



Decoding High Inventory

Quick reaction to market trends based on unique demand insight

Fast-growing international retailer increases inventory turns and reacts quickly to trends through demand-driven inventory and merchandise management

The Chinese retail industry has seen growing competition in recent decades that has brought to the consumers a record number of products and brands. However, behind the scenes, high inventory has emerged as a widespread problem for many retailers. Business implications of excess inventory reach deep down to companies' bottom lines through high inventory carrying costs and aggressive markdowns.

The economic crisis in 2008, for example, directly triggered an internal "inventory crisis" for a Hong Kong-based, fast-growing brand management and retail group. With the highly seasonal business of fashion retail, management felt the chills of a sudden demand decrease that immediately translated into piles and piles of excess inventory. Aggressive markdowns were employed even for brand new merchandise. However, the damage was already done—their revenue and profit margin were significantly reduced that year. As a result, their management began to re-focus the operations strategy towards better managing inventory on a monthly basis, and they deployed an internal team to build a monitoring and reporting solution in Excel based on their existing ERP system to closely manage BOM and EOM. Although this internal solution has helped to speed up the inventory management cycle and reaction time, it also became clear that they must seek to further monitor, analyze, and react to market trends in real-time in order to minimize inventory risk and maximize sales potential. Essentially, their BOM/EOM initiative laid ground work for implementing a full-blown merchandise management system.

Solution Implementation Highlights

7thonline's Retail Solution meets the high inventory challenge head-on through two main steps: firstly, it enables the merchandising team to enact immediate inventory "exception management"; secondly, it provides real-time sales and inventory monitoring and analyzing. These two approaches essentially boil down to one critical understanding that excess inventory is merely the result of an underlying challenge—namely, the ability to accurately analyze and plan for market demand and execute upon such analysis to best meet the demand.

7thonline's Retail Solution provides detailed POS data analysis down to style/color level by week by door, so that merchandise managers can review it at the beginning of each week. Powered by an embedded Business Intelligence (BI) platform and proprietary demand forecasting engine, the solution relieves merchants from Excel to perform quick and intelligent analysis based upon massive quantities of SKU data. With centralized information, management now gains unprecedented real-time insights into sales and inventory, and key departments are able to better collaborate on merchandise management decisions. The 7thonline Retail Solution helps the entire business deliver higher profitability through making better merchandise and assortment plans, increasing inventory turns, and decreasing markdowns.

Customer Background

- An international apparel, footwear, and accessories brand management and retail-distribution network
- Headquartered in Hong Kong with design studios in New York & Paris
- Managing 12+ brands such as Nine West, Steve Madden, Anne Klein, & Stuart Weitzman
- Operating 1000+ stores in 8+ markets including mainland China, Hong Kong, Taiwan, Singapore, Thailand, & Japan

Key Benefits

- Standardized merchandise management process across brands
- Reduced inventory level, increased full price sell-thru, decreased markdowns
- Realized weekly OTB & intelligent merchandise financial & assortment planning
- Decision-making based on accurate data and analysis

Solution highlights:

- **Quickly identify best/worst sellers**

7thonline's embedded BI tool helps merchants to easily identify best and worst selling merchandise by week by store and provides critical information for timely inventory decisions and actions. End-user based BI is also highly intuitive and easy to use.

- **Accurately analyze inventory flows**

7thonline helps merchants understand when merchandise needs to be delivered to each location in order to maximize sales by providing quick POS data analysis and continuous merchandise planning process.

- **Timely Open-to-Buy (OTB) and inventory management**

With 7thonline, planning teams are able to perform OTB on a weekly basis across brands and countries. This used to be an extremely time-consuming task with hundreds of Excel spreadsheets and millions of rows of data. Merchants are now able to better monitor and understand critical inventory metrics such as stock to sales ratios, weeks of supply ratios, and turn ratios in a timely fashion.

- **Embedded BI platform for in-depth data analysis and demand insight**

Unlike other retail solutions, 7thonline's Retail Solution has a built-in BI and analytics platform. Without additional purchase or implementation, multiple business functions such as finance, merchandising and supply chain can immediately take advantage of the visibility and industry-specific analytical capabilities provided by 7thonline.

- **Unique demand forecasting algorithm powers merchandise planning**

7thonline proprietary demand forecasting algorithms incorporates both in-season sales as well as historical data in providing merchants with dynamic assessment and forecasting of sales, inventory and receipts by week. With in-season POS data, the system is able to quickly re-forecast so as to guide merchandise management to best match current demand.

Decoding High Inventory through Demand Insight

Through phased implementation, business users have seen immediate process improvements and business results:

- **Increased full price sell-thru, reduced inventory level and markdowns**

With real-time visibility into sales and inventory and actionable information to guide decisions, management is seeing inventory level fall across brands. This contributes to lower inventory carrying costs, increased full price sell-thru and reduced markdowns. On average, 7thonline customers observe an increase in inventory turns by 1-2 times, reduced markdowns by 30%, and 1-3% decrease in lost sales.

- **Powerful BI and analytics informs critical decision making**

7thonline's powerful and highly flexible report builder and BI is one of the best liked features that provides immediate benefit. One VP noticed a manager's plan to stock up on a style of boots in a large quantity. After running a quick report, he realized that similar styles of boots were not selling well at the time. He immediately shared his report and had further discussions with the manager that resulted in a different decision.

- **One-version of the truth and accurate data**

Company no longer has to spend excessive time comparing and massaging data in order to build reports and make decisions. 7thonline provides a platform for better collaboration across departments based on greater visibility into accurate and up-to-date data and information.

“We are very happy with 7thonline’s solution as well as their implementation. We are also able to benefit from their knowledge and experiences in industry best practices.”

VP of Planning and Inventory Control

About 7thonline

7thonline is the leading provider of cross channel merchandise and assortment management solutions to the retail and wholesale industry. The company's cloud and enterprise software enables more effective planning, demand forecasting, and consumer centric optimization for global and fast growing brands. 7thonline's embedded business intelligence and analytics offer cross-channel inventory visibility for retailers, eCommerce, and vendors allowing for greater operational performance, increased sales, reduced markdowns, and improved margins. Customers include G-III Apparel Group, GRI Retail Group, Jimmy Jazz, Michael Kors, Nautica, Oakley, Phillips-Van Heusen, Under Armour, VF and others. 7thonline is headquartered in New York City with global offices.

For more information, please visit: www.7thonline.com.