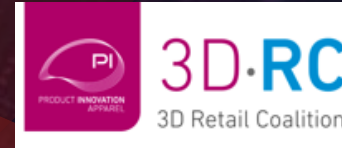


KALYPSO



2019 RETAIL RESEARCH

4th Annual Survey: Digital Product Creation Maturity in Retail, Footwear and Apparel

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Better Products with Digital



Steve Riordan

Managing Director
Consumer Practice



Will Yester

Director,
Consumer Digital Lead

KALYPSO



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Today's Agenda

Setting the Stage

2019 Research Overview

2019 Research Results

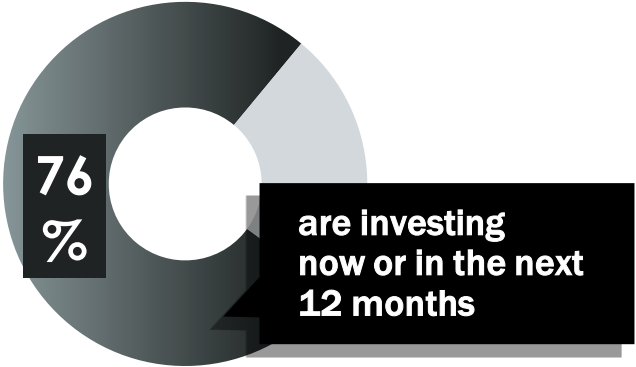
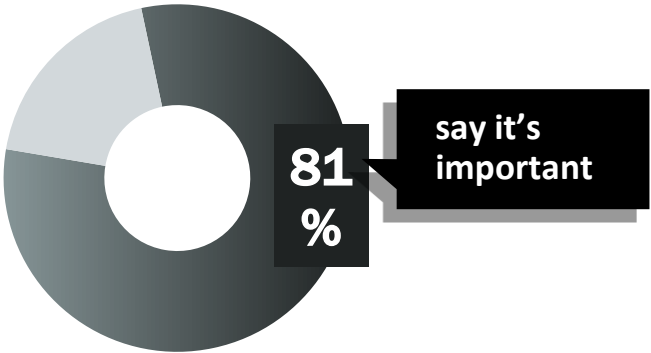
Market Analysis & Insights

Q&A

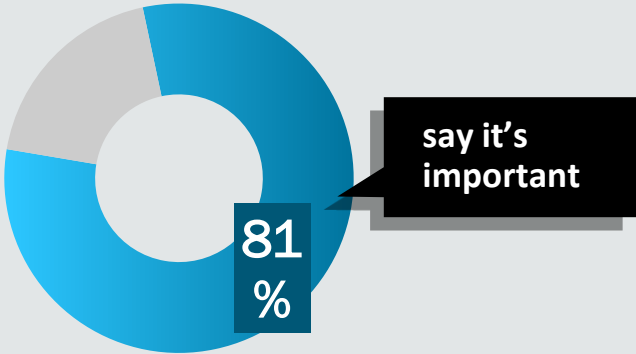
Kalypso LP 2019 © - Proprietary & Confidential

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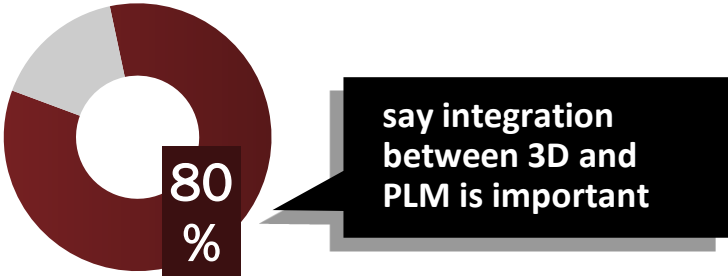
Most product leaders today are actively pursuing some form of **digital product creation** initiative



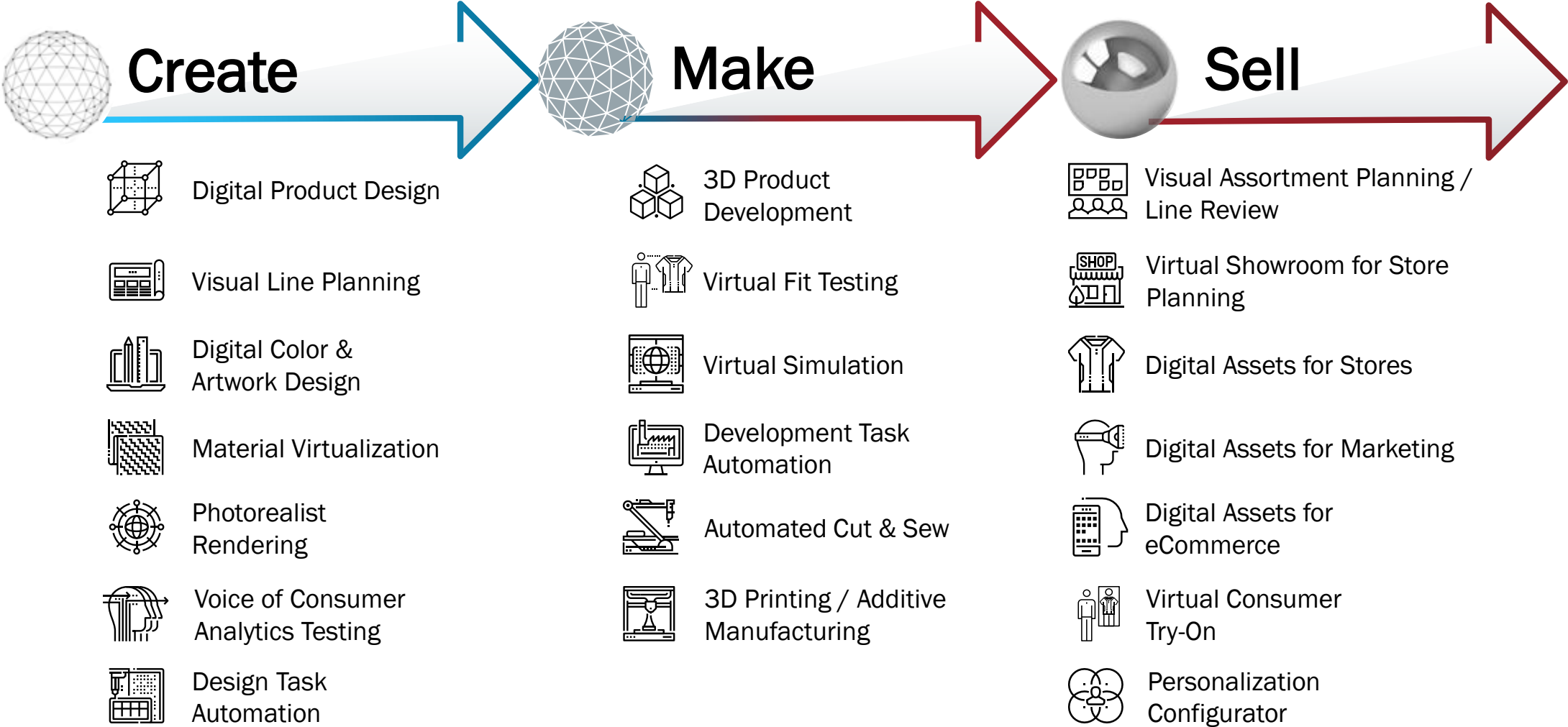
Voice of Customer remains the clear starting point in advanced analytics



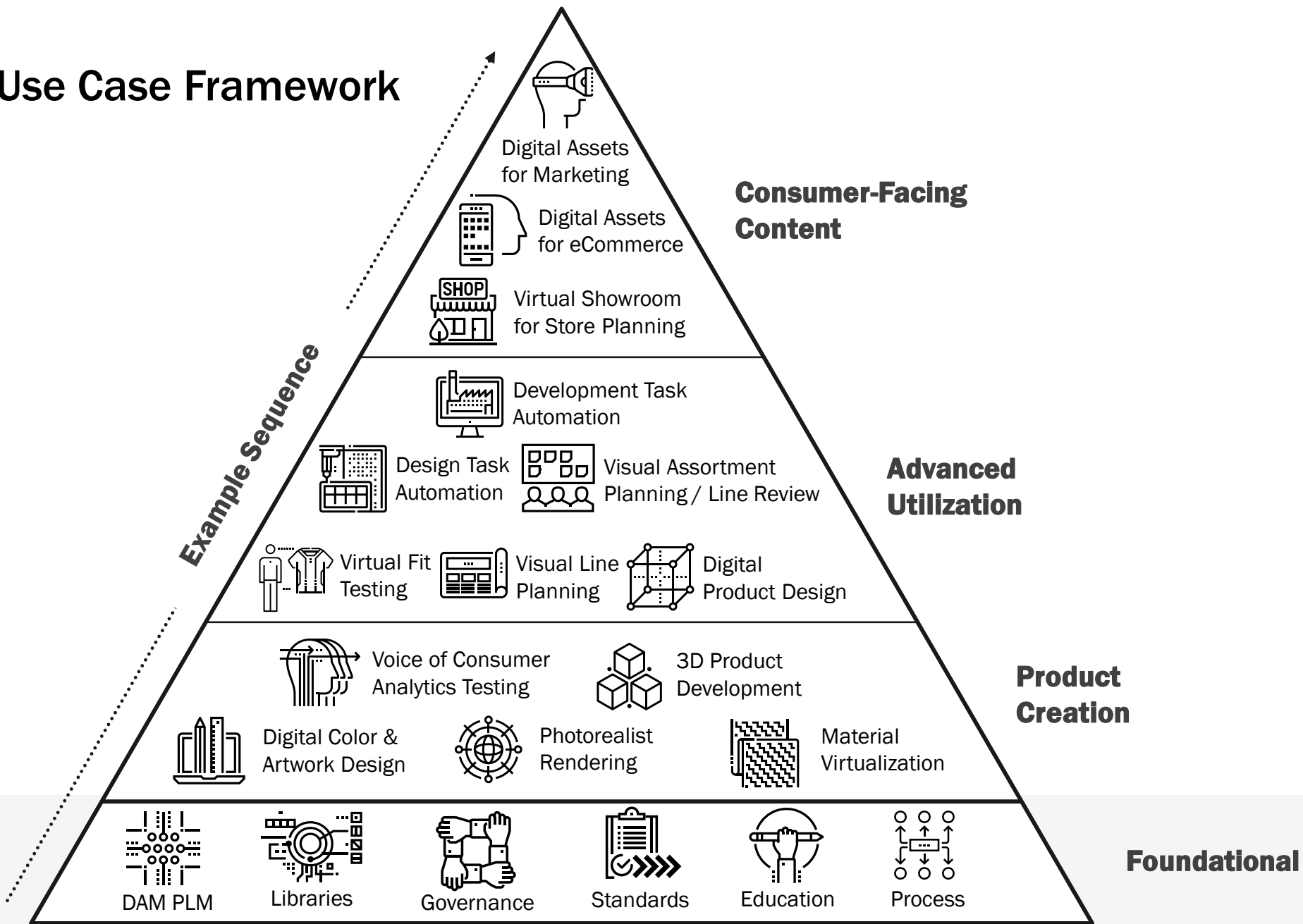
PLM is an integral component of the digital equation



Digital Product Creation Use Case Segmentation



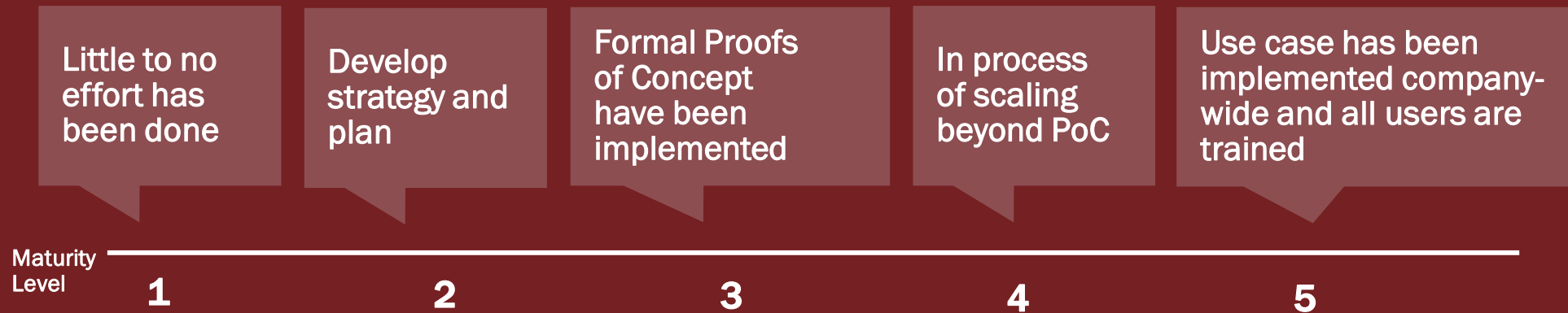
Kalypso DPC Use Case Framework



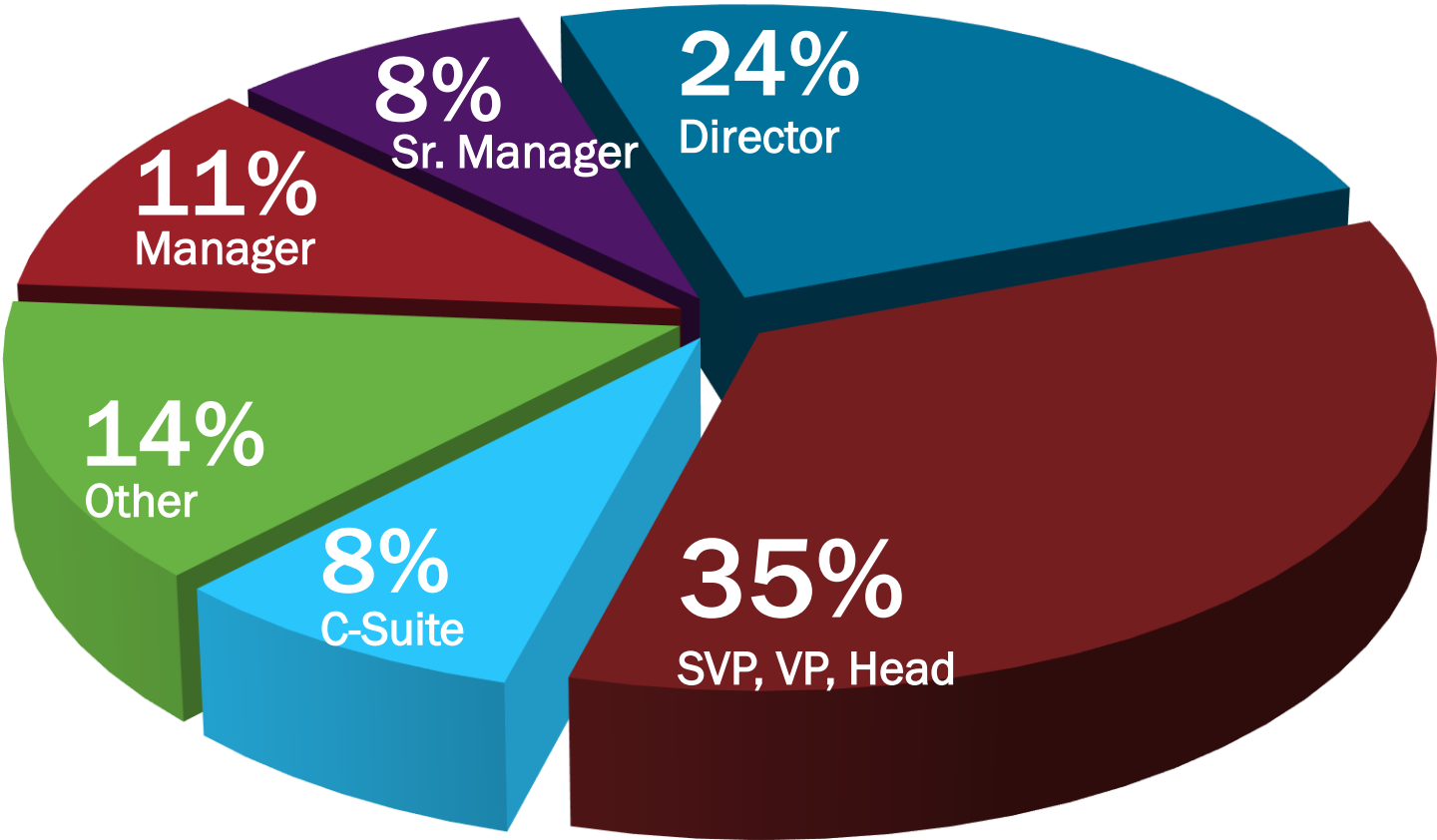
2019 Digital Maturity Model

Kalypso's digital maturity model provides an aggregate picture of the industry's current and future maturity based on this year's survey responses.

Each use case's maturity average is plotted on a 1-5 scale graph providing visibility to adoption efforts.



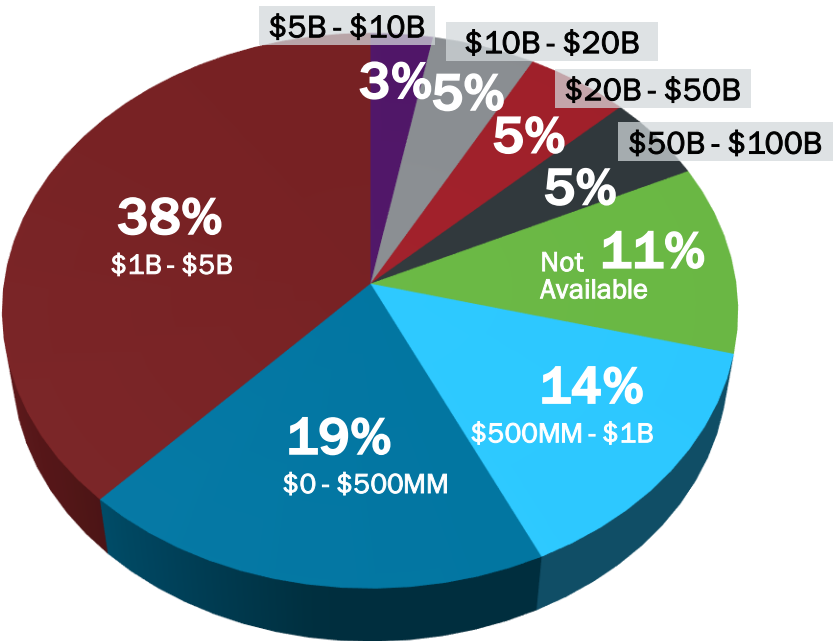
43% of respondents who participated in the 2019 survey are VP or higher role from 39 companies



Annual Survey on Digital Product Creation Maturity in Retail, Footwear and Apparel. Kalypso, 2019
Forty-two respondents answered the 2019 survey via Qualtrics

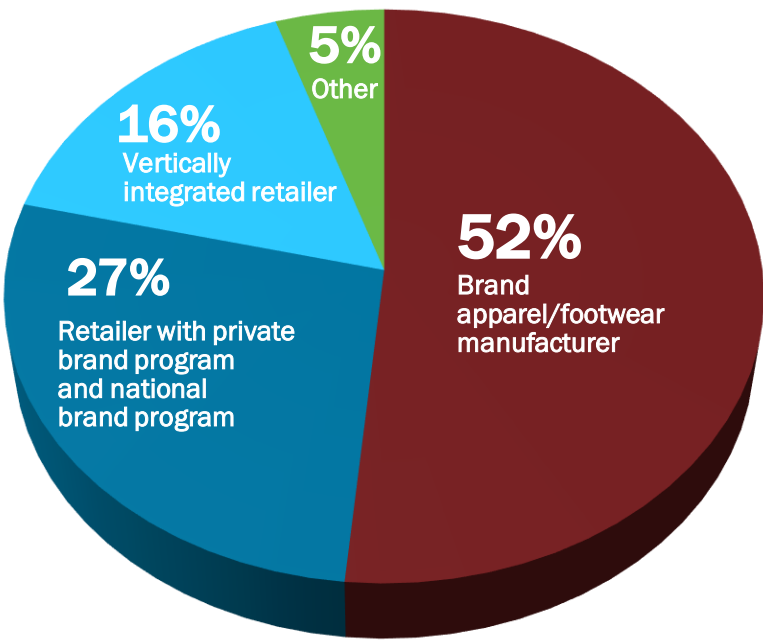
Respondent Demographics

COMPANY REVENUE



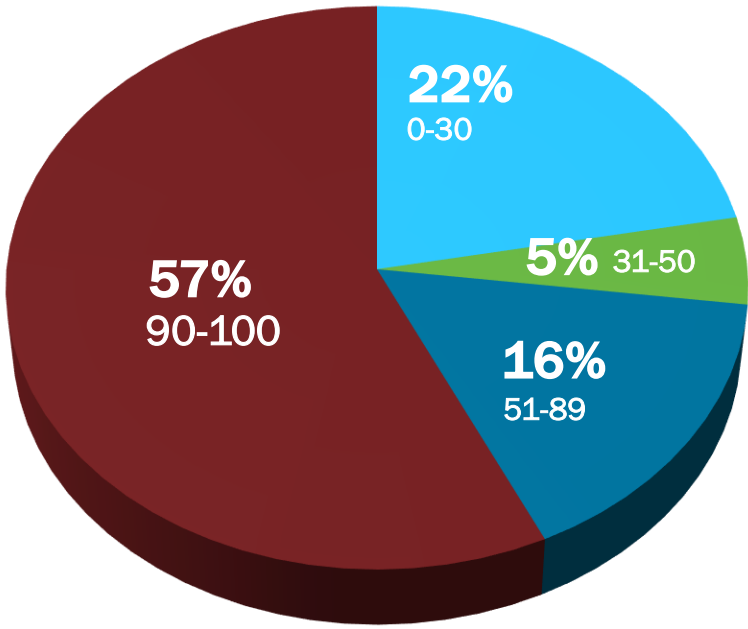
56% of the respondents are \$1B+ companies

COMPANY TYPE



Approximately 50/50 mix of retailers and brands

OWNED BRANDS

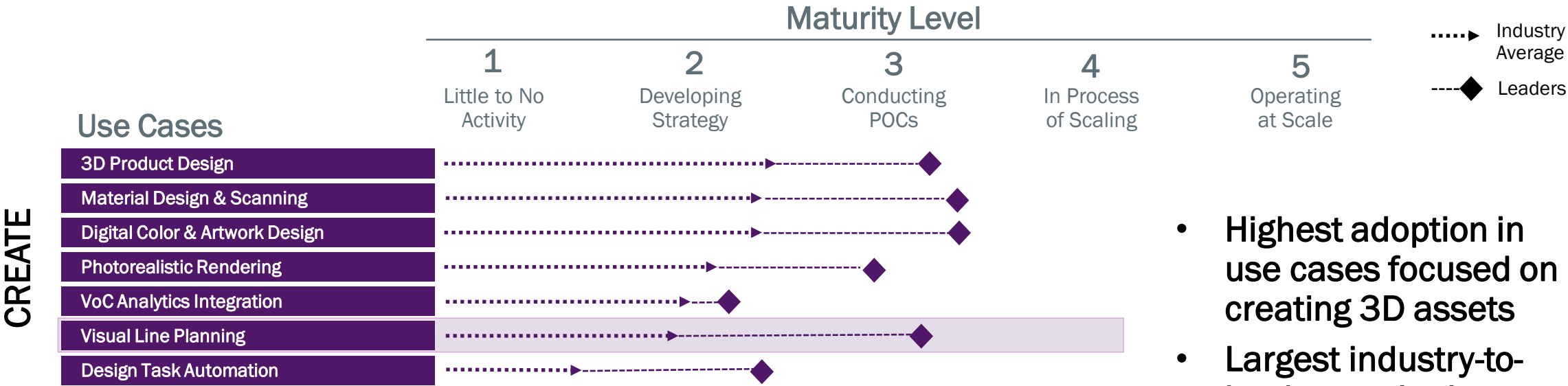


73% of respondents have proprietary products for at least 50% of their offering

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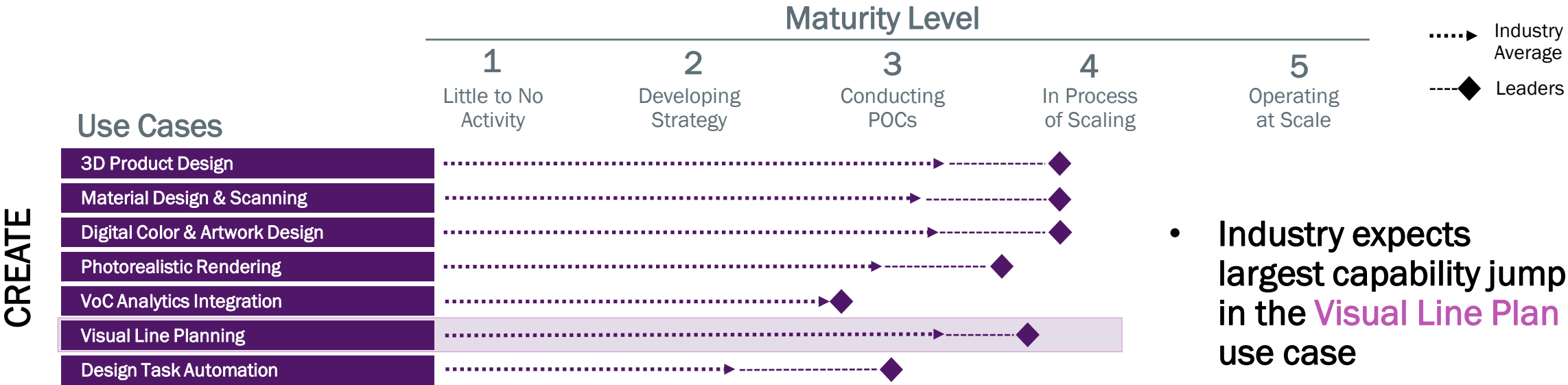
2019 Annual Survey Results: Digital Product Creation Maturity in Retail, Footwear and Apparel

CURRENT STATE: Where is the industry with DPC adoption?



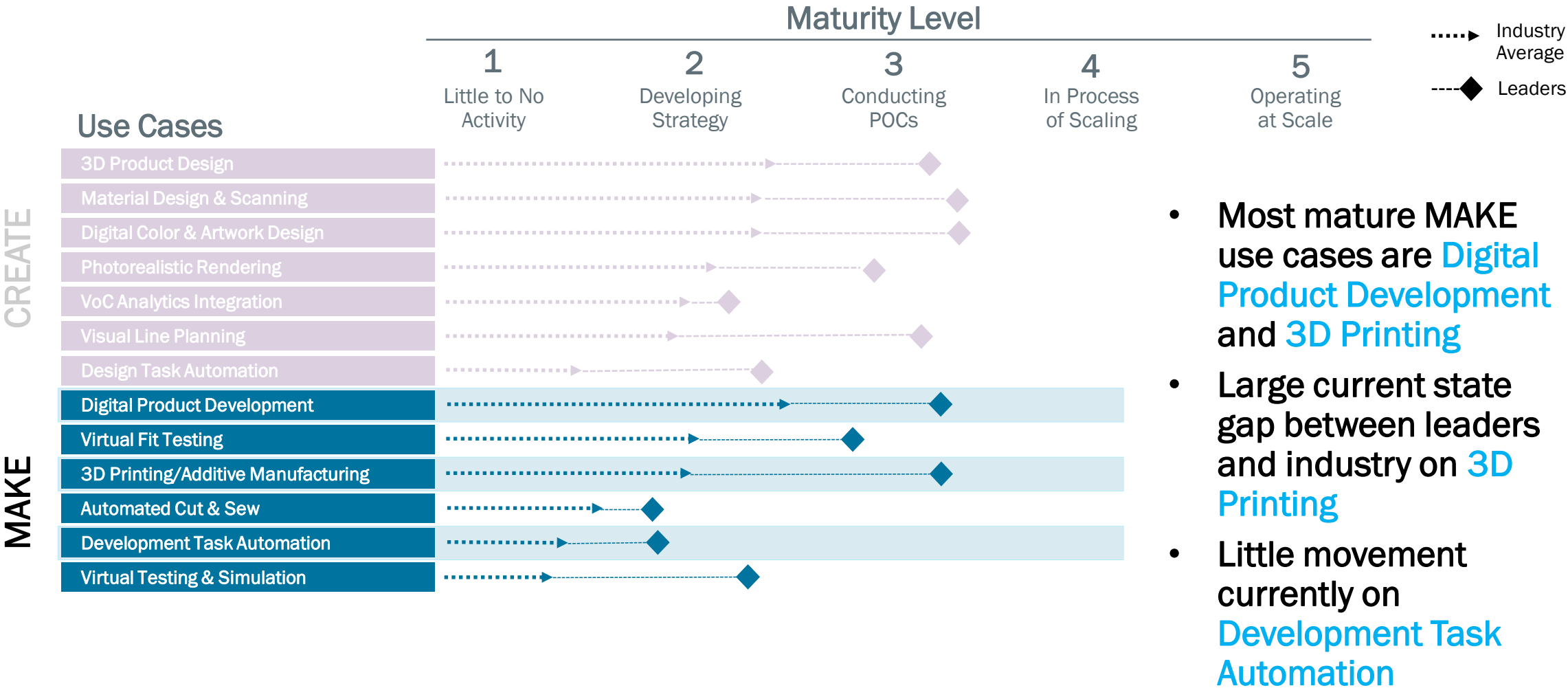
- Highest adoption in use cases focused on creating 3D assets
- Largest industry-to-leader gap in the **Visual Line Planning** use case
- Leaders not yet operating at scale but are furthest along in the CREATE capability

FUTURE STATE: Where does the industry want to be in two years (July 2021)?



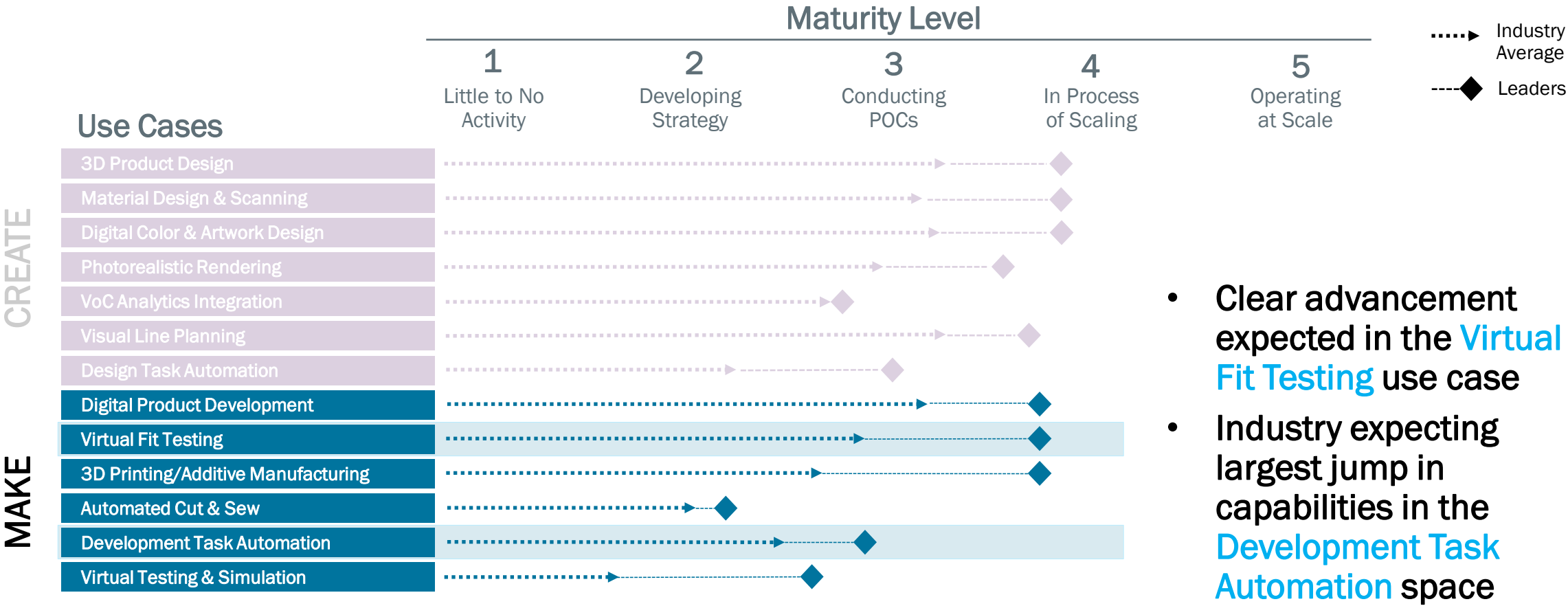
- Industry expects largest capability jump in the **Visual Line Plan** use case
- Most leaders expect to be in process of scaling core asset creation by 2021

CURRENT STATE: Where is the industry with DPC adoption?



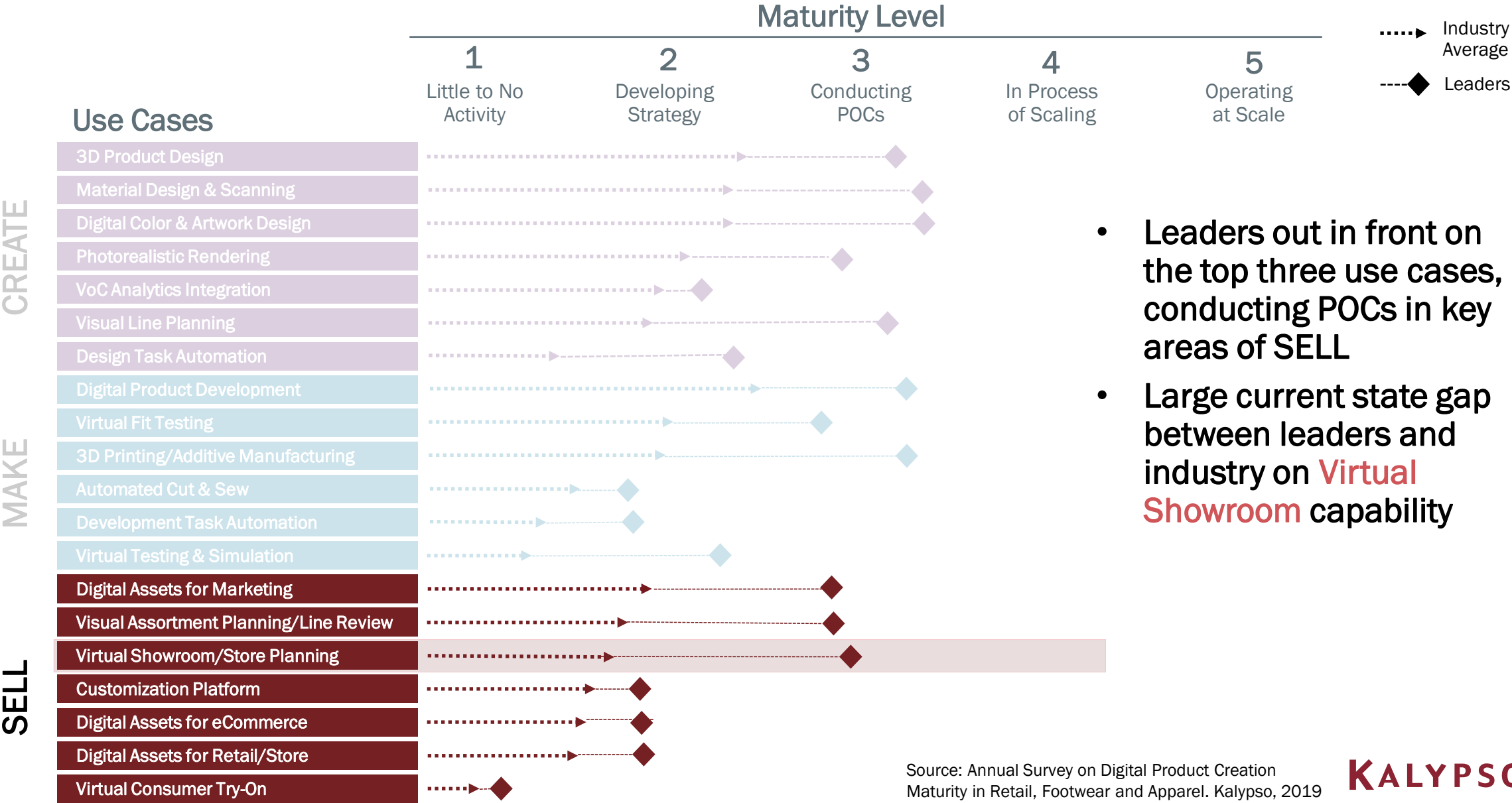
Source: Annual Survey on Digital Product Creation
Maturity in Retail, Footwear and Apparel. Kalypso, 2019

FUTURE STATE: Where does the industry want to be in two years (July 2021)?

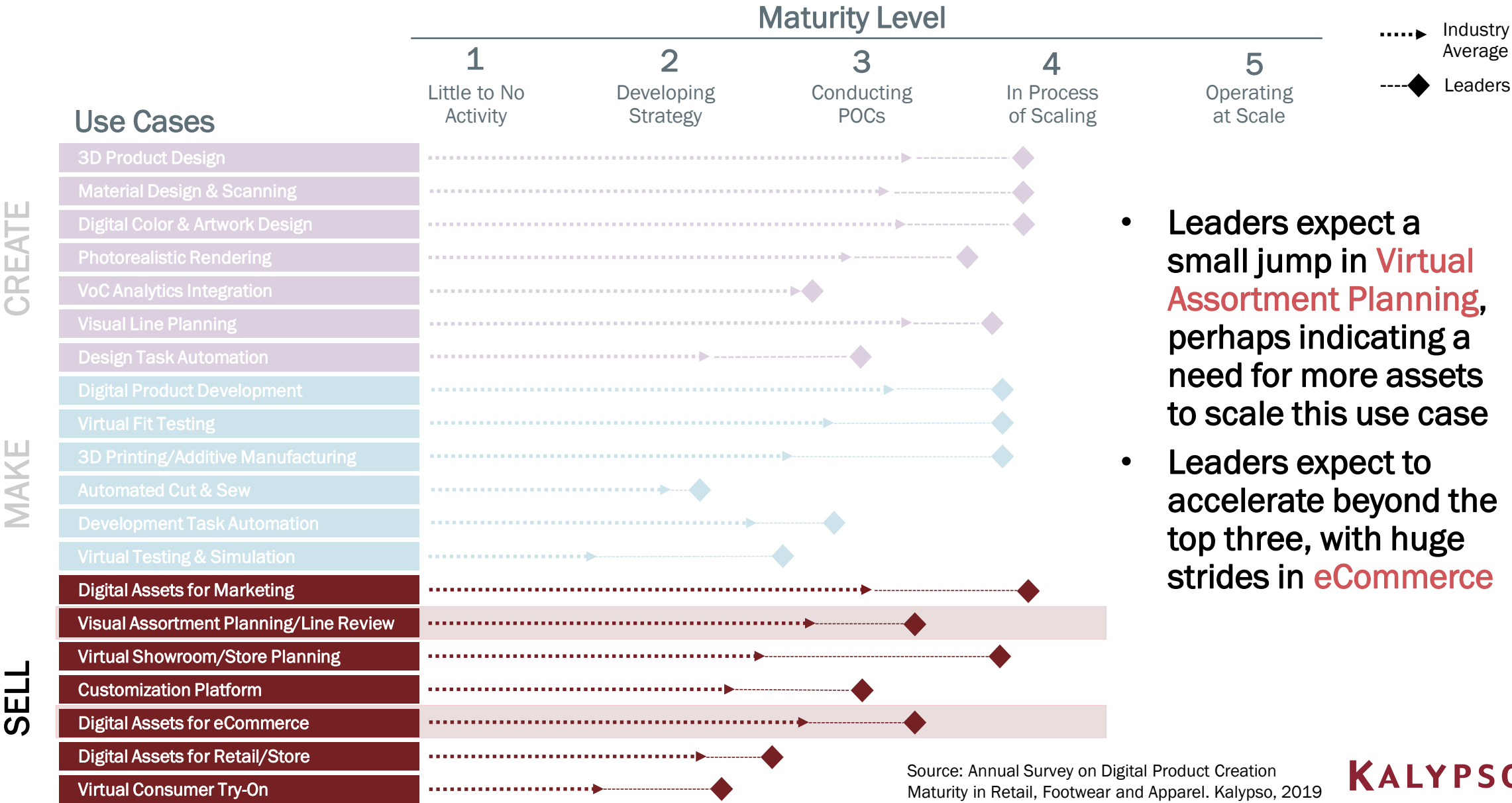


Source: Annual Survey on Digital Product Creation
Maturity in Retail, Footwear and Apparel. Kalypso, 2019

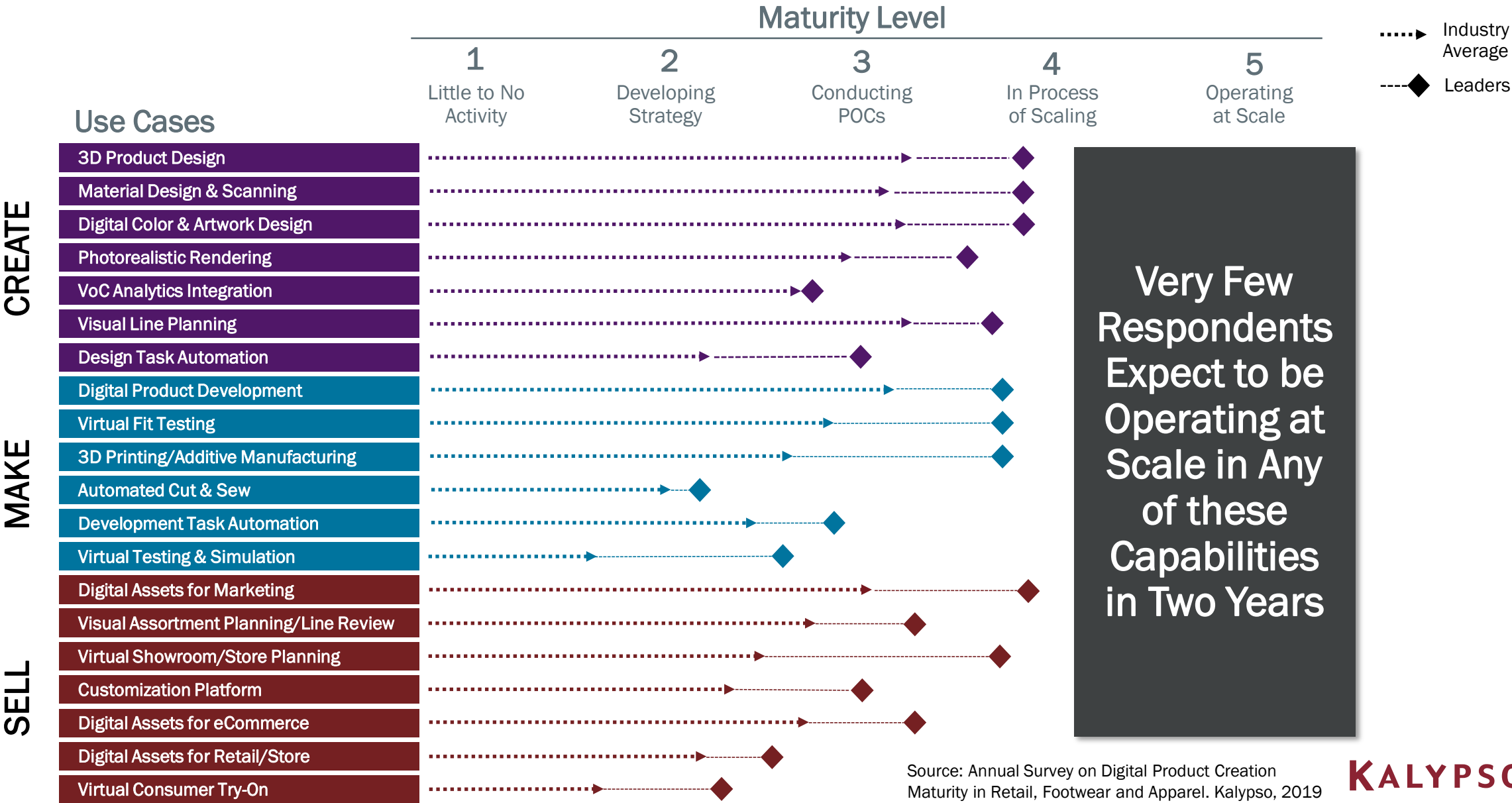
CURRENT STATE: Where is the industry with DPC adoption?



FUTURE STATE: Where does the industry want to be in two years (July 2021)?



FUTURE STATE: Where does the industry want to be in two years (July 2021)?



Why Are Companies Failing to Scale?

13 COMMON DPC PITFALLS (in no particular order)

1. Executive sponsors are too junior
2. Don't really understand the technology
3. No/limited business case and/or definition of success
4. Limited, inadequate budget
5. Attempt to execute with part-time resources
6. Apply it too narrowly to the business
7. Don't invest in talent re-skilling & hiring
8. Don't fully leverage vendor partners
9. Don't build a proper foundation of standards, libraries and foundation technology
10. Don't properly charter POCs and Pilots
11. Don't properly redesign the underlying processes
12. Underestimate people impact
13. Fail to anticipate the technical integration needs

Leading Practices to Overcome Scaling Challenges



**Cross-Functional DPC
Sponsorship and
Governance Model**



**Program Chartering and
Phasing with Clear
Success Criteria**



**Consistent Terminology
around Use Cases with
Common Understanding**



**Aligned Vision that
Prioritizes the Use Cases
into Clear Program Scope**



**Defined Program Plan
Including POCs, Pilots,
and Foundational Work**



**Program Threads that
Logically Structure the
Transformation Work**



**Program Organizational
Chart that Defines Roles
and Accountabilities**



**Scaling Plan that Outlines
how Scope will Increase
Over the Life of Program**



**Holistic Benefit Case with
a Focus on Tracking Value
Metrics and Adoption**



**Investments to Stand Up
New Processes,
Resources & Technology**



**A Focus on Leading the
Organization through
the Change**



**Technology Integrations
that Enable Efficiency,
Automation, and Speed**

Q&A



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Managing Director
Consumer

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Will Yester

Senior Manager,
Digital Lead

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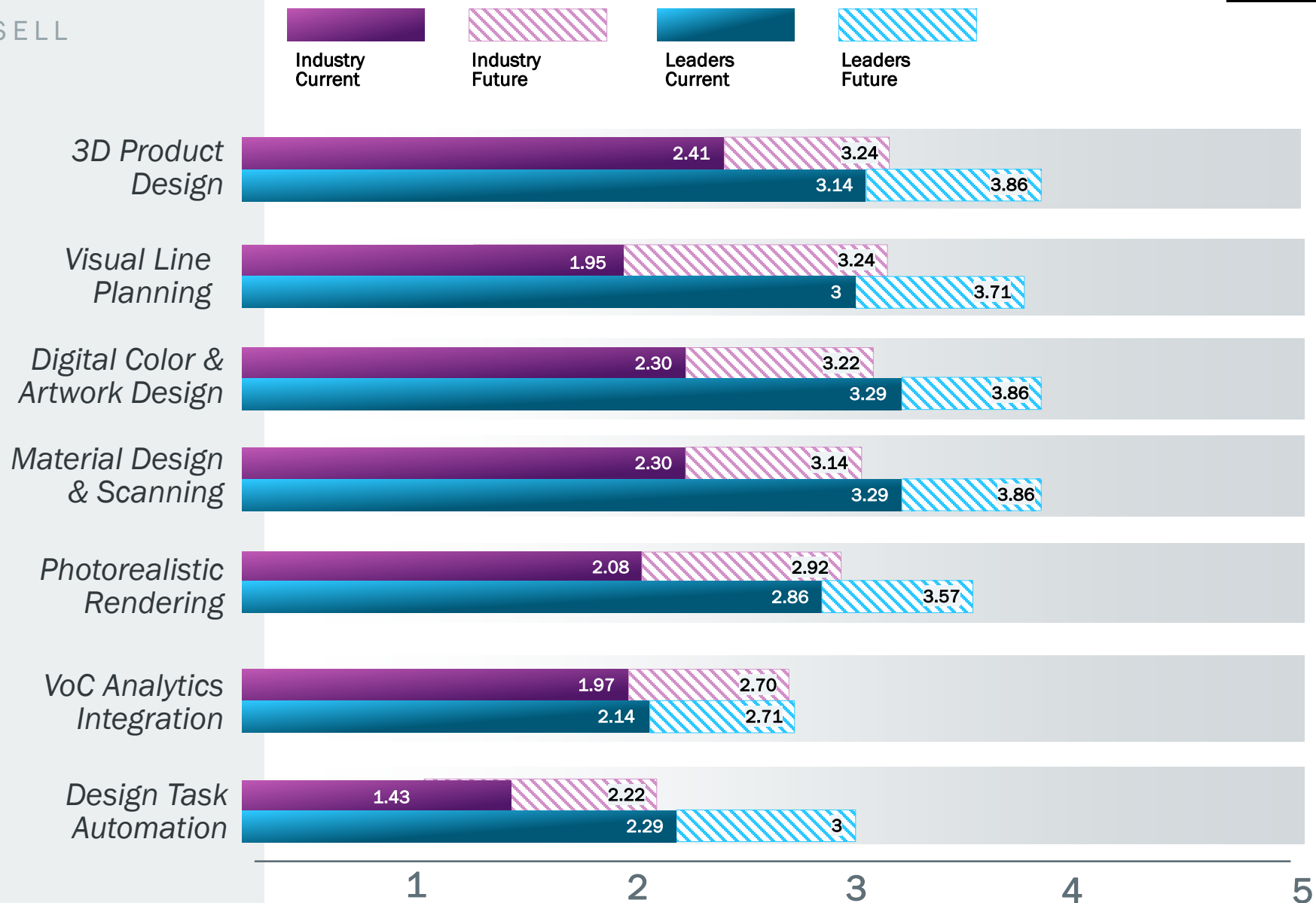
Visit **Kalypso.com/3DRC**
for more information on the report.

Appendix

Annual Survey: Digital Product Creation Maturity in Retail, Footwear and Apparel

CREATE MAKE SELL

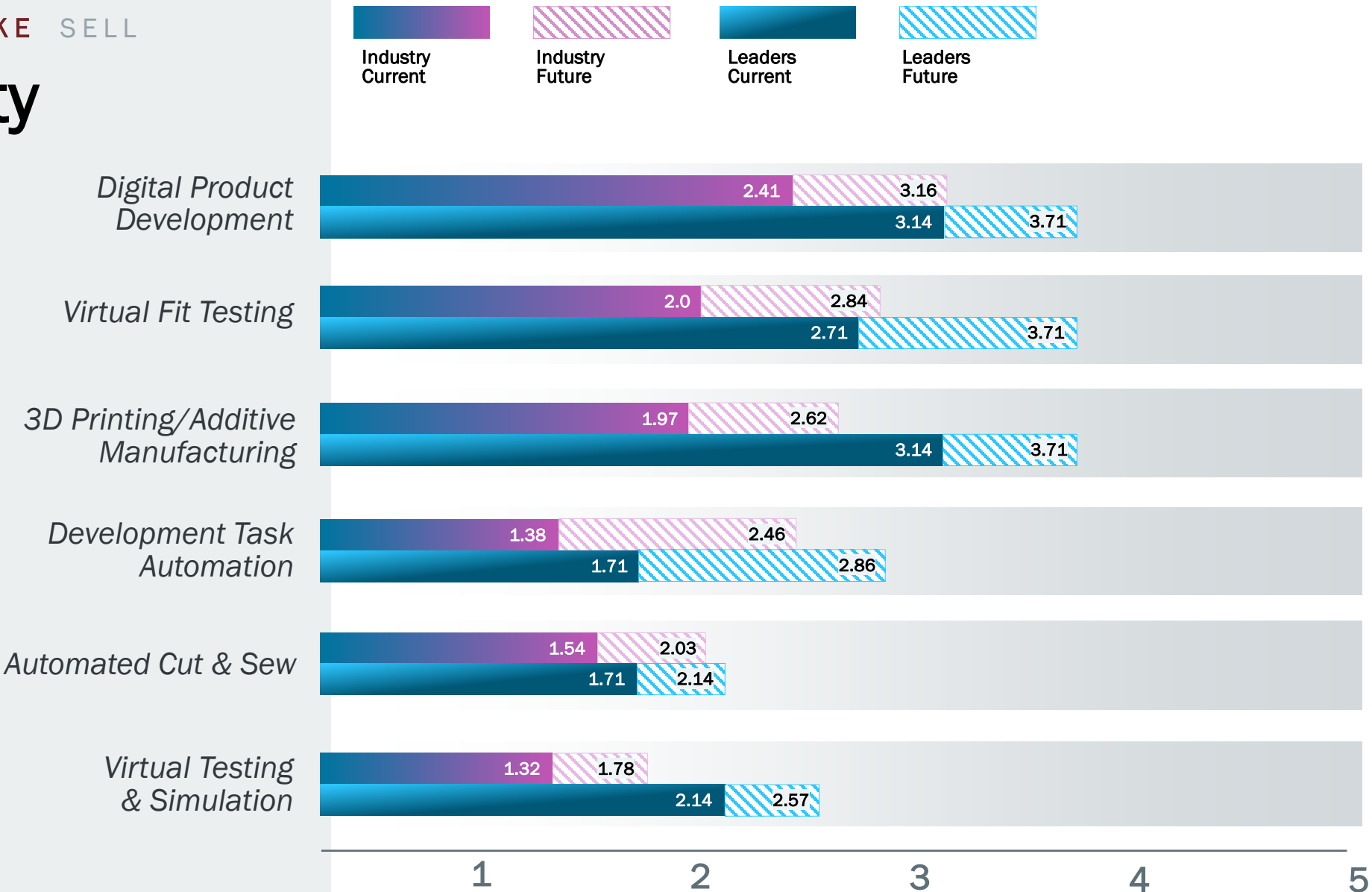
Maturity



Annual Survey on Digital Product Creation Maturity in Retail, Footwear and Apparel. Kalypso, 2019
Averages of current and future state ranking for each use case in the Create scenario

CREATE MAKE SELL

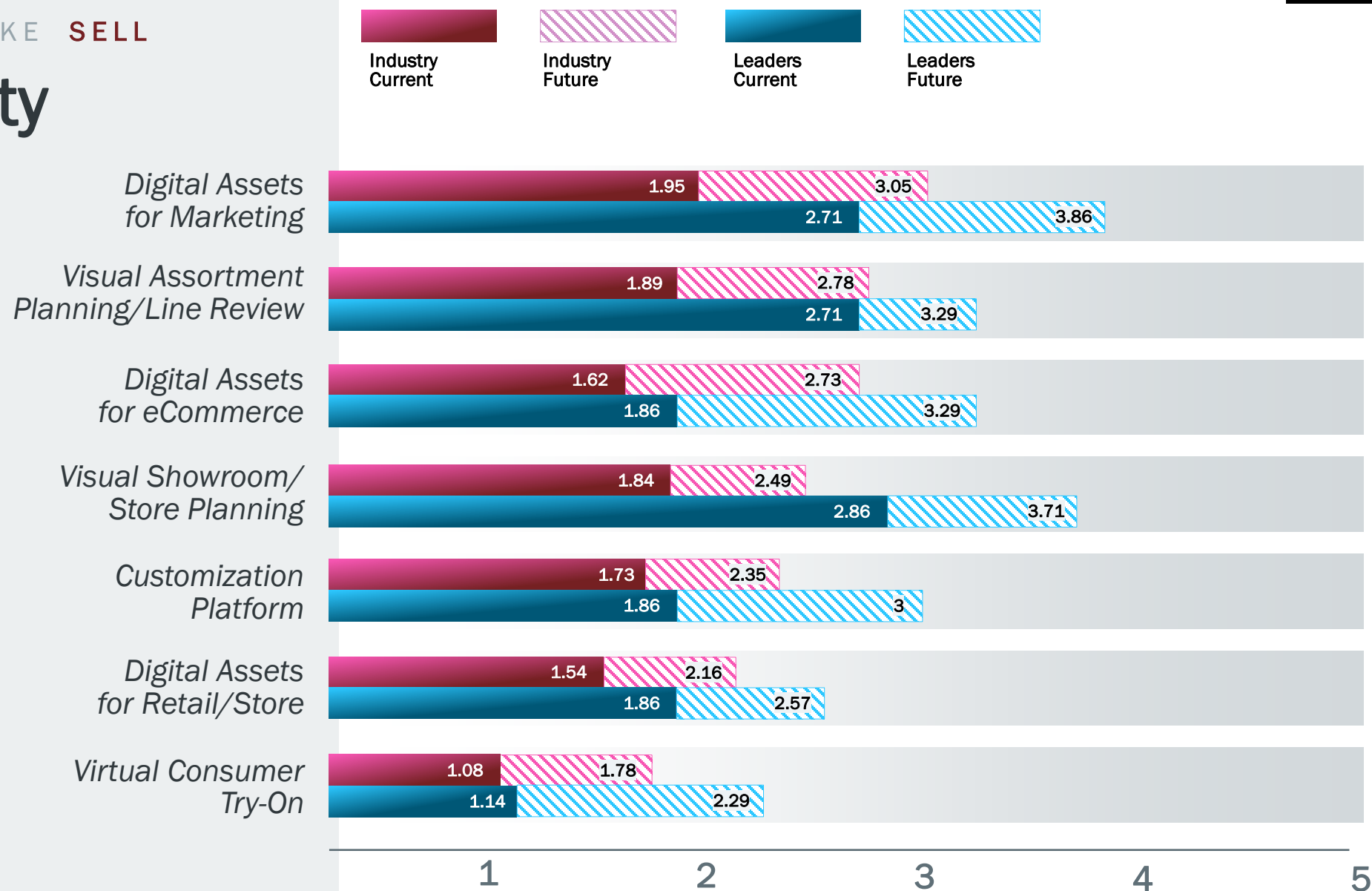
Maturity



Annual Survey on Digital Product Creation Maturity in Retail, Footwear and Apparel. Kalypso, 2019
Averages of current and future state ranking for each use case in the Make scenario

CREATE MAKE **SELL**

Maturity



Annual Survey on Digital Product Creation Maturity in Retail, Footwear and Apparel. Kalypso, 2019
Averages of current and future state ranking for each use case in the Sell scenario

Use Cases

CREATE

3D Product Design

Material Design & Scanning

Digital Color & Artwork Design

Visual Line Planning

Design Task Automation

Photorealist Rendering

Voice of Consumer Analytics Testing

MAKE

Digital Product Development

Virtual Fit Testing

Virtual Simulation

Development Task Automation

Automated Cut & Sew

3D Printing / Additive Manufacturing

SELL

Digital Assets for Marketing

Digital Assets for eCommerce

Digital Assets for Stores

Visual Assortment Planning / Line Review

Virtual Showroom for Store Planning

Virtual Consumer Try-On

Personalization Configurator

40+ leaders in the retail industry weighed in on 20 DPC use cases that apply to the ways RFA companies Create, Make and Sell products. They ranked their organization's current and future maturity in these areas on a **1-5** scale.

They also indicated when they plan to invest in each use case.

And for companies who indicated that they are "Already Investing" in certain use cases, we dug in to ask which categories they are investing and scaling in.

Executive Summary

Average Industry Maturity is Between Level 2 (Strategy / Experimentation) and Level 3 (Proofs-of-Concept)

The industry average maturity indicates that the majority of respondents are either developing their strategy or conducting proofs-of-concept. When you look at leaders in the space, you see a meaningful shift towards Proof of Concepts and Scaling (Level 4). Very few, if any, companies we surveyed have a significant number of use cases operating at scale (Level 4 or 5)

There is a Huge Jump in Investment and Capability needed to move from 3 (Proof of Concept) to 4 (Scaling)

We consistently see clients struggle with advancing beyond Proofs of Concept, and the data supports this. Very few respondents believe that they are in the process of scaling, and a surprising few believe they will be operating at scale (Level 5) within the next 2-years. While the ambitions are high, companies are realistic about the level of change and investment needed to scale digital product capabilities

Highest Maturity Use Cases Align to CREATE and MAKE, with a focus on the essentials of creating 3D content

3D Product Design, Digital Product Development, Material Scanning, and Digital Artwork are the leading capabilities – these use cases are often combined to be a “minimum viable product” for DPC because they give a Product Design and Development team the essential tools to begin to do some of their work through a digital workflow

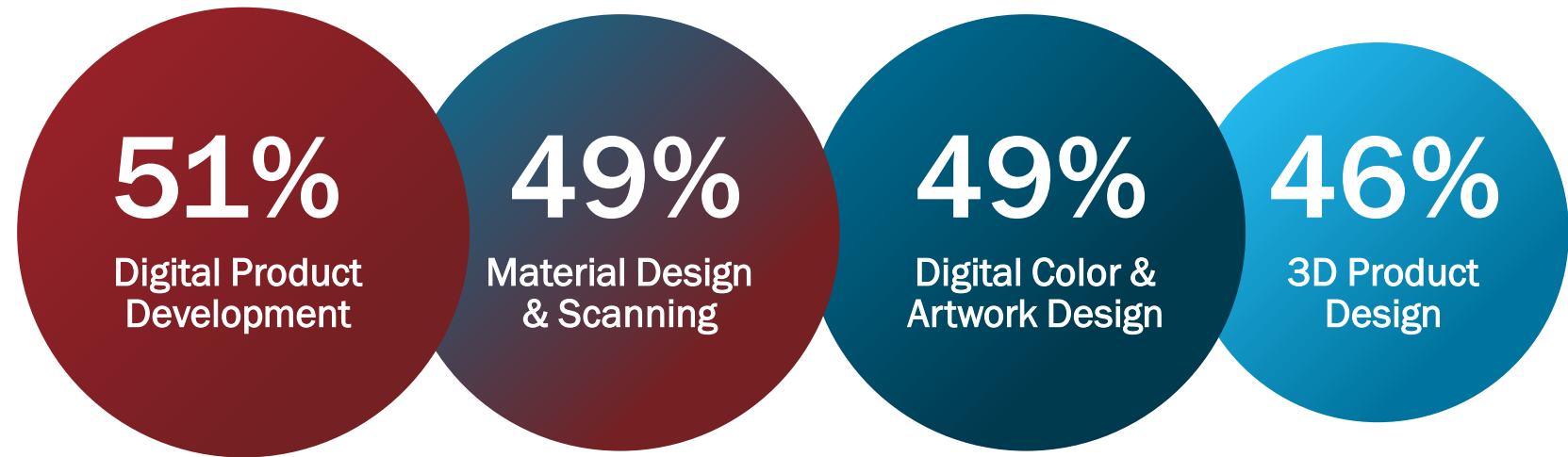
Everyone is doing something

Every company surveyed had at least one use cases that they feel is in Proof-of-Concept, and all companies expected to make investments in a handful of use cases in the next two years. Companies recognize the importance of digital product creation for their future and are starting to make strides to build those capabilities, even if at a modest pace

CREATE MAKE SELL

These use cases
are currently ranked
most mature:

Percentage of respondents which scored current
state as 3 or above



A Note on Future Maturity:

By 2021, **81%** of \$1B+ companies we surveyed plan to reach maturity with **Visual Line Planning** and **71%** with both **3D Product Design** and **Digital Assets for Marketing and eCommerce**