



Maintaining Apparel Revenues in Challenging Markets

As if apparel revenues weren't volatile enough, COVID-19 and its aftermath have changed the retail planning landscape forever. From demand planning through allocation, the old ways of doing business are simply not adequate to maintain revenues in today's transformed environment. Fortunately, advanced technologies, including artificial intelligence (AI), are available to help. By enabling a new level of real-time responsiveness to today's changing demand, as well as a new degree of planning granularity for the future, these advanced solutions help apparel retailers maximize revenues even in challenging times. To fully capitalize on these solutions, retailers need to abandon their obsolete manual processes and embrace the power of autonomous decision making. It's time for a smarter approach, fueled by in-depth data analysis and agile business processes.

Abstract

Prior to 2020, apparel retail planners were already struggling to maximize revenues in the face of growing demand volatility. Their traditional reliance on the expertise and intuition of human planners, and manual processes, began to cause serious problems when "best guesses" consistently proved to be wrong. With the advent of COVID-19, the retail world turned upside down. As retailers struggle to recover and adjust to a transformed sales environment, the use of human planners, manual analysis and outdated technologies is a recipe for disaster. The good news is that artificial intelligence stands ready to deliver real-time, autonomous decisions that maximize revenues, no matter how conditions continue to change. As they usher in smarter, more adaptive processes, AI-enabled solutions are helping apparel retailers change their way of doing business in a dramatically changed world.

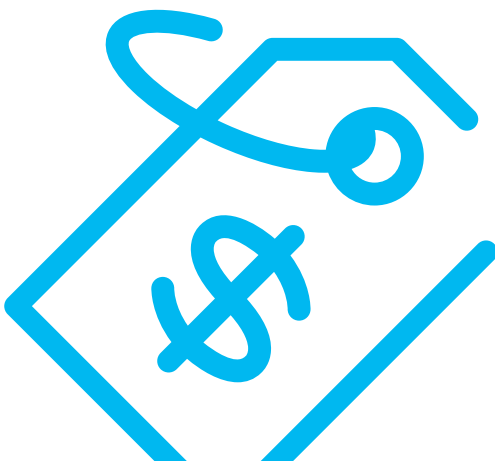
Achieving retail success in a transformed world

With product seasonality, a dependence on trends and the growing influence of social media, the retail apparel segment has become increasingly challenging to manage for profitability. The long lead times associated with sourcing, manufacturing, allocating and transporting products do not mesh well with the incredibly fast-changing nature of consumer demand.

Today, the COVID-19 pandemic and its aftermath are igniting a new level of demand volatility. It's never been more difficult for retail planners to match apparel demand with supply, both today and for upcoming seasons.

And, unfortunately, this extreme level of demand uncertainty isn't going away. "Everyone is focused on the past few months, and the impact of excess inventories now that retail stores have been unexpectedly shuttered," says Sonia Hernandez, vice president of retail planning at Blue Yonder. "But the problems are so much bigger than that. When will stores re-open? How aggressively will consumers spend, and what season will we be in?"

Hernandez adds that long-term planning has also been turned upside down. "Perhaps the most critical questions revolve around the long view," she says.



“How can apparel retailers plan for the first half of 2021 when so many of the 2020 data cells are completely blank? If consumer demand is non-existent today, how can you begin to project future demand?”

Even in today’s extremely uncertain world, one thing is certain. Outdated technologies, manually intensive retail planning processes and human intuition are simply not up to the challenges of a post-COVID world.

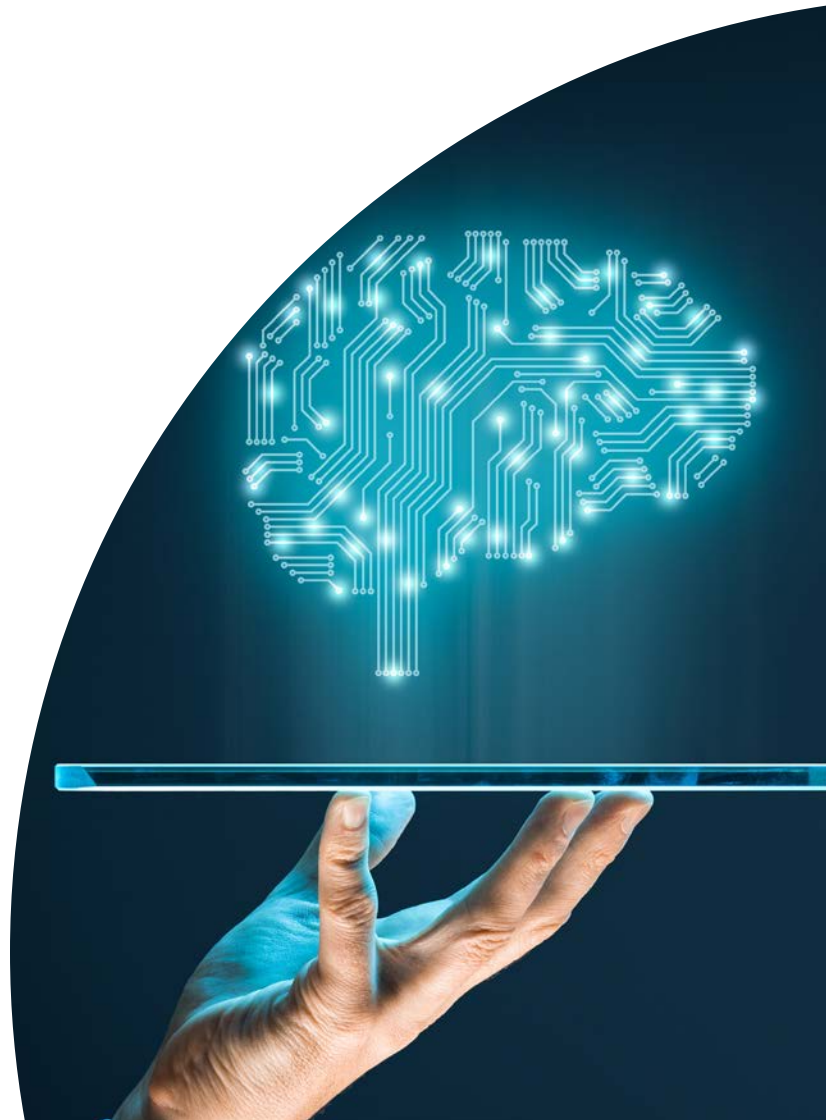
Applying new intelligence to a transformed retail landscape

When human analysis and manual planning prove insufficient, the only real answer is artificial intelligence (AI). Supported by incredibly powerful algorithms and extremely granular analysis, AI-enabled solutions in demand, fulfillment, assortment planning, allocation and inventory management can make real-time decisions that maximize outcomes, without the human need to “think” and consider thousands of factors using only human cognition.

Based on internal and external data, AI engines can optimize revenues autonomously, based on current conditions. Intelligent digital control towers can continuously scan end-to-end conditions, identifying exceptions and anomalies that may interfere with sales objectives. Then real-time re-planning can occur in seconds, without human intervention.

Over the longer term, AI engines are capable of populating the blank data cells resulting from store closures, whether these closures are caused by the COVID-19 pandemic, renovations, natural disasters or other events. Human planners’ estimates and best guesses can be replaced by mathematical analysis that produces baseline demand and revenue projections. As the actual selling season approaches, these projections can grow progressively more accurate.

“One of the best features of AI-enabled solutions is the element of machine learning,” notes Hernandez. “While it might be hard for human planners to look at both the big picture and the granular level, and make meaningful connections, AI is virtually unlimited in its vision, scope and cognition. AI-based solutions can continuously learn from past performance and become increasingly accurate at predicting the future, even for highly volatile SKUs and stores that have recently re-opened.”



Embracing smarter, more adaptive processes

Equipped with advanced AI technology solutions, retail planners can now replace rigid, inflexible processes and workflows with more agile, adaptive ways of doing business. For example, the forecasting process can be conducted at a hyper-localized level, where needed, to address significant demand variations among individual stores. Similarly, apparel can be forecasted and allocated according to garment size based on actual consumer demographics in different regions.

While human decision-makers and conventional tools would not be able to accommodate this level of plan customization on a massive scale, AI makes it fast and easy to consider granular variations in store demand or apparel sizing. Combined, store clustering and size clustering via AI are resulting in the most accurate, most granular apparel plans ever.

“Typically, the distinctions between stores have been necessarily broad, since retailers are relying on human cognition and manual analysis,” explains Hernandez. “Perhaps the planning and allocation buckets were north versus south, hot versus cold, or urban versus rural. Those high-level distinctions are meaningless in today’s explosive markets. We are seeing extreme variation in consumer demand and revenue potential even among stores in the same county or zip code. Since that volatility will only grow, planners need much more precise, robust tools.”

Retailers are also attempting to manage volatility by holding back up to 40% of their product inventories in regional warehouses or distribution centers (DCs). They can initially hedge their bets, then move products to the most promising sales location as the demand picture becomes ever-clearer.

Another new process variation? To optimize revenues on a proactive basis, retailers are shipping products from store to store, as they attempt to avoid both stockouts and markdowns. In effect, they are turning large stores into mini-DCs.

“This practice is growing in popularity, but it only makes sense if the resulting margin improvement pays for the labor and transportation resources needed to move the inventory,” Hernandez points out. “By applying AI, retailers can collapse hours of manual analysis into a split-second decision that maximizes their likely returns.”



Getting smarter about AI

The sudden onset of COVID-19 around the world has thrown the retail industry into an unprecedented panic. The impact will be both long-lasting and far-reaching, as retailers reel from a complete lack of demand predictability.

“While brighter, higher-revenue days are ahead, no one knows when that will be,” states Hernandez. “Even when demand returns, retailers will need to smooth it to ensure high service levels, without decimating profit margins on the revenues they have waited patiently for.”

As retailers consider their options, AI represents the intelligent choice. Only advanced AI-enabled solutions can consider the thousands of variables that will impact demand, fulfillment, assortment planning, allocation and inventory management, then arrive at optimal decisions that maintain revenues.

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, retailers can end their dependence on manual processes and human intuition. They can begin to install intelligent new technology solutions and flexible, adaptive processes that position them for revenue leadership, no matter what surprises lie ahead.

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 demand uncertainty, 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 76 of the top 100 retailers rely on Blue Yonder to set the stage for success in the 2020s. Learn more at www.blueyonder.com.



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