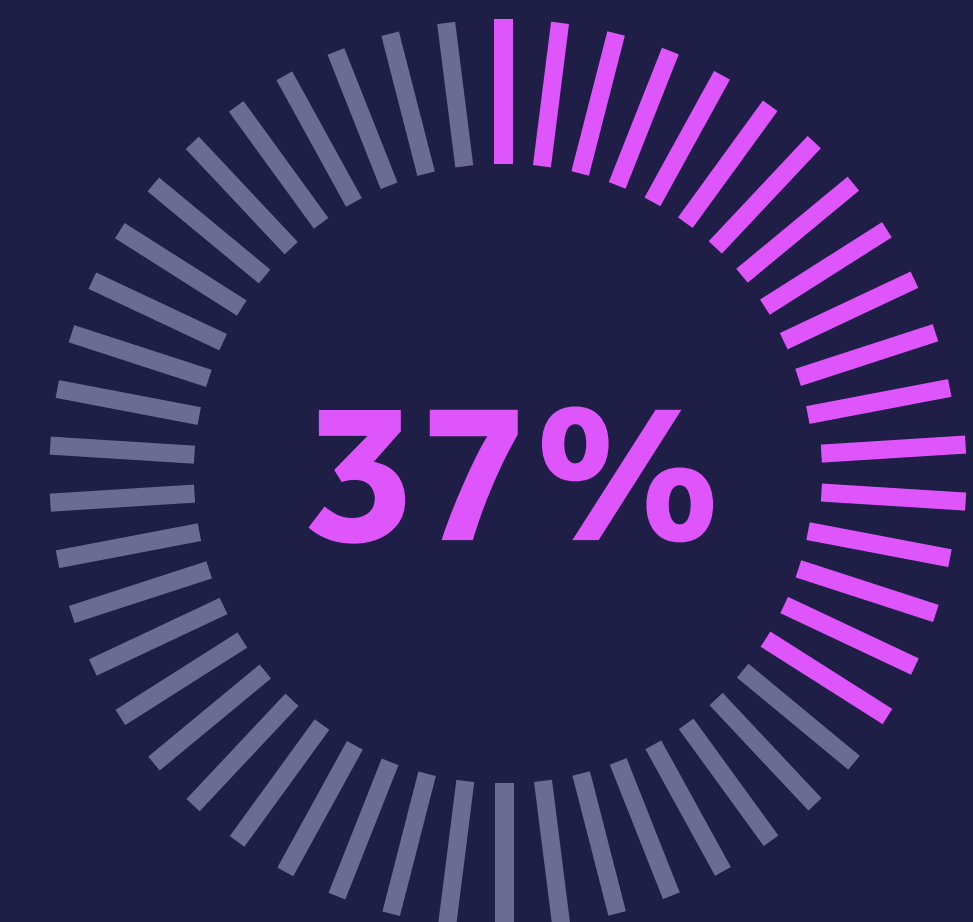
of **Sportswear** and of **Sporting Goods** industry participants indicated their ERP could handle the complexities of creating outdoor items extremely well

Outdoor

The outdoor market revealed a stark contrast between regions, with two-thirds of US respondents (67%) selling outdoor wear rating their ERP a 9 or 10 out of 10, compared to only 21% of UK respondents. One of the most significant challenges here is the limited ability of ERPs to manage technical requirements, with only 37% of outdoor wear companies rating their ERPs highly in this regard. Evidently, the UK outdoor market is severely lagging behind and desperately needs better solutions.

Sportswear and sporting goods

Within the sportswear and sporting goods industries (whose results mostly matched each other in the majority of answers), only 37% of businesses indicated their ERP could handle the complexities of creating outdoor items extremely well. Yet again, budget constraints and persuading the c-suite emerged as the two biggest barriers to overcoming their challenges. So, while sportswear manufacturers recognise the need for specialised ERP functionalities, they also need help in securing the necessary resources.

Uniform

Uniform producers are generally more satisfied with their ERPs; however, only half (50%) said their ERP can offer granularity into product details and measurements. This is less than ideal, given that uniforms must be carefully created to the right specifications. The main challenges for these companies are change management and securing c-suite buy-in. Like the previous categories, these companies cannot easily secure investment and implement business-wide changes like digital transformation.

Luxury apparel

For luxury apparel companies, 49% considered ERP capabilities to handle raw material scarcity very important, but only 41% said their system alerts them when the materials are scarcer than usual. Once again, the biggest challenges in this sector are change management and persuading the c-suite to invest. This underscores the critical nature of inventory management in the luxury sector and the need for more sophisticated ERPs.

Footwear

Footwear industry respondents reported significant challenges in several key areas. Notably, they struggled with colour, size and fit handling, manufacturing, season management, and PLM. In each of these categories, only a small percentage of respondents rated their ERP as excellent: 33% for item variant handling, 29% for manufacturing, 28% for season management, and 27% for PLM. Budget constraints and change management emerged as the top obstacles preventing companies from addressing these challenges. These findings largely align with the results from other apparel types studied.
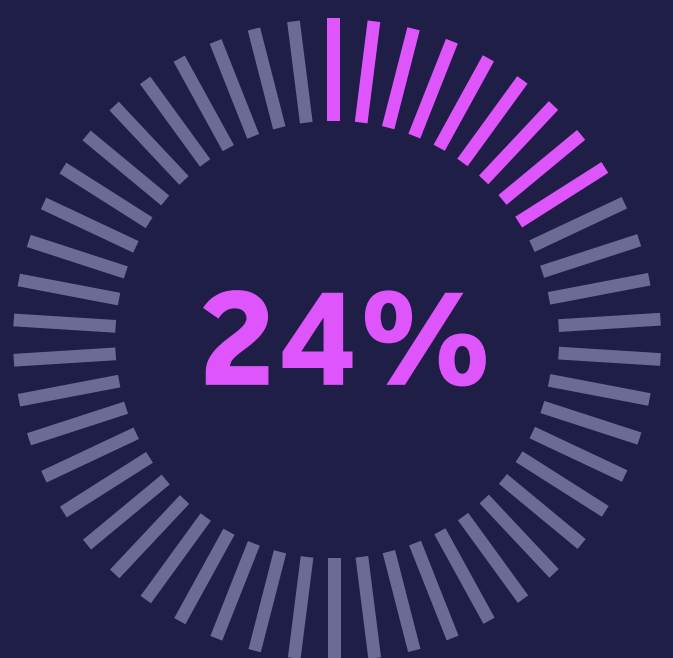
Manufacturing	**29%**
Item Variant Handling	**33%**
PLM	**27%**
Season Management	**28%**
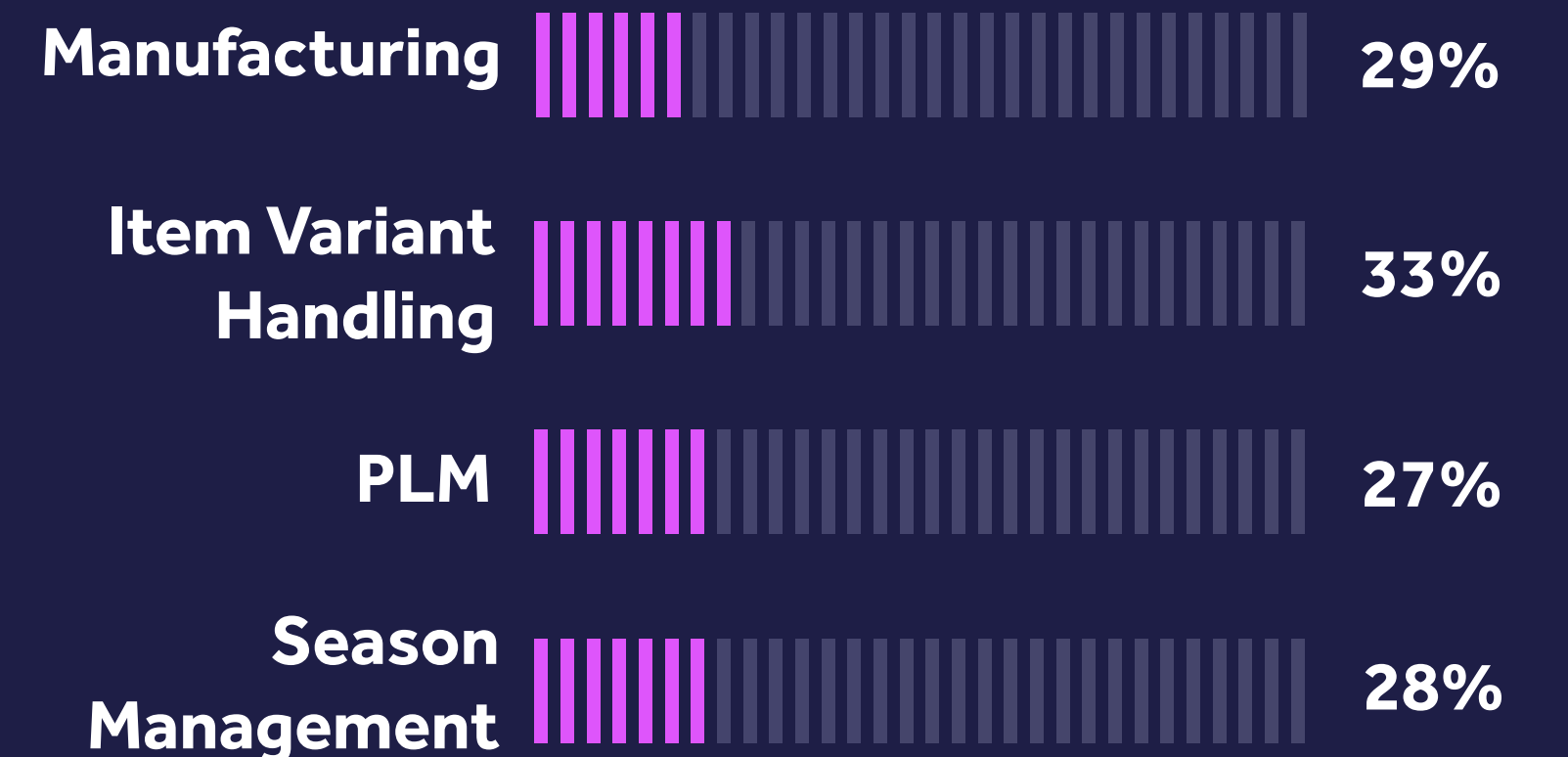
% of **Footwear** Industry participants rating ERP fuctions as "excellent"

29%
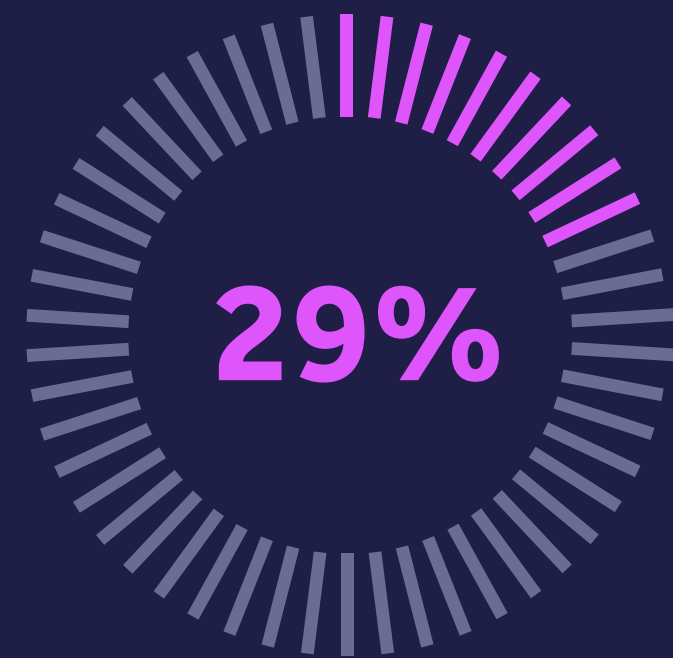
of participants from the **Accessories** Industry rated their ERPs' season management as "excellent"
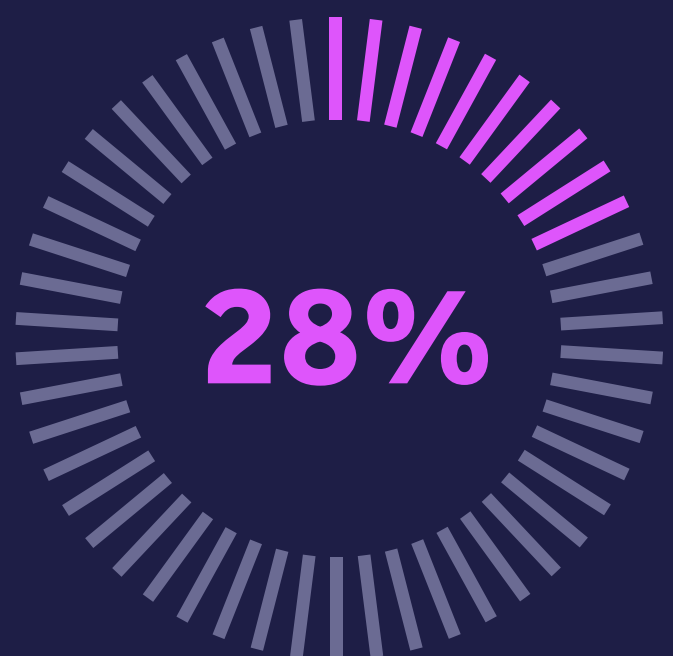
28%

of participants from the **Jewellery** Industry rated their ERPs' season management as "excellent"

24%

of participants from the **Jewellery** Industry rated their ERPs' PLM as "excellent"

Accessories

Accessories respondents consistently reported higher levels of satisfaction overall, though the results were still generally low. The weakest area in accessory companies' ERP is season management, with only 29% rating their system as excellent in this regard. Similar to other apparel types, the major challenges in this sector are the lack of support for fashion-specific processes and change management. This indicates a need for more specialised ERP solutions that can handle the unique attributes of accessories.

Jewellery

Only 28% of respondents in the jewellery sector said their ERP was excellent in channel management, while less than one in four (24%) said their ERP was excellent in PLM. The main challenges highlighted are budget constraints and lack of functionality in current ERP systems. These findings highlight the need for better multi-channel inventory and product management in the jewellery sector.

Common threads

Despite the varied challenges among the different apparel categories, they have a common thread. Budget constraints and securing c-suite buy-in are recurring issues that consistently crop up. Change management is the third most cited challenge, indicating a need for better implementation strategies and user training. A significant proportion of the categories also reported a lack of fashion-specific functionalities as a hurdle, reinforcing the burgeoning market need for specialised solutions.

From a technical perspective, managing complex product attributes is crucial. There is demand for granularity in product details across most apparel types, though it is more significant for accessories and luxury apparel. ERPs often fall short in handling the complex technical requirements of categories like outdoor wear, further indicating the need for tailored solutions that accommodate the various nuances of fashion and retail.

While the wider fashion industry as a whole is tasked with overcoming myriad ERP challenges, each apparel category has its own unique set of requirements and pains that providers must address. The recurring themes of budget constraints, change management difficulties, and the need for more fashion-specific functionalities suggest that ERP providers have an opportunity to develop more tailored solutions. These solutions should address the technical requirements of each apparel category and consider the organisational challenges of implementation and adoption. By understanding and addressing these industry-specific challenges, ERP providers can better serve the fashion industry's diverse needs. This will ultimately help companies across all apparel categories improve their operations, enhance their competitiveness, and better serve their customers.

Chapter 4

The Role of Third-Party Add-Ons

Up to this point, our research has revealed many gaps in fashion and retail decision makers' ERPs, particularly tied to functionality that is essential to the industry. Decision makers share this sentiment, with more than two-thirds (71%) revealing they supplement the gaps in their ERP systems with third-party add-ons. This high percentage indicates that most ERPs fall short in meeting the specialised needs of fashion and retail companies.

Notably, third-party tool usage remains high even across Microsoft and SAP users, suggesting that even the market leaders still need to thoroughly understand the nuanced requirements of fashion. Microsoft users, in particular, demonstrated a high reliance on third-party add-ons (67%), indicating that there are numerous gaps within the company's ERPs and underutilisation of integrated ISV solutions. However, when purely looking at business size comparison, the 500-999 employee bracket struggles the most, with 96% of companies reporting they rely on add-ons. This group utilises SAP the most.

Evidently, it does not matter who supplies the ERP — almost all of them have a clear functionality gap.

Regional variations further illustrate this issue. Benelux stands out, with 80% of respondents relying on such tools, which is the highest rate among all regions. This high adoption rate in Benelux correlates with lower satisfaction ratings for core ERP functionalities, highlighting a fragmented technology landscape in the area.

For reference, Benelux is followed by Germany (77%), France (73%), the UK (73%), the US (70%), the Nordics (63%), and Australia (55%). The regional variation data further supports the vendor results: no ERP truly captures the complete needs of fashion and retail organisations.

While third-party add-ons offer specialised functionalities to fill these gaps, they also present significant integration challenges.

Region		
Benelux		80%
Germany		77%
France		73%
UK		73%
USA		70%
Nordics		63%
Australia		55%
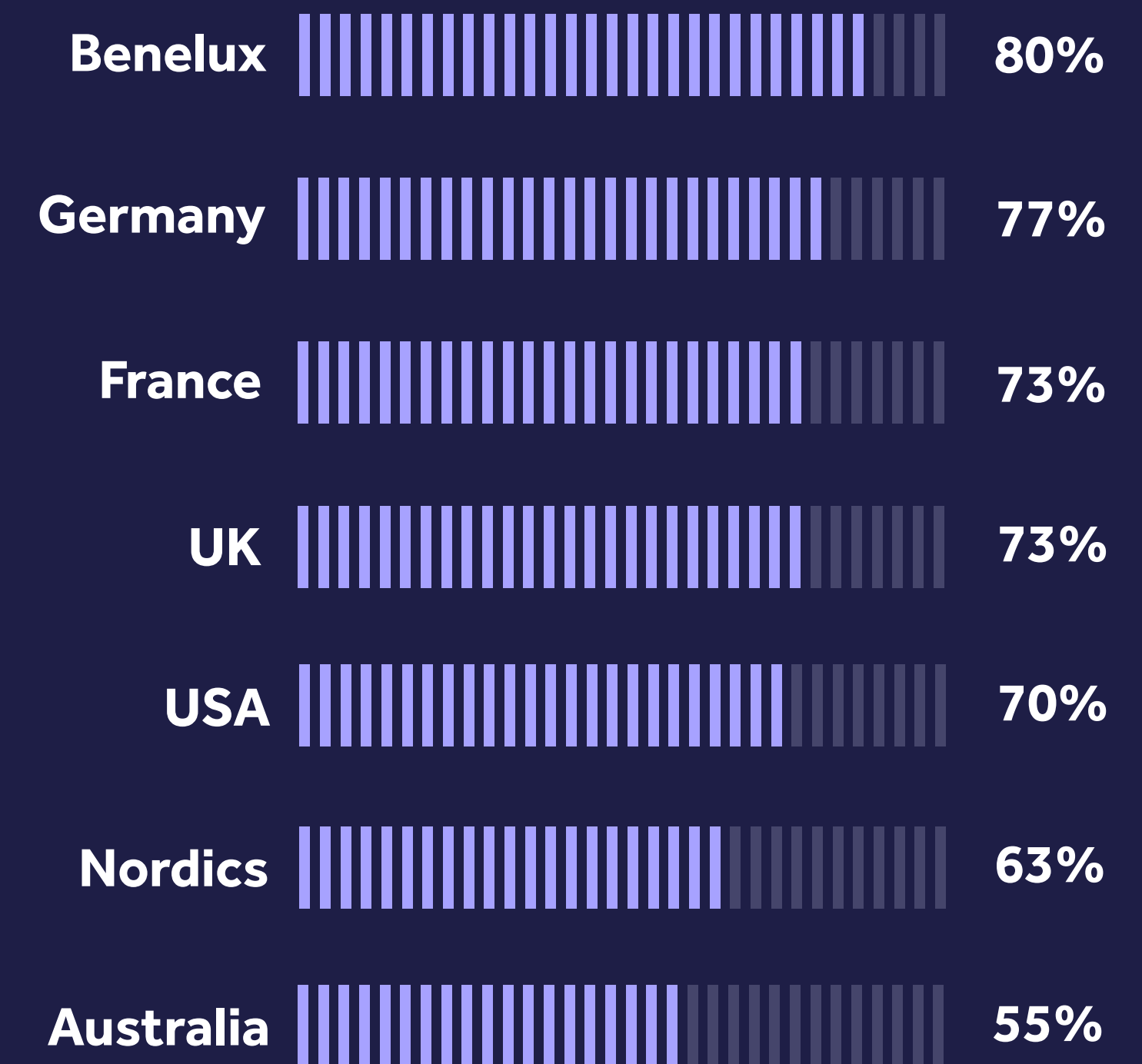
Participants utilising third-party add-ons for their ERPs per region
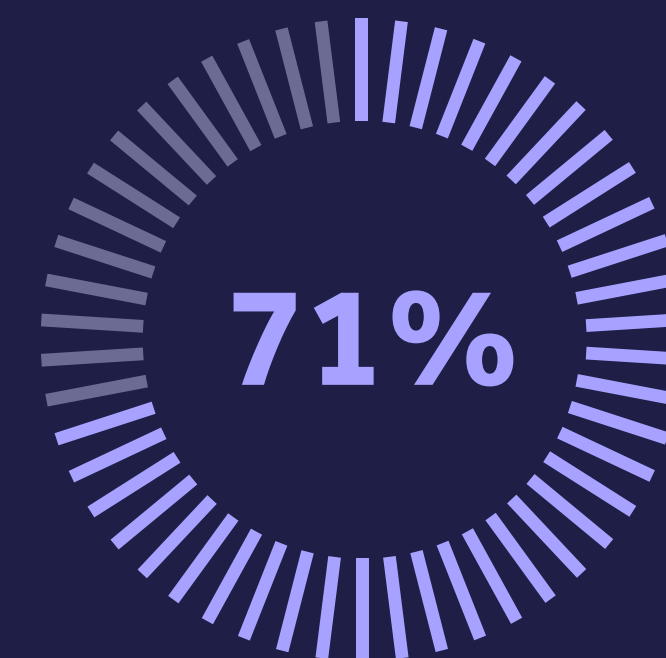
71% of decision makers said they supplement the gaps in their ERP systems with third party add-ons

Ensuring real-time data consistency between the core ERP and various add-ons is a major hurdle, emphasising the need for standardised APIs and data exchange protocols specific to the fashion industry. Moreover, multiple interfaces and login requirements can lead to a disjointed user experience, highlighting the necessity for seamless, single sign-on solutions and consistent UI/UX across core ERP and add-ons.

Maintaining and updating multiple systems to ensure compatibility is another resource-intensive challenge. This points to the need for more robust partner ecosystems with coordinated update schedules and compatibility assurances. Additionally, while add-ons provide specialised features, they also increase the total cost of ownership for ERP systems.

The ideal technology landscape for fashion and retail companies is one where the core ERP system is tailored to their industry, offering support for all operations from season and inventory management through to PLM and PDM without requiring integrations and APIs.

Yet, so few vendors are capable of delivering such a solution.

As technology continues to evolve, the relationship between ERPs and third-party tools will likely change. Many vendors anticipate moving towards more open, platform-based approaches that facilitate easier integration of third-party solutions. This shift could lead to the development of fashion-specific app marketplaces within ERP ecosystems. Microsoft has long favoured this approach by leveraging the ISV partner network via its marketplace AppSource. However, it doesn't change the critical fact that relying on supplementary tools that require integration is inefficient. As a result, we may see ERP vendors examining ways to incorporate necessary fashion-specific functionalities into their core offerings. This would lead to a more comprehensive out-of-the-box solution and potentially reduce the need for third-party add-ons.

It's important that we don't overlook the fact that the fashion ERP landscape is in an exciting position with vendors all over the globe looking to develop AI and Machine Learning (ML) capabilities. It is a pivotal point in the industry and one that will yield significant advancements and benefits for fashion and retail companies, mainly as AI tools automate and enhance processes tied to demand forecasting and inventory management.

This shift in focus, however, may cause vendors to lose sight of the fact that their current offerings don't actually meet the needs of the industry. Balancing priorities will be difficult for ERP developers in the coming years. On the one hand, it's clear that most ERPs miss the mark of supporting fashion companies. Still, on the other hand, failure to capitalise on the AI trend could well lead to their customers seeking alternative vendors anyway.

Moving forward, it's hard to say who will be the winner. The advent of AI and ML is a trend that will undoubtedly change the course of the industry, but it remains to be seen whose technology will offer the greatest benefit. The industry's leading vendors (Microsoft, SAP, and Oracle) are already quickly developing AI

and ML capabilities to streamline and enhance workflows. Microsoft Copilot is a notable example of a tool that offers tangible benefits to fashion and retail companies right now. Nevertheless, the ideal solution remains one that contains all the necessary functionalities to support businesses in the industry, regardless of whether AI is utilised or not.

> *AI features can be added later, but there is a gulf in the here and now between what companies need and what ERP vendors currently offer.*

Chapter 5

Emerging Trends and Future Outlook

Now that we have comprehensively assessed the state of the fashion ERP market, it's time to frame the analysis into emerging trends to determine what the future looks like. The demand for ERP solutions tailored to the unique needs of the fashion industry is growing.

> ERP vendors must start developing fashion-specific features out of the box to ensure they can continue serving their customers.

Examples include support for colour, size and fit management, seasonal collection planning tools, and PLM capabilities.

Within the fashion industry, different segments, such as footwear, luxury, and sportswear, have distinct needs. We expect to see more ERP solutions or modules tailored to these specific verticals, addressing their unique challenges and workflows. As evidenced by the varying needs across different business sizes, future ERP solutions must offer greater scalability to ensure they accompany companies on their growth journeys.

Sustainability is becoming a crucial factor in ERP development. With 70% of US respondents indicating their ERP can provide CSR certificates and classifications, this trend will likely grow. Future ERPs will likely incorporate more robust sustainability tracking and reporting features, including carbon footprint calculation, ethical sourcing verification, and circular economy support, such as tracking recycled materials.

ERPs must also provide greater visibility into the supply chain to support sustainability initiatives. This may include features for tracking the origin of materials, monitoring working conditions at supplier facilities, and calculating the environmental impact of transportation. Advanced analytics and AI will be increasingly used to optimise inventory levels and reduce overproduction, addressing a key sustainability concern in the fashion industry.

AI and predictive analytics hold great promise for fashion ERP. AI-powered demand forecasting will become increasingly sophisticated. This will help address the challenges in inventory management highlighted by our research, where only 40% of respondents found their ERP excellent in this area.

One notable AI advancement in the fashion ERP landscape is Microsoft Copilot. Described as an AI companion, Microsoft Copilot integrates seamlessly with existing Dynamics 365 platforms to enhance the ERPs' capabilities. It provides real-time data analysis, predictive insights, and automated processes, enabling fashion businesses to make more informed decisions quickly. For example, Copilot can analyse vast amounts of sales data to predict future trends, optimise inventory levels, and even suggest pricing adjustments based on market conditions.

AI will enable ERPs to provide more personalised customer experiences by analysing purchasing patterns and preferences. This could help improve ERPs' customer engagement capabilities, an area where only a third of respondents currently rate their systems as excellent. One practical application of AI in this area is the automated generation of product descriptions. AI can create detailed and engaging product descriptions that appeal to customers, saving time for retailers and ensuring consistency across product listings.

AI will increasingly automate routine decisions, such as reordering points for popular items or price adjustments based on demand. This could help address the challenges in supply chain management, where only 36% of respondents rate their current ERP as excellent. Additionally, AI can help break down linguistic barriers in fashion and retail. AI ensures that fashion brands can effectively communicate with a global audience by providing automatic translations and cultural adaptations of product descriptions and marketing materials.

Integrating AI into fashion ERPs will ultimately bring significant benefits to businesses, from advanced demand forecasting and personalised customer experiences to automated decision-making. Other emerging technologies, such as the Internet of Things (IoT), blockchain, and augmented reality (AR), could also transform fashion ERP systems. Integration of IoT devices in the supply chain could provide real-time tracking of inventory and materials, significantly improving the raw material scarcity alerts functionality.

Blockchain technology could be integrated into ERPs to provide immutable records of transactions and supply chain movements (something that is possible with Microsoft via Azure).

This will enhance traceability and support sustainability initiatives, addressing the growing importance of CSR functionalities noted in our research. AR could be integrated into ERPs to strengthen product development and customer engagement processes. For instance, AR allows for virtual try-ons or 3D visualisation of products, potentially improving the product lifecycle management capabilities that only 29% of respondents rate excellent.

*The future of fashion ERPs will undoubtedly be one of increasing specialisation.*

As vendors develop their systems, they must address the myriad pains identified throughout this whitepaper. From improving inventory management and supply chain visibility to enhancing customer engagement and product lifecycle management, there are countless areas for improvement.

ERP providers must work closely with their fashion and retail clients and implementation partners to ensure that these new capabilities are effectively integrated into business processes and that users are adequately trained to leverage them. As we move forward, the fashion ERP landscape will likely become more complex and capable of meeting the industry's unique and nuanced needs. The challenge for ERP providers and fashion businesses will be navigating this evolving landscape effectively, balancing the need for specialised functionalities with user-friendly systems.

40%
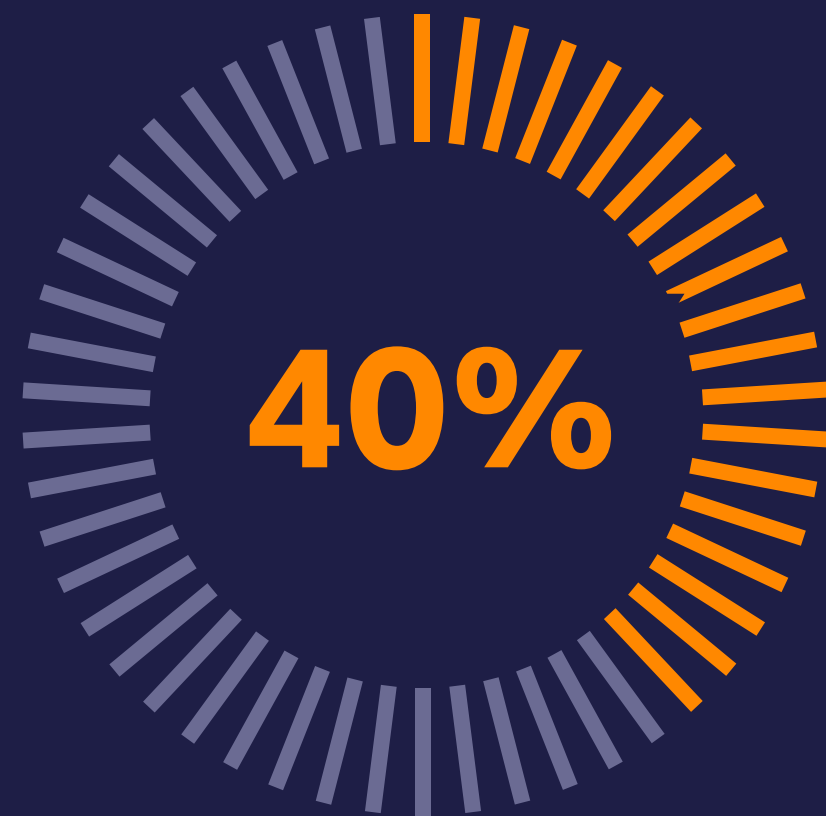
of respondents rated their ERPs' inventory management as "excellent"

36%
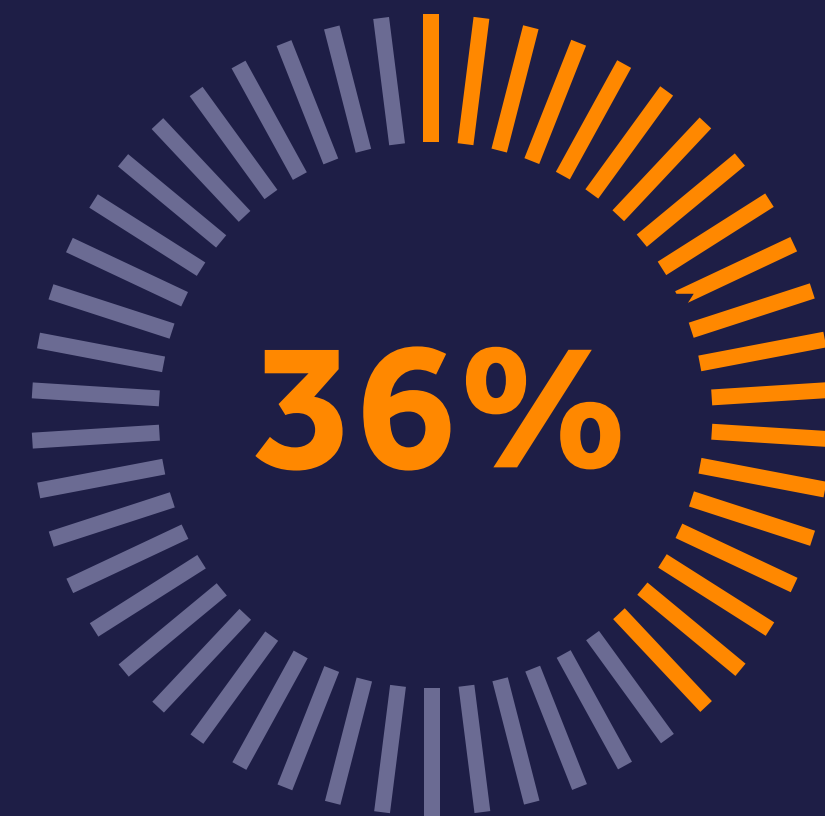
of respondents found their current ERPs' supply chain management as "excellent"

29%

of respondents rate their current ERPs' product lifecycle management capabilities as "excellent"

Chapter 6

Wrapping up

With the emerging trends and future outlook out of the way, this penultimate chapter summarises the findings discussed in this whitepaper.

For the internet natives, this is your TL;DR!

Market Leadership and Vendor Performance

Microsoft has emerged as the dominant ERP provider with a 42% market share. It is particularly strong in inventory management and supply chain capabilities. SAP and Oracle follow with 26% and 17% market share, respectively, each excelling in areas such as CSR reporting and data management.

However, no single vendor fully meets all the diverse needs of the fashion industry, indicating a market ripe for innovation and specialisation.

Regional Variations

Our research revealed significant disparities in ERP satisfaction and capabilities across different regions. US respondents generally report higher satisfaction levels, whereas regions like Benelux and the Nordics face unique challenges. These variations underscore the necessity for tailored solutions and support to address specific regional needs.

Business Size Impact

ERP needs and satisfaction levels vary considerably based on business size. Larger organisations (1,000+ employees) generally report higher satisfaction, especially in areas like customer engagement. In contrast, mid-sized companies (100-199 employees) encounter unique challenges, particularly in manufacturing capabilities, highlighting the need for scalable solutions tailored to business size.

Key Functionalities and Pains

Inventory and supply chain management have emerged as critical areas, with features like stock siloing and raw material scarcity alerts in high demand. However, product lifecycle management and granular product data capabilities are often lacking in current ERP solutions. Additionally, sustainability and CSR functionalities are increasingly important, with significant regional variations in both capabilities and priorities.
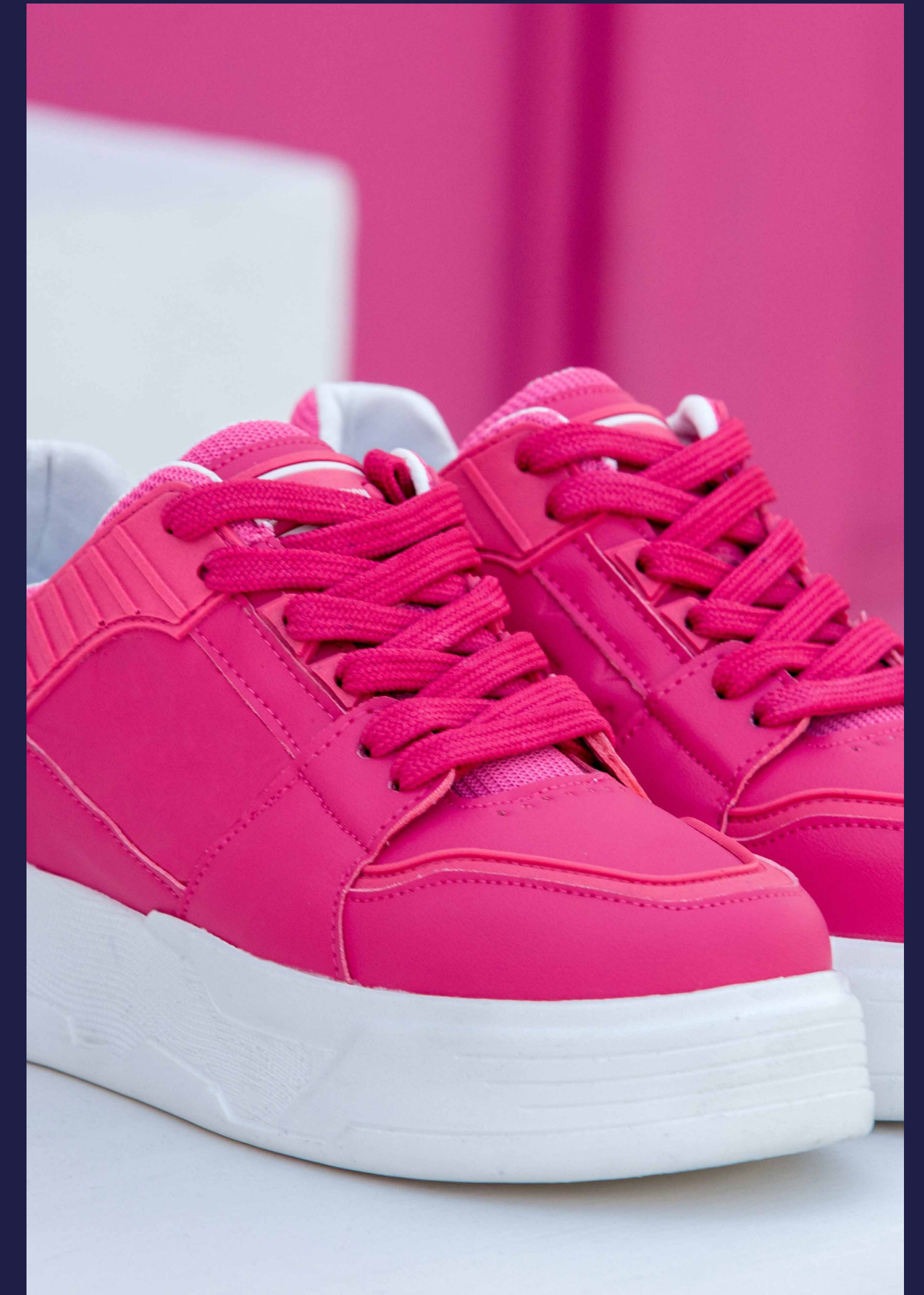
Apparel Category-Specific Challenges

Each apparel category faces unique ERP challenges, like the technical complexity of outdoor wear. Common threads across categories include budget constraints, change management difficulties, and the need for more fashion-specific functionalities.

Reliance on Third-Party Add-Ons

With 71% of respondents using third-party tools to supplement their ERP functionalities, there are clear gaps in core ERP offerings. This high reliance on add-ons presents both integration challenges and opportunities for more comprehensive, fashion-specific solutions.

Emerging Trends

There is a clear push for more specialised fashion ERP solutions that cater to specific industry needs and verticals. Sustainability is becoming a major driving force in ERP development, with increased demand for features supporting CSR initiatives and supply chain transparency. AI and predictive analytics are ready to transform areas like demand forecasting, inventory management, and customer engagement.

Implications for Fashion Businesses and ERP Providers

For Fashion Businesses:

1. Critically Evaluate Current ERP Systems: To ensure alignment, compare your ERP systems against industry benchmarks and specific business needs.

2. Consider Total Cost of Ownership: Include both core ERP costs and necessary third-party add-ons when assessing overall expenses.

3. Prioritise Change Management and User Training: Maximising ROI on ERP investments requires effective change management and user training initiatives.

For ERP Providers:

1. Develop Specialised, Fashion-Specific Solutions: Address the unique needs of different apparel categories and business sizes with tailored solutions.

2. Enhance Core Functionalities: Focus on improving critical areas like inventory management, product lifecycle management, and sustainability reporting.

3. Invest in AI and Predictive Analytics: Provide more value-added features to fashion clients through advanced AI and predictive analytics capabilities.

Looking ahead, there's no denying that ERPs must change to support fashion and retail businesses. The industry can move towards more efficient, sustainable, and profitable operations by addressing current pain points, leveraging emerging technologies, and fostering closer collaboration between ERP providers and fashion businesses.

The fashion ERP of tomorrow will not just be a back-office tool but a strategic asset driving innovation and competitiveness in this fast-paced, ever-changing industry.

How K3 Can Help

Congratulations! You've made it through our analysis of the state of the fashion ERP market!

The obvious takeaway is that, on the whole, ERPs are currently unable to fulfil the unique needs of fashion and retail businesses.

At the start, we mentioned that we didn't include ourselves in the research to avoid any risk of bias, and that remains true. However, it's also because we offer solutions to nearly every problem outlined in this whitepaper.

If you aren't familiar with K3's solutions, we natively embed them in the Microsoft Dynamics 365 technical landscapes.

Yes, that's by design!

We've always known that the D365 products are the leading ERPs (this isn't a blanket statement – our research shows it, and Gartner and Forbes have previously revealed the same), and that's why we chose these platforms.

While Microsoft may indeed develop market-leading ERPs, it is not necessarily an expert in fashion. That's where K3 comes into play. We're a top 20 Global Independent Software Vendor (GISV) and the only fashion technology with fully embedded code in D365. That's important to note because our solution and Microsoft's are presented as one and the same, meaning users never have to leave D365 and all data is kept in the same place.

> *We're not an add-on; we're embedded!*

Since Microsoft is an ERP expert, we only enhanced and added functionality directly related to fashion and retail. These include:

- Master Data
- Merchandise and Assortment Planning
- Product Development and Design
- Production and Sourcing

- Merchandising
- Retail Store Operations
- eCommerce
- CRM Coverage
- Fulfilment
- Wholesale

To help illustrate our enhancements and additions, we've included some brief information below pertaining to different operational areas:

With K3 Fashion, D365 is transformed into a powerhouse machine that includes features like line planning, store clustering, and store planning to simplify the planning processes. Our merchandising additions incorporate an array of functions, from managing prices to handling supply and demand with replenishment tools.

From a fulfilment perspective, we've developed prioritised allocation functionality that can be scheduled using different prioritisation schedules based on the season in question, with additional parameters around whether it is an initial launch or a replenishment order. This streamlines the process for companies.

We've also enhanced D365 Finance & Operations to enable brands to operate their wholesale channels through the ERP. This is important because, out of the box, vanilla D365 F&O does not have any specific wholesale capabilities.

Our developments enable wholesale, retail, and online teams to plan their own inventory. The real magic here, however, is that when goods arrive, they can be systematically separated until separation is no longer required, providing the individual teams with increased visibility and planning prowess.

Key wholesale customers can even be "ringfenced" from regular wholesale customers, allowing block and call orders to ensure inventory is available for essential clients. In a world where disruption has become the norm, allowing or blocking orders to key customers in your ERP environment is critical to protecting the bottom line.

This is just a very small sample of what's possible with our solutions. If you'd like to talk through any particular area covered in this whitepaper, feel free to drop us a line today.

Thank you!

From everyone at K3, we thank you for reading our latest whitepaper and hope you have learned something new.

We regularly publish thought leadership content that aims to educate the broader fashion and apparel industry on upcoming trends and technologies.

So, if you'd like to read more insights from us, we recommend keeping an eye on our website and following us on social media.

K3 Fashion Portfolio

The Fashion Portfolio's North Star focus falls exclusively on the fashion and apparel industry, with a decade-long global history of enabling brands across the small, medium, and enterprise space.

K3's team of expert solution architects and fashion advisory experts come together to support the mission of revolutionising the fashion ERP industry. K3 is a top 20 Microsoft Global Independent Software Vendor, and the only fashion technology with fully embedded code within the Dynamics 365 technology landscape. K3 builds best-in-class, market-redefining software while delivering omnichannel connectivity to optimise critical business processes.

We provide real-time, actionable insights and enable brands to recognise their individual ESG and CSR sustainability goals through supply chain visibility.

The K3 Fashion Portfolio encompasses K3 Fashion and K3 Pebblestone.

K3 Fashion

The K3 Fashion solution traverses the entire fashion journey, from concept to consumer, meticulously embedded within Microsoft Dynamics 365 Finance, Supply Chain Management and Commerce.

K3 Fashion supports business processes by offering feature-rich presales functionality including planning, design, sourcing, purchasing, warehousing, and finance.
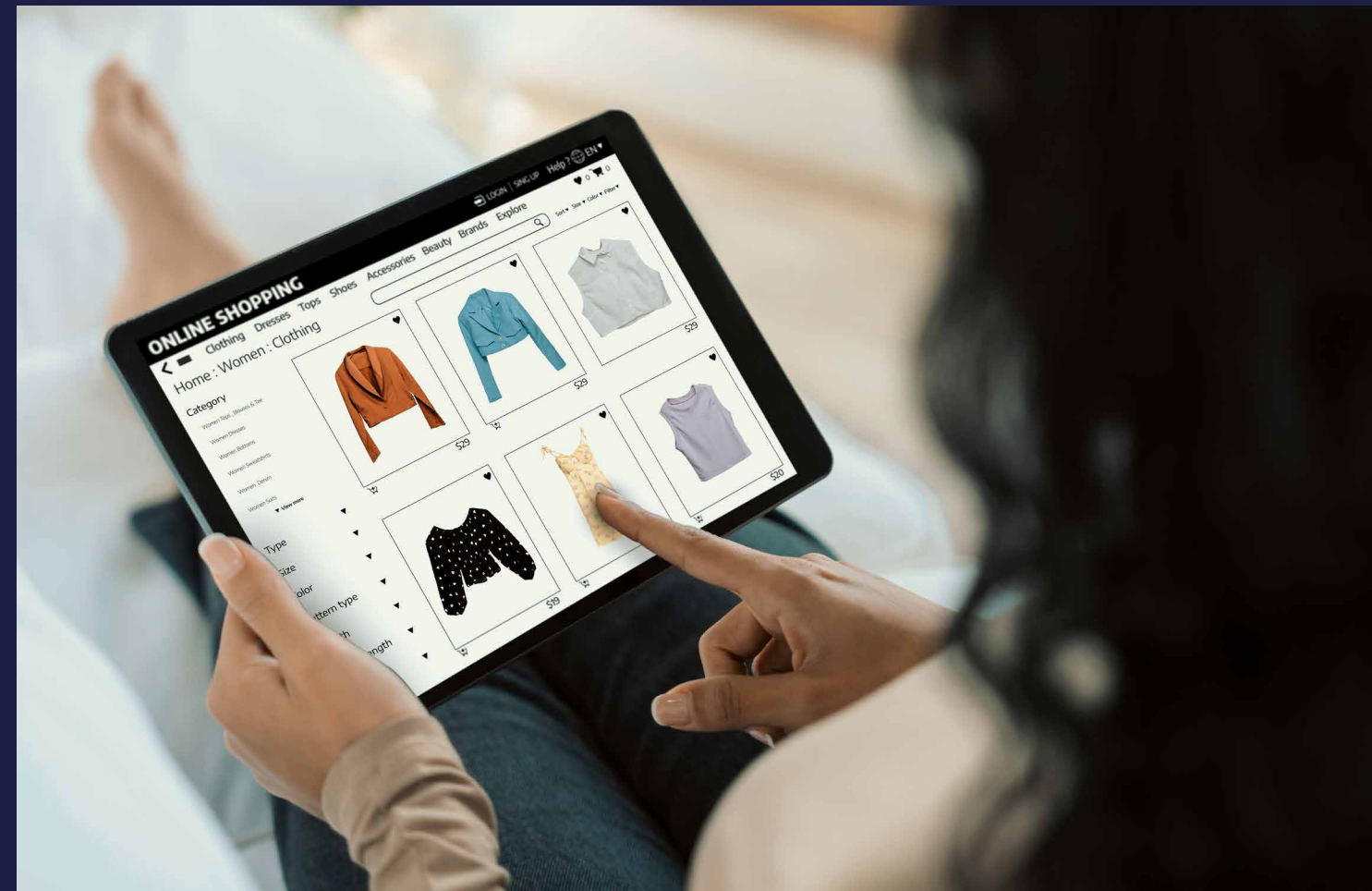
K3 Pebblestone

K3 Pebblestone is all-in-one solution, fully embedded in Microsoft Dynamics 365 Business Central, that maximises efficiency and productivity for brand owners, wholesalers, and CMT companies.

Alongside Microsoft, K3 Pebblestone accelerates business processes by offering feature-rich functionality including planning, design, sourcing, purchasing, logistics, warehousing and finance.
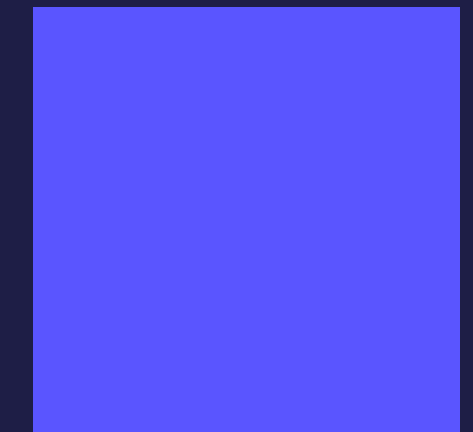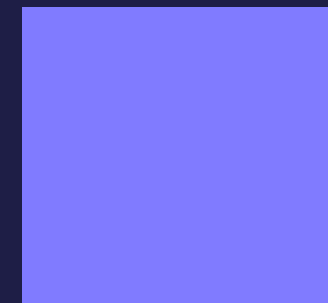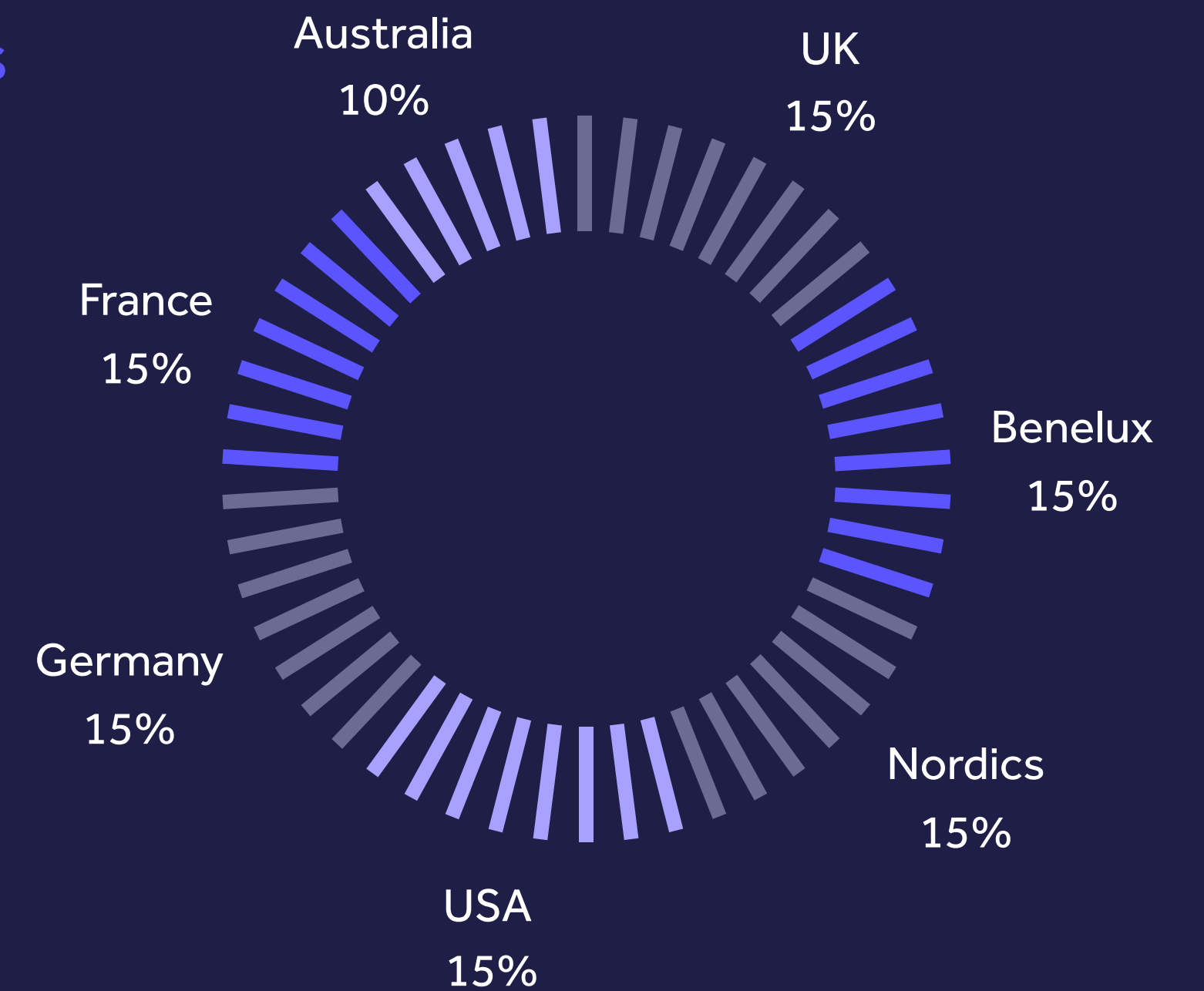
Chapter 8

Methodology

The survey was conducted among 200 decision makers and influencers when it comes to ERP processes and software in the apparel industry across the US, UK, France, Germany, Australia, Benelux and the Nordics.

The interviews were conducted online by Sapio Research in June 2024 using an email invitation and an online survey.

% of research participants per region:

Australia 10%

UK 15%

France 15%

Benelux 15%

Germany 15%

Nordics 15%

USA 15%

% of research participants per industry:

Other	Uniform	Jewellery	Formal	Swimwear	Denim	Pyjamas	Luxury	Outdoor	Sporting Goods	Sportswear	Accessories	Footwear
10%	26%	34%	34%	36%	36%	36%	37%	44%	44%	47%	48%	52%