

## Article ‘Tailor Made digital supply chain‘

The Enterprise and Industry Magazine has issued an article presenting the eBIZ project.

The article focuses on the fashion industry current situation and the benefits of e-Business harmonisation initiative, eBIZ. Full article at [http://ec.europa.eu/enterprise/e\\_i/index\\_en.htm](http://ec.europa.eu/enterprise/e_i/index_en.htm) (link as of October 2010) or in the paper version available free of charges.

### Tailor-made digital supply chain



**The European fashion industry faces fierce global competition and a more effective use of information and communication technologies (ICT) can help the sector meet this challenge, by boosting its innovation capacity and competitiveness. Towards this goal, the European Commission has supported a pan-European initiative that seeks to promote seamless ‘digital supply chains’ for various industry and services sectors. The textile, clothing and footwear businesses have been among the first to benefit from this initiative.**

The textile and clothing sector is crucially important to the EU economy. It not only produces an annual turnover of €207 billion, it also employs nearly 8% of the European industrial labour force, or about 2.6 million people, in some 160 000 enterprises. Further down the body, the footwear sector had a turnover of around €27 billion, directly employing some 300 000 in 12 500 firms.

In an increasingly complex and fast-changing trade/economic environment, the fashion and footwear industries are marked by rapidly changing trends and tastes and large seasonal fluctuations, which translate into short product shelf life, and, therefore, require fast time-to-market reaction. In addition, these sectors suffer from fierce competition from low-cost imports, such as those originating in China. These industries are dominated by small and medium-sized enterprises (SMEs), and they are, especially when compared with other sectors, highly fragmented. This fragmentation is reflected in both their actual and virtual supply chains, which represents a major obstacle to the further development of the fashion industry.

### Strengthening the industry’s electronic fabric

Amid today’s worldwide financial and economic turbulence, innovation and entrepreneurship are key. Europe needs to do more to exploit the role of ICTs as a motor for innovation, competitiveness and growth in our modern economy. Innovative use of ICT and eBusiness improve the efficiency of entire supply chains, and reduce operational costs, while allowing firms to respond quicker to the needs of the market.

Nonetheless, the huge potential of ICT-enabled business innovations is still largely underexploited in these sectors, notably among SMEs. The complexity of the supply chain and the prevalence of smaller operators have resulted in a fragmented technological outlook in which there are no industry-wide standards, the levels of interoperability are low and suppliers often adopt the proprietary software employed by larger companies.

In order to survive and thrive in today’s economic reality, Europe’s fashion industry needs to deploy more innovative strategies. A crucial plank in such strategies is the roll-out of better e-business solutions and

standards, which would enable companies to respond more effectively and rapidly to market trends, and reduce the time to market.

Integrated, interoperable and, above all, affordable (for the small as well as the large operators) e-business applied all along the supply chain, a kind of digital supply chain (see box), would boost the innovativeness and competitiveness of the fashion industry drastically.

### **Fashioning a better digital supply chain**

To address these issues, the European Commission launched an initiative to help SMEs participate in global digital supply chains in the textile and clothing sectors, the eBiz TCF action, in 2008. Completed in August 2010, its main aims were to create a favourable environment in the fashion sector that stimulates and facilitates the uptake of ICT and e-business technologies, as well as to harmonise business processes and data exchange architectures and standards.

Towards that end, it has developed a reference architecture for interoperability, in other words, a single e-language for the supply chain, which builds on existing standardisation achievements and joins them together seamlessly. eBiz TCF launched 17 pilot projects, in which more than 150 companies from 20 European countries took part.

It is still too early to assess the full impact of eBiz TCF, as so much will depend on how extensively its architecture will be adopted and further developed. To give a small indication of the initiative's potential, in four demonstration actions alone, the order management costs dropped by as much as 65% in one year. Moreover, it is projected that, within five years, sales will increase by 3% for the participating companies, thanks to customer service improvements brought in by the system.

In order to disseminate its results broadly and help a critical mass of SMEs in the fashion industry benefit from them, eBiz TCF [has released](#) an eBusiness guide, targeted at SMEs, and a white paper in which the key participants elaborate on their experiences during the pilot project. In addition, even though the project has officially ended, the architecture will continue to be maintained and further developed by the eBIZ Interest Group, which is made up of interested stakeholders.

In light of eBiz TCF's results, the European Commission has launched two more large-scale demonstration actions for the automotive industry (Auto-Gration) and the transport and logistics sector (DiSCwise). Other related initiatives are also in the pipeline and will be launched in 2011.

### **Evolution towards the e-revolution**

Electronic business, or e-business, has fulfilled much of its promise but continues to carry unrealised potential. In most sectors, there remain inefficiencies and gaps along the supply chain, especially at the cross-border level. In any given industry, different companies are using different e-business systems and protocols, which too often are incompatible with those of their suppliers and clients.

This results in a lack of interoperability which is inadequately compensated for through the use of inefficient, error-prone and time-consuming manual communication and business processes, especially among smaller firms and in transnational transactions.

Thus, the need to commonly agree on improved, automated business processes, standards and solutions that allow the seamless electronic exchange of data or documents for business-to-business (b2b) transactions along the supply chain. This will reduce operational costs, yield savings, improve time-to-market and facilitate demand-driven production. This will also allow for better customer satisfaction, due to the fluid flow of information and ideas relating to customer needs, thereby boosting responsiveness to changing market conditions and stimulating greater innovation. This macro approach to a sector is known as the 'global digital supply chain'.