



Apparel Retail Planning for a New World

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While the COVID-19 global pandemic is unprecedented, it has only exacerbated an already unpredictable demand environment for apparel retailers.

Current events have dramatically revealed the weaknesses in retailers' forecasting, planning and execution models. These events have also emphasized the need for a new way of doing business. But what exactly should retailers do? How can they manage continuing uncertainty? The answer lies in applying advanced technologies, including artificial intelligence (AI), to increase visibility, support deeper analysis and foster end-to-end supply chain collaboration. Apparel retailers also need to capitalize on the promise of autonomous decision-making, fueled by AI, to respond to fast-changing conditions in real time – cutting the response cycle from weeks to days when disruptions occur.

Abstract

The early months of 2020 served as a stark reminder that apparel retail is a volatile business, fraught with uncertainty. The COVID-19 pandemic revealed the flaws in retailers' core processes related to demand forecasting, planning and execution that left many companies scrambling to respond to sudden, unprecedented demand shifts. As the entire apparel supply chain, from suppliers to retailers to logistics providers, struggled to understand and meet rapidly changing demand, it became obvious that a new business model is needed. In order to anticipate and respond to these kinds of precipitous events in the

future – as well as the “normal” level of extreme demand volatility that characterizes apparel the retail supply chain needs increased visibility, deeper analytics and closer collaboration. Apparel retailers also need to fully embrace the power of artificial intelligence, which can automate real-time decision making and cut response times from weeks to mere days. Advanced technology is readily available to address these challenges and position retailers for success in today's new world of extreme uncertainty.





The collapse of predictable demand

Given the complexities of fashion trends and product seasonality, it's always been difficult to accurately predict and fulfill consumer demand for apparel. With the rise of mega retailers, online demand aggregators and omni-channel shopping over the last decade, it's gotten exponentially more difficult. Social media, weather and news events have also demonstrated their incredible power to disrupt historic demand levels, leaving some racks empty and some fully stocked with only a few days' notice of the impending shift. Recently, new tariffs on imported goods also significantly impacted the US apparel marketplace with little warning.

But it took a worldwide pandemic to finally and fully eliminate the notion of demand predictability for apparel. Today, retailers with backed-up supply chains, overflowing warehouses and heavy financial losses are left wondering, "How did we miss the earliest signs?" and "Is there something we could have done differently?"

The problem is that, while most retailers have implemented some isolated solutions to manage demand volatility, like forecasting based on sales history or rule-based pricing software, a much bigger correction was required to prepare for the unprecedented changes in demand we are seeing today.

What's needed: a sweeping change

To succeed when demand is no longer predictable, apparel retailers need to rethink their foundational planning approach. Instead of relying solely on historical demand data, they need to consider new factors such as consumer wellness, governmental policies such as tariffs, international news events and long-term weather patterns. This means combining third-party, unstructured data with their own internal data.

At the same time, retailers need to fundamentally increase their responsiveness when disruptions occur. They must proactively manage those disruptions in real-time, work quickly to understand the root causes and adjust the forward-looking plan. Ensuring the right response, enacted at the right level, also means planning across functions, or even across enterprises, to support agility. Planning in isolation is no longer sufficient; today's extreme volatility requires a holistic, repeatable response capability that spans the end-to-end supply chain.

Today, when a disruptive event occurs that significantly impacts consumer demand, the typical apparel supply chain takes two to three weeks to respond. To ensure profitability in the future, that response time must be shortened to just two to three days. This represents a dramatic change.

Four critical capabilities for the new world

Fortunately, retailers have an array of advanced technology solutions, including artificial intelligence (AI), to help them achieve this increased level of agility and responsiveness. These technologies can help apparel retailers, along with their supply chain partners, achieve four key capabilities that will position them for success in a world of unprecedented volatility.

These four essential capabilities are:

1 Increased end-to-end visibility.

Not only do apparel supply chains have to recognize any changes in demand as soon as possible, but they need to understand the underlying root causes of that change. Enabled by AI, a digital control tower can help retailers identify disruptions anywhere in the supply chain, at the earliest possible opportunity, based on real-time data from the entire digital ecosystem, including third-party sources.

2 Deep analysis.

Once a disruption is identified, powerful algorithms are needed to assess possible courses of action at a granular level. Intelligent technology solutions can perform the complex analysis needed to recommend a response that delivers the best possible outcome, whether that means holding back inventory, cancelling supplier orders or making targeted price adjustments. Short- and long-term forecasts are also automatically adjusted via AI, so rapid re-planning can occur.

3 Closer collaboration.

Real-time responsiveness demands real-time orchestration across the end-to-end supply chain. It's not enough for supply chain partners to operate their own homegrown technology solutions with limited interfaces. Today's fast-moving environment requires apparel retailers to be linked with their key partners in real-time, via a common technology platform custom-tailored to the challenges of retail. This level of connection enables a fast, coordinated response as soon as new conditions are detected anywhere in the chain.

4 Autonomy.

Today, demand is changing more rapidly, and in more complex ways, than the human brain can possibly comprehend. Apparel retailers need to replace manual analysis and planning processes with AI-fueled automation. Artificial intelligence engines can analyze huge volumes of data, assess corrective actions and pull the right levers immediately as forecasts and plans veer off course. In 2020 and beyond, building a truly autonomous supply chain via AI is the only way to manage the new level of hyper-volatility that characterizes the apparel segment. While the typical response cycle today is two to three weeks, it needs to become two to three days. Only AI-enabled supply chain autonomy can deliver that extreme level of speed and accuracy.

In addition to establishing these four critical capabilities, apparel retailers may need to significantly alter their past practices and behaviors that no longer make sense in a hyper-volatile world. For example, they might place smaller, more frequent orders with garment suppliers. These suppliers might, in turn, place smaller orders with their fabric providers. Retailers might also choose to hold inventory back in a central distribution center until they understand localized demand patterns well enough to distribute products in the most profitable manner.

In short, retailers need to begin treating “this season” with the same degree of flexibility they apply in approaching “next season.” Apparel retailers have always understood and planned for longer-term fashion trends, changing consumer preferences and potential external events that might affect demand in a year, or in six months. Today, they need to approach the short term with that same perspective that everything is likely to change, adapting their conventional planning behaviors accordingly.

The time to act is now

The current planning challenges in apparel retailing are unparalleled. The traditional methods of forecasting, planning and executing are proving insufficient in the face of uncertain short- and long-term demand. While retailers have had fair warning that the rules are changing, in the wake of the COVID-19 crisis every apparel retailer realizes that enormous changes are needed.

There is positive news, though. Advanced technologies like AI, once the stuff of science fiction, are here to help apparel retailers seize control via improved visibility, analysis, collaboration and autonomous decision-making. Fueled by these technologies, the retail supply chain can sense the earliest signals of disruption, automatically take real-time corrective actions, and adjust both short- and long-term plans in allocation and pricing to reduce risk and protect profits.

How can retailers capitalize on these technologies and begin achieving a rapid return on investment? By partnering with a provider with deep retail experience, a solid understanding of the apparel industry, proven AI-enabled solutions and a robust technology platform that spans all the functional challenges involved.

By leveraging the power of AI and machine learning (ML), retailers can master complex challenges like in-season, fluid allocation. They can define and enact intelligent lifecycle pricing strategies that consider both SKU-level demand and localized demand trends. Their forecasting can occur at a new level of granularity and agility, because AI and ML exceed the capabilities of human cognition.

Retailers must act quickly to put the needed capabilities in place before the next source of demand volatility reveals itself. Retailers who ultimately win will be those who act quickly and decisively now.



Blue Yonder: your partner today, and tomorrow

Artificial intelligence, machine learning, supply chain autonomy and other concepts discussed in this paper may seem like futuristic concepts out of reach for most companies today. But the world's retail leaders are already using these advanced technologies to deal with growing consumer expectations, data overload, supply chain disconnects, the drive toward sustainability and other challenges.

Backed by the experience gained across 4,000 customer engagements, Blue Yonder understands the challenges companies are facing in 2020. Blue Yonder can help you master these challenges and address the three trends described above via:

- Industry-leading, advanced solutions in allocation, lifecycle pricing, category management, assortment planning, demand forecasting, fulfillment, warehousing and transportation that leverage the power of the Internet of Things (IoT), AI and ML to fuel autonomous decision making
- Smart, standalone control tower solutions that sense and manage exceptions in real time across the supply network
- A robust, extensible technology platform built to unite all trading partners and support the seamless sharing of information across multiple enterprises
- A cloud-enabled software-as-a-service (SaaS) delivery model that quickly and cost-effectively gets Blue Yonder's industry-leading solutions up and running, for a fast return and a low lifetime total cost of ownership (TOC)
- Software customization and consulting services that make emerging concerns such as sustainability a centerpiece of your business model and operating strategy

With deep customer experience, a library of best practices and a full range of end-to-end supply chain solutions enabled by AI, Blue Yonder is uniquely qualified to help you prepare for the future of retail. From greater visibility to more customized offerings, Blue Yonder can help you achieve significant time and cost savings today — and set the stage for a fully autonomous supply chain tomorrow.

There's a reason

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of the top

100

retailers rely on Blue Yonder to set the stage for success in the 2020s.

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