Style Watch: This Luxury Retailer's Efficient Omni-Supply Chain Network is Trendsetting

The Challenge

This industry-leading retailer was experiencing challenges with their inventory management solutions, and, as a result, they were not achieving desired results in the areas of customer service and inventory productivity.

Their demand forecast was not consistently accurate, resulting in mistakes when predicting quantities to meet seasonal and consumer demand requirements. Additionally, inventory pushed to stores frequently led to surplus safety stock and markdowns at store locations. Opportunities existed to reduce excessive handling costs at store level and the amount of deep markdowns of unsold or shop-worn merchandise. Inventory managers were forced to routinely make manual adjustments to

the weekly-recommended order system, and numerous replenishment errors were made, causing the need for manual re-work.

Beyond the pronounced inventory issues, the inconsistent accuracy of their legacy forecast solution was causing both too little inventory on the best sellers and, at the same time, too much inventory on the poorer performers, causing lost sales due to out-of-stock items and overstocks, reduced margins, and costly vendor returns of unsold inventory across the store network.

Why They Chose Teradata Demand Chain Management

The challenges the company was facing were felt across the enterprise and negatively impacted their bottom line. They wanted to ensure they found a solution that offered flexibility, a high level of automation, could drive significantly improved forecast accuracy at the store item level, and could operate with the scale to support the limited decision windows in this fast-paced business.

After a detailed search, the Teradata Demand Chain Management solution was chosen over several more prominently known solutions based on these key differentiators:

- Advanced forecasting capabilities, including the ability to more accurately forecast slow moving items (representing over 70 percent of the assortment), while still being responsive to the remaining products in the assortment for events, seasonality, and trend;
- Forecast-based allocation capabilities, allowing the business to focus the push of inventory based on expected consumer-driven demand across the business;
- Prioritized, constrained supply enabling store inventories to be replenished using a fair system driven by consumer demand when designer brand inventories were in short supply, leading to improved customer service, higher sell through rates, and reduced numbers of markdowns;

This multi-billion dollar luxury retailer is internationally renowned for its superlative selling services and merchandise offerings. The company features the top European and American designer brands for men, women, and children and manages locations throughout the U.S. and Canada, while supporting a growing digital international business. This retailer has a diverse and challenging omnichannel network that requires multiple fulfillment capabilities, including:

- Direct import of seasonal product assortments that rely on an accurate, pre-season demand forecast;
- Replenishment of fast moving products through a centralized warehouse fulfillment program, as well as weekly 'direct-to-store' deliveries from suppliers;
- Vendor-managed inventory sold through multiple 'brand shops' within retail stores;
- Direct-to-consumer fulfillment to customers in North America and around the world.

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- Combined views of replenishment and allocation solutions to support decisions employing demand forecasts, allowing the business to set up a 'hold and flow' approach to managing inventory at store, rather than over-shipping goods based on older methods, like seasonal allotment or sales percentage split, which provided almost no flexibility;

- Automated product and location performance management ranking that would provide the ability to refine and localize some of their assortments to drive higher in-stocks across priority products and locations;

- Benchmarked, highly scalable, proven ability to generate 28-day and 65-week sales and order forecasts for all products, stores, and distribution centers weekly—in less than six hours;

- Proven retail supply chain references, consulting expertise, and implementation methodology to enable rapid deployment, knowledge transfer, and maximum ROI.

Solution

The company partnered with Teradata Demand Chain Management (DCM) team and embarked on a multi-phased joint implementation plan to enhance their supply chain and replenishment capabilities.

The initial objective was to ensure that significant improvements could be made in forecast accuracy. This

was accomplished by testing the Consumer Demand Driven Forecasting Modules for a subset of products versus their current forecasting tools. The results were better than expected and quickly led to the forecasting, allocation, and replenishment modules being deployed to support a 'hold and flow' strategy that set up a more timely inventory delivery flow based on expected consumer demand and their unique, strategic inventory management objectives.

Enhancements to their allocation process were also made based on more accurate weekly demand forecasts. The DCM Contribution Module for performance ranking was also employed at store level to influence assortment planning, localization, and inventory efforts to improve margins and sell through.

Results

In only a few short months, the retailer had realized significant improvements toward their mission of ensuring that each store had the right selection of products and that product was consistently in stock and available for their customers.

Across all merchandise categories, forecast accuracy improved by over 700 basis points and has consistently performed at industry-leading levels.

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They have also experienced an improved in-stock performance on top selling products, with measured performance improvement of over 28 percent at peak selling times.

The company was able to reduce the level of excess, slow-moving inventory in store 'back stock' by over $12.4 million across all locations, and inventory managers have significantly reduced the amount of time spent on weekly replenishment orders and manual re-work.

Based in part on the success of the DCM solution, the company also purchased and installed the Demand Chain Analytics (DCA) solution to expand and improve their reporting and exception management processes.

The pairing gave this luxury retailer a broad range of analytics designed around all aspects of managing Demand Forecasting, Inventory Replenishment, and Supply Chain Management. The extreme scale of the DCA module has allowed the company to support nearly100 users, giving analysts and inventory managers the ability to extend their analytic capabilities and customize exception reporting according to particular category needs.

The intuitive and easy-to-use DCA dashboard improves resource productivity, and the analytic database refreshes daily and weekly in less than half the time of their legacy reporting system.

Teradata professional services teams provided fully integrated, hands-on training to all user groups within the inventory planning organization, maximizing adoption and empowering the teams to fully leverage the advanced capabilities of the new solution.

The company continues to adopt and implement periodic upgrades to the DCM suite of inventory management solutions, allowing them to take advantage of even greater functionality for continuous improvement.

Bottom Line Results

Forecast accuracy **improved by over**
700 basis points

Improved in stock performance on top selling products of over **28%** at peak selling times

Over **$12.4M reduction in excess, slow moving inventory** in store 'back stock'

8% increase in inventory turnover at the company year one after implementation

What's Next

The retailer continues to experience advances in forecasting accuracy, and they leverage the Teradata solution daily to improve inventory management capabilities. The company has evolved their omnichannel strategy, expanding their focus to include a more personalized merchandise offering and shopping experience across all channels (store, web, and mobile).

As for growing their relationship with Teradata, the company is currently reviewing the benefits of an expanded Promotional Inventory Management capability with the Teradata DCM Promotion Manager Application to further improve accuracy of the forecast during their highly promotional periods. This application would replace what is today a time-consuming and laborious manual process, further improving productivity and inventory performance.

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