

The 21st Century Digital Economy and the Fashion Industry: A Macroview
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March 26, 2014

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In the 21st century, globalization has become a driving force for both domestic and international supply chains. With the freer movement of goods, services, capital, and people around the globe, the nature of how apparel companies execute their business is no longer the same. It has created a sector for the growing digital economy and has enhanced the meaning of merchandising in the fashion industry. Driving forces of this phenomenon include economic development, lowered trade and investment barriers, and technological advancement (especially in terms of transportation and communication).

Globalization has changed the traditional definition of international trade, through both the Internet and varying forms of data. No longer do we live in an age where Americans consume strictly American products. Smart phone/tablet applications are designed in the United Kingdom but downloaded in Germany by an American consumer using a Bank of America Visa credit card. There has been an increased shift to the focus of the digital economy through both e-commerce and developments in the latest digital currency, Bitcoin. With no central bank, Bitcoin has overcome the possibility of inflation while enabling transactions directly between people anywhere in the world. In 2011, over 50% of sales in manufacturing were e-commerce and within the next 5 years, it is expected that business sectors will be transformed, by both IT and technology, to roughly 72%, a 12% increase.

Such growth in technology will ease the nature of merchandising in the fashion industry enabling industries with the ability to provide the target market with the right merchandise, at the right price, in the right quantity, at the right place, and at the right time. With the supply chain characteristics long, global and fragmented, buyer-driven, and heterogeneous of different segments, the fashion industry mantra has become, “seduce the consumer, control the supply chain.” From the business perspective of the fashion industry, the consumer is the leader in the supply chain, followed by retailing, apparel manufacturing, and then fiber/textile production. In this process, each step happens on a global scale, not simply within one country.

Within the digital economy and the fashion industry, we see trends on what has and has not changed, as well as how to continue to achieve success in the textiles and apparel sector. Participants in the supply chain continue to shift in and out due to market conditions and suppliers. We have seen trends in both in-house production and outsourcing, both playing a vital role in the way the supply chain is constituted and coordinated. Additionally we have seen innovation in business models due to the digital age we are living in. The nature of the fashion industry and of the supply chain (global, long, fragmented, and buyer-driven) has remained the same yet could allow for growth through free flow of merchandise, services, capital and data as well as business-friendly regulations.

We also see a growing trend in the adoption of project life cycle management (PLM) software. Such a process shortens traditional supply chains (usually a 1 year lead time) and as well as fast fashion supply chains (usually lead times of 3-6 months) while better serving the needs of the consumer. When we look at what has changed within the industry we notice again, a trend in the way the supply chain is coordinated, as well as the employment structure (and job skill requirements) and the industry landscape. Like digital economy in the fashion industry, the nature of the fashion industry has not changed and can be achieved through free flow of merchandise, services, capital, data, and business-friendly regulations.

