



EMERGING FROM THE CRISIS: RESILIENCE IN SUPPLY CHAINS



The Mills
*is a revitalization project by the Nan Fung Group
transforming old textiles mills
into a new heritage, retail and innovation center*



The Mills Fabbrica

is the innovation arms of The Mills

***A startup incubator, investment fund and spaces
dedicated to creating techstyle impact stories
& building a global techstyle community***

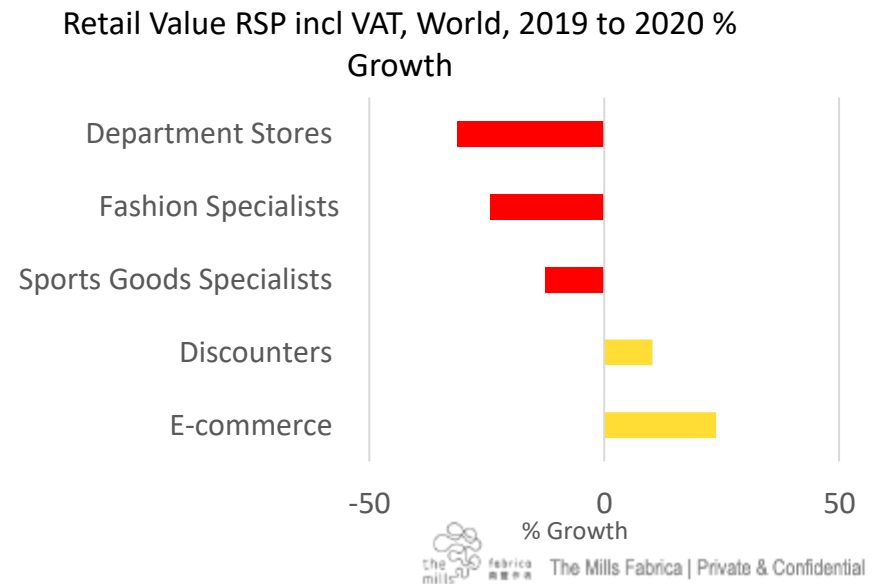
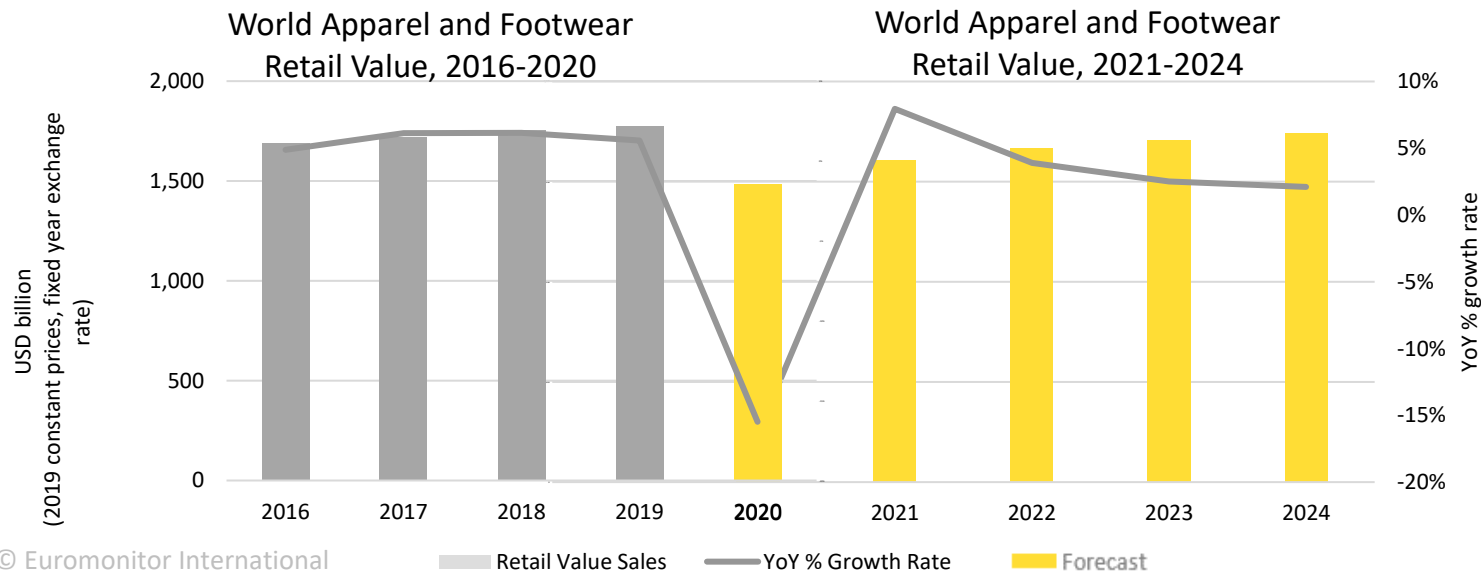


COVID-19: RECONSTRUCTING THE APPAREL VALUE CHAIN - TOWARDS RESILIENCE AND DIGITIZATION


Image: Renewcell

The pandemic is hitting the apparel & footwear industry hard...

- Worldwide sales drop over 15% to USD1.5 trillion in 2020
- Fashion retailers are among the hardest hit, but digital and value for money formats are thriving
- Covid-19 has exposed the limitations of fashion supply chains
- Global Apparel and Footwear sales are expected to rebound strongly in 2021, but it will take longer for the industry to return to pre-Covid-19 consumption levels.

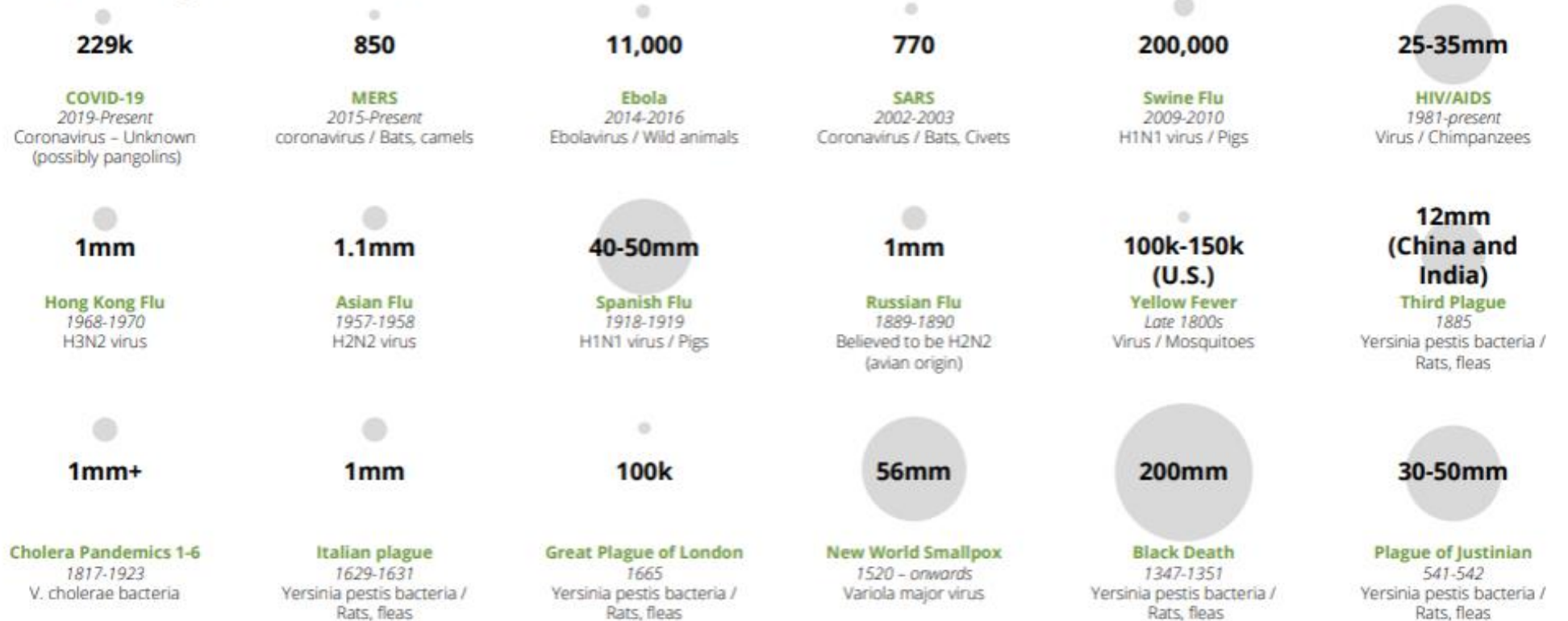


We have been here before...

 **S2G Ventures** Everyone Eats - The Future of Food in the Age of COVID-19

PANDEMICS 101

Pandemics have variability in mortality, duration, and contagion, but ultimately come to an end.²



... and crisis can create opportunities for change

HISTORY DEPT.

Can America Benefit from Covid? Ask 14th-Century Florence

We may be getting some of the most positive lessons of plagues wrong.



- Italian Renaissance occurred after Black Death Plague in 14th century
- Post-plague recovery: Change in social systems and openness to new talent & innovations
- Florence became Europe's premier center of artistic, cultural and scientific creativity

Innovation opportunities ahead

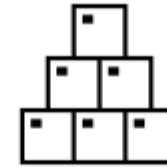


COVID has brought about its impact on the apparel industry...



SUPPLY CHAIN DISRUPTED

- Breakage in raw materials sources; lockdowns result in supply chain breakdown
- Orders cancellation leading to factory closures



RETAIL DECLINE

- Traffic decline led to slowdown in retail sales
- Build up of unsold inventory
- Retail downsizing or bankruptcies

... and corresponding innovation opportunities

1



Build resilience in Supply Chain

Strengthening supply chain resilience through localized, digital production

2



Digitization of Retail

Digitizing retail through such as on inventory, customer experience, omnichannel

3



Connect Stakeholders with empathy

Relooking at engagement with employees and supply chain partners

4



Rebuild Wider Ecosystem with trust

Rebuilding of ecosystem support and tools post-crisis

We would share about 2 key innovation areas today...

1 Build resiliency in Supply Chain	2 Digitization of Retail	3 Connect Stakeholders with empathy	4 Rebuild Wider Ecosystem with trust
<p>Localized materials</p> <p>MANGOMATERIALS™ re:newcell AMSIK spi ber EVRNU Algalife huueo</p> <p>Digitized production</p> <p>SoftWear AUTOMATION TRUSTRACE CLO SEWB InfiniChains TextileGenesis™ tg3d BROWZWEAR</p> <p>Localized production/nearshoring</p> <p>UNMADE unspun BODI.ME</p>	<p>Optimize inventory management</p> <p>CHAIN OF DEMAND HEURITECH INTURN™ Vestiaire Collective Nearst reGAIN app REFLAUNT THREDUP StyleLend RE-NT</p> <p>Digitized retail</p> <p>HAFTA HAVE FUTUREPROOF RETAIL HATCH VOOR THE FABRICANT ORDRE STYLITICS syte tg3d GOXIP SMARTZER. SNAP SHOP WEAR</p>	<p>Employee support</p> <p>6 RIVER SYSTEMS COURSERA edX Udemy INSPECTORIO APON Wellbeing Ltd. MOTIF Locus</p> <p>Supplier-brand management</p> <p>Inspectorio bext 360 supplyCompass TextileGenesis™</p>	<p>ESG assessment</p> <p>Sedex amfori Trade with purpose Sustainable Apparel Coalition WRAP WORLDWIDE RESPONSIBLE ACCREDITED PRODUCTION SOCIAL & LABOR CONVERGENCE</p> <p>Organizational support</p> <p>HKEX STAGE HONG KONG GREEN FINANCE ASSOCIATION GOOD FASHION FUND PRI Principles for Responsible Investment</p>

Innovation trends in Supply Chain



Localized materials



Reduce reliance on distant sourcing

Source alternative materials in local markets for production purpose

Recycled fabric from plastic



Adidas launches a reusable, non-medical-grade face mask from a breathable recycled material.

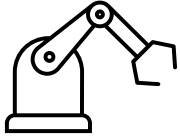
Recycled fabric from used garment



RENEWCELL

Re:newcell turns used garments with high cellulosic content (e.g. cotton) into biodegradable raw materials to make clothes.

Innovation trends in Supply Chain



Localized production/ nearshoring



Circumvents supply chain risks

Shift production back to domestic markets or neighbouring regions with the help of automation and on-demand production

Automation



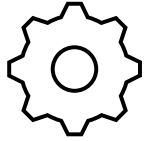
Gap uses AI-powered robots for automation in distribution centres to cope with increasing online orders.

On-demand production



Unspun builds custom jeans through automated, localized and intentional manufacturing.

Innovation trends in Supply Chain



Digitized production



Boosts efficiency and transparency

Enhance productivity, efficiency and transparency of supply chain through digitization

Digital sampling



BROWZWEAR

Browzwear partners with Adobe to enable designers to create hyper-realistic 3D designs.

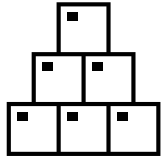
Blockchain technology



BVLGARI

LVMH-owned Bvlgari uses blockchain technology to digitally track the journey of donations to the Virus Free Fund.

Innovation trends in Retail



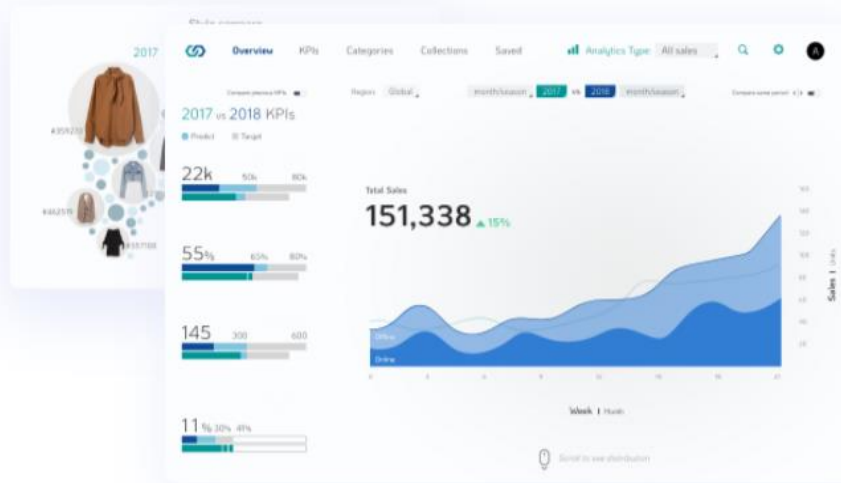
Optimize inventory management



To optimize sales before & after the customer journey

Efficiently manage inventory by grasping customer demand in advance and adopting post-consumer circular models

Predictive analytics (pre-consumer)



Chain of Demand uses AI-based predictive analytics to help brands and retailers minimize unsold inventory.

Resale marketplace (post-consumer)

REFLAUNT
Bringing fashion full circle.

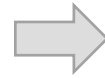


Reflaunt promotes circular economy by connecting brands/ retailers with the second hand market.

Innovation trends in Retail



Digitized retail



Provides new experiences

Digitize retail through accelerated e-commerce, omni-channel solutions and New Retail experience

Digital showroom



DIESEL

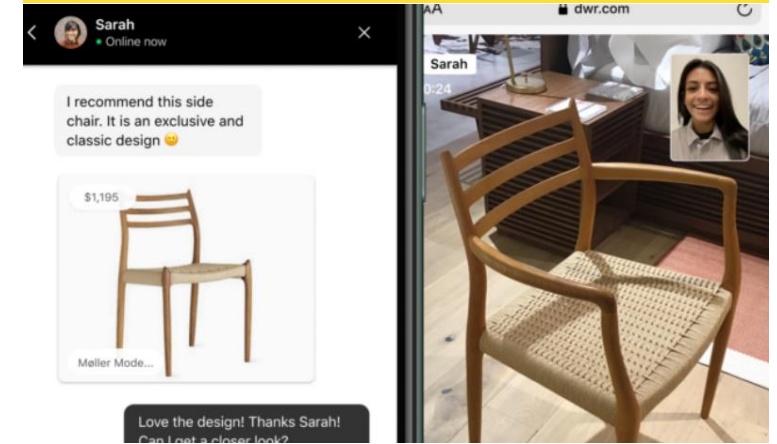
Diesel launches a digital showroom where customers can view its products online in 360°.

Virtual workouts



Nike makes its Nike Training Club app free, allowing customers to join virtual workouts while gyms are closed.

Conversational commerce



HERO

HERO helps brands sell to customers face-to-face through online chats and video calls.

Questions for the road ahead



Question 1: Will COVID-19 help to accelerate sustainability trends?

Drivers for & against Sustainability Agenda

FOR

Seasonless fashion/
slowdown in fast fashion

Rising consumer interest in
sustainability

Trends of localized
production/ nearshoring

Digitization trend in
production & supply chain

AGAINST

Lower priority for
sustainability

Radical business model
change

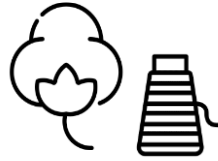
Cost/ Health concerns might
hinder sustainability

Loosened policies to help
business survive

Implications

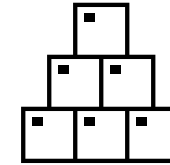
- In short term, some areas of value chain may indeed see sustainability taking a step back with immediate focus on survival be it for suppliers, brands or customers
- Longer term, COVID-19 has revealed importance to build **resilient** and **digital** value chains; these 2 structural trends will help enable greater sustainability be it in production or retail

Question 2: What are short-term adjustments and what are longer term structural changes?



SUPPLY CHAIN

- Are “traditional ways” of production/ sourcing gone for good? (e.g. trade shows, fashion shows, events, fashion cycles)
- How much of production can become digital and localized?



RETAIL

- Will we continue to see increase in ecommerce penetration?
- Would there be a rebound of physical retail, if so in what form?
- What would an omnichannel future of retail look like?

Question 3: What will come now vs what will come later?

SUPPLY CHAIN

Bio-based/ Synbio Recycling



Automation/ Robotics Blockchain 3D design



On-demand production 3D printing



RETAIL

Predictive analytics Inventory management platform



Rental Resale Recycle



In-store tech Digital showroom



AR/ VR/ Image/ Video



Can the current crisis also create opportunities?

Companies propelled by prior crises in the 20th century

1900s to 1930s



1950s to 1980s



Companies propelled by prior crises in the 21st century

2003 SARS pandemic



2008-09 recession



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