



## HOW-TO GUIDE

# 3 ways fashion and retail brands can manage inventory efficiently from end to multiple ends

## Supply Chain Management

### **Retail supply chains require constant adjustment**

It used to be that the retailer was the sole point where the product and consumer met. Yet things have not been this simple for some time. An abundance of e-commerce and digital channels have created multiple touchpoints where consumers can discover new styles and products, research what might work best for them and their budget, evaluate prices and inventory availability, and pull the trigger on a purchase—which might then be fulfilled direct from the manufacturer, retailer, distributor, or other party.

Navigating all these new complexities is challenging for brands. The trick to success is having the right supply chain management solutions in place to fulfill product demand through any and all channels, while minimizing the hassle and expense of processing returns, whether a consumer has purchased a product online or in a physical location.

Inventory levels must also be properly optimized to orchestrate the movement of products where they need to move, so orders are fulfilled, consumers are happy, and the markdowns are reduced.

## Changes in demand and fulfillment drive the need for constant innovation

Demand has changed, and it's not just digital natives who are driving this change. In fact, a recent Statista report reveals **50% of shoppers aged 55–64 made at least one digital purchase last year**. Everyone likes convenience and consumers of all ages have embraced the new ways to interact with and receive the products they want. Modern, digitally enabled experiences are best suited to fulfill this need in today's marketplace.

Successful brands such as **Gap and Sephora** encourage digitally savvy consumers to “try on” clothing, beauty products, or accessories (including eyewear) online by quickly creating a profile and online avatar to model the products. At the same time, changing consumer buying habits have caused many brands with a historically brick-and-mortar presence to transform their physical locations into communal spaces that can create awareness and familiarity with a product, so the consumer can then purchase it online—on his or her own timeline. **Nordstrom** recently implemented “no inventory” stores that have allowed it to adjust its supply chain strategy without sacrificing customer service.

### 1. Evaluate existing warehouse management system functionality

The digital transformation in the consumer world has transformed buying habits, preferences, and experiences—and legacy systems can no longer keep pace. Not having the proper warehouse operations or warehouse management system (WMS) in place can hinder a brand's ability to meet these modern requirements.

Even the best consumer-facing experience will fall flat if it's not backed up by a strong and agile system that delivers on a brand, retailer or e-tailer promise. Utilizing a legacy WMS may soon present challenges related to decreased order fill rates, a failure to efficiently maintain multiple distribution outlets, and an inability to keep up with emerging retail trends.

Additionally, these problems may be further compounded by warehouse spacing and capacity constraints, ineffective or nonexistent labor management practices, and poorly placed inventory within the four walls of the warehouse. Failing to address these challenges leads to higher operating costs, and worse, a loss of existing customers and the ability to serve new ones.

### 2. Identify optimal inventory locations with machine learning

In spite of how fast retail is evolving, the old challenges of inventory allocation remain largely the same in a digitally enabled shopping world. What has significantly changed is how demand for e-commerce orders and omni-channel fulfillment can be less predictable than in physical retail or wholesale stores.

When facing increased e-commerce or omni-channel inventory demands, brands and retailers must decide which channel takes top priority for fulfillment. Where do you hold merchandise inventory? What if shipping an e-commerce order means limiting the supply that a retail store has? Between the costs associated with leasing or renting a space, staffing, and additional costs, retail stores are much more expensive to maintain. But that doesn't necessarily mean that stores have the strongest demand for certain styles or the lowest margins.

The key is to use a solution with the ability to tap into your inventory all along the supply chain, which means listening as close to your consumer as possible, so you can move products seamlessly. Would your customers prefer to purchase online and pick up an item from a locker? Who delivers to the location where the consumer physically takes ownership? What would make the experience seamless for consumers?

The answer is data visibility. Omni-channel retailers and fashion brands need sales forecasting and demand management software that empowers quick response to supply chain disruptions with fast, data-driven decisions. Solutions powered by machine learning allow organizations to bring precision to every point of the supply chain with AI that can sense, predict, and fulfill demand based on real-time market data. When using a technology infused with the latest innovations in data science, retailers gain a modern, sophisticated approach to demand forecasting, merchandise financial planning, lifecycle pricing, assortment planning, and replenishment optimization.

### 3. Harness the power of visibility and data for actionable insights

Thanks to the digital nature of today's shopping channels and e-commerce, along with the rise in social media, fashion and retail brands can look to a wealth of customer data that can be captured and acted on—while also providing a positive customer experience.

All parties along the supply chain need access to the same information across every interaction touch point, from browsing and shopping online or off; to making a purchase at a retail outlet, web storefront, or vending machine; to the delivery of goods. Armed with this information, the warehouses, distribution centers, and logistics networks that fulfill orders can be prepared to move the product from the closest possible point in the supply chain to the consumer quickly and cost-effectively.

With end-to-end supply chain visibility made capable by a commerce network, fashion brands can optimize the connection of demand to supply by using customer data to inform their manufacturing processes—and dramatically improve the speed of delivery, demand planning, stock replenishment, and price competitiveness.

#### Overcoming seasonal challenges

Fashion and retail brands are well acquainted with the seasonal challenges associated with their products yet still struggle to determine the right amount inventory. Having the right inventory levels in place when demand hits is crucial to avoiding mark downs and returns. That's why brands need forecast accuracy, the proper management software, and a supplier network, to align supply with demand, to fulfill customer needs without the costs of high inventory levels that often result in high price reductions once the season has ended.

#### Leading-edge tools position fashion and retail brands to delight the modern customer

To match inventory supply with demand in today's shopping environment, fashion brands must rely on a warehouse management system, a demand management tool, and commerce network visibility to manage and move inventory across all the channels where consumers are. Transformation must occur across the entire supply chain, not just in the consumer-facing touchpoints. From manufacturing to distributor to warehousing, logistics, and distribution—end-to-end visibility is what builds a strong network.

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