



Fashioning a Customer-Centric Approach

How to keep your merchandising
plans in synch with shopper trends



Fashion trends are ever-changing. But your merchandising results shouldn't be.

Few industries are as challenging as fashion apparel. Driven by trends, personal preferences, and complex influences like social media and the weather, softlines retail has always been difficult to predict and manage with accuracy.

The COVID-19 pandemic made success even harder to achieve. Entire seasons of merchandise were overlooked by consumers who postponed vacation plans, stopped attending events, or no longer went to the office. The seemingly overnight shift to e-commerce completely upended traditional browsing and buying behaviors, along with brand loyalty. Sales of fashion apparel dropped by 20% over the previous year, and 7% of retailers left the market entirely.

While the dramatic upheaval of 2020 was challenging, it served as an important reminder to the world's softlines retailers that, even in the best of times, fashion is ever-changing. Achieving predictable results in an unpredictable environment, driven by market trends and other subtle influences, requires sophisticated planning capabilities that maximize visibility, planning accuracy and responsiveness to changing conditions.

As supply chain disruptions continue and inflation pushes costs higher, retailers must plan and execute with a much higher degree of accuracy to win at the cash register or online checkout.

With competition growing and margins already stretched thin, manual processes, seasonal planning and traditional tools are no longer enough to support consistent financial results in today's volatile landscape.

Transforming the art of merchandising to a science.

Fortunately, a new generation of merchandising solutions, enabled by artificial intelligence (AI) and machine learning (ML) is purpose-built to support success in today's tough softlines retail environment.

Advanced merchandise planning capabilities from Blue Yonder are designed to help retailers anticipate future trends, sense demand shifts in near real time, and balance inventory across locations to minimize both overstocks and out-of-stocks. This is done with a customer-connected approach, so that every decision is focused on optimizing the customer experience and aligning to customer values—while protecting profit margins to ensure strong, consistent financial results. By supporting a customer-connected approach, Blue Yonder helps retailers turn the art of softlines merchandising into a fact-based science.



Merchandising should be customer-connected

The customer has always been the driver of the global softlines industry, a fact that's become even more obvious in recent years. That's why Blue Yonder leverages the most advanced technology to support a customer-connected merchandising approach. Unlike traditional siloed, traditional seasonal planning processes, customer-connected merchandising recognizes the fast-moving, ever-changing nature of fashion and positions retailers to make rapid, fact-based, profitable decisions that attract and engage customers amid this chaos.

Customer-connected merchandising is data-driven.

Driven by AI and ML, customer-connected merchandising enables retailers to base their most critical decisions on near real-time data about customer demand and what drives buying behavior, gathered from internal and external sources. Blue Yonder software collects insights on sales history, general market trends and competitors — but also on news, weather and social media influencers, which represent a \$9.7 billion, fast-growing market. In the past, it's been tough to quantify this mix of hard information and more subtle factors, but Blue Yonder's proprietary algorithms and predictive analytics produce actionable data that's proven to drive retail success.

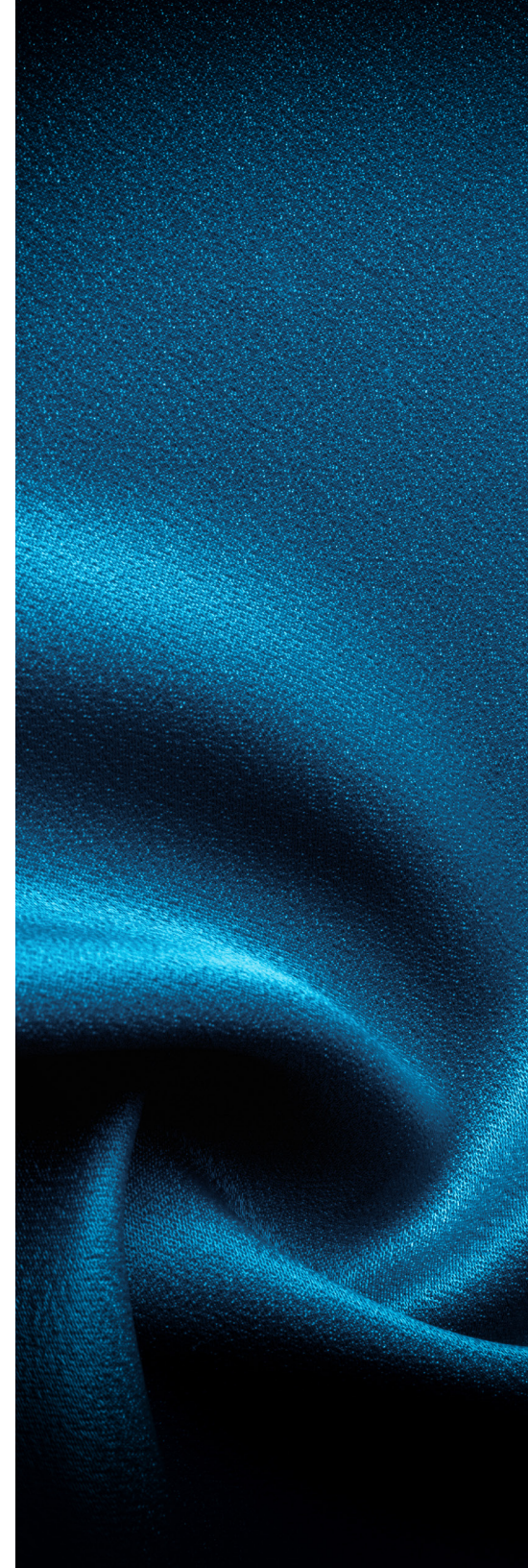
Customer-connected merchandising is synchronized.

Once customer insights are gathered, Blue Yonder enables a synchronized response across traditional functional boundaries, as the entire organization focuses on understanding and serving real-world

shopper needs. Assortment managers can choose the right colors, fabrics, styles and size ranges to anticipate trends. Allocation and replenishment planners can optimally and profitably place merchandise to precisely match consumer needs across geographies and channels. Pricing and promotion experts can drive profitable sales across the product lifecycle, including markdown strategies and clearance. Sustainability managers can work to minimize fuel usage, lower emissions, and make buying decisions focused on eco-friendly packaging, materials and, manufacturing.

Customer-connected merchandising is agile.

Supply chain disruptions, skyrocketing transportation costs and general economic pressures seem to have become the norm when it comes to retail. Customer-connected merchandising is based on continuous data gathering and analysis in near real time as conditions change. Seasonal planning is replaced with rolling cycles to ensure plans are never static, and cross-functional teams can respond swiftly and agilely to new demand trends and execution parameters. Whether it's pre-season, in-season or post-season, merchandise can be shifted, pricing and promotions can be updated, and transportation and delivery schemes can be modified on the fly, across channels. Gone are the days of one and done planning - trends shift too fast and customer loyalty wanes too easily for this approach to be successful in today's environment. Rolling planning means moving away from the concept of seasons and instead making educated, continuous, and agile adjustments every day of the year, instead of looking at the calendar in terms of seasons.



Consumer needs change daily — not with the season.

Retailers need to forget everything they thought they knew about consumers prior to 2020. Today's shoppers are more willing to browse across channels, and 46% less loyal to brands than they used to be. They're looking for the exact right product that appeals to them in that moment and, if they don't find it quickly, they will move on to another retailer — or join the 70% of consumers who buy directly from apparel manufacturers.

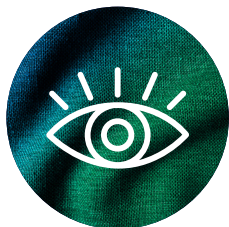
This habit of impulse buying leads to another challenge for retailers. Consumer product return rates can be as high as 30%, creating havoc for retailers. This volume of goods that need to be restocked and resold significantly impacts sales plans and target margins. Shoppers today are motivated to buy from retailers that offer a personalized shopping experience and customized products, and value a feeling of connection with the brands they shop. And, driven by social media trends, the weather and other intangible factors, their needs may change overnight.

Obviously, this creates significant challenges for softlines retailers, that must not only have the right product, at the right time, in the right channel or store — but must also have the right size, color and price point. And they need to offer these exact right options without investing in and carrying excess inventory. Retailers must also offer flexible fulfillment options that give customers choice, including at-home delivery, ship-to-store and curbside pickup.



Blue Yonder can help you keep up.

Even as customer needs change, Blue Yonder's unique, AI-enabled forecasting, planning and merchandising capabilities help retailers gather near real-time data and share it among all merchandising stakeholders — allowing the entire team to pivot with speed and precision to accommodate any change in customer preference or supply chain disruption. Blue Yonder helps softlines retailers synchronize and automate their merchandising processes by leveraging the most advanced technology to provide:



An accurate view of demand, so retailers can better understand customer expectations and make targeted inventory investments that grow top-line revenues



Channel- and store-specific insights that enable retailers to place inventory in the most profitable locations for the fastest service



Visibility across seasonal and replenishable goods, supporting the creation of offers that appeal to local customer preferences and buying behaviors



Product lifecycle decision support, to help retailers determine optimal price points at every phase of the buying season and minimize markdowns

With US apparel sales expected to reach almost \$400 billion in 2023,

the stakes are high — and the competition is growing. Retailers who capitalize on advancements in AI, ML and predictive analytics can zero in on fast-evolving consumer needs and achieve a clear advantage over companies using manual processes, legacy planning tools or traditional forecasting methods.

Seasonal planning cycles are so last year.

Why did so many retailers struggle with the demand and supply volatility of 2020 and 2021?

The answer is simple: Their traditional planning processes and legacy tools weren't capable of recognizing real-time changes or supporting a rapid pivot to disruption.

The fashion retail industry was historically built around seasonal planning. Merchandising teams would develop separate, relatively static merchandising plans for pre-season, in-season and post-season cycles. Once purchase decisions were made, retailers focused on the right merchandising and pricing strategies to sell through on-hand inventory. But this approach fails to consider the inevitability of change. What if there is a dramatic shift in supply or demand during the season? What if a retailer's basic assumptions prove wrong? Or, what if assumptions were correct a moment before a social influencer "liked" a brand new style that wasn't part of the plan?

Today's fast-moving, omni-channel fashion marketplace requires a continuous, rolling approach to planning that can keep up with the uncertain nature of the marketplace and supply chain. Merchandising teams must have the ability to recognize new trends and supply disruptions at the earliest opportunity — even if it's mid-season and plans are already being executed. Armed with near real-time insights, planners can shift product

inventories, rethink fulfillment and delivery offers, adjust pricing, create new promotions and otherwise work to maximize outcomes.

This flexibility is obviously critical in times of unexpected port closures and sudden demand surges. But it also helps retailers profitably manage smaller disruptions, like unexpected stockouts or overstocks across different regions, or a weather event impacting delivery dates. By pivoting on a smaller and more frequent scale, retailers can squeeze out every bit of margin from inventory investments while maximizing localized inventory availability to delight consumers. In an environment where up to 50% of products are sold at a marked-down price point, this is an absolutely critical competency for fashion retailers.

The key to enabling continuous planning is to provide all functions with the same information and enforce a shared set of priorities, such as profitability and service. Blue Yonder makes it easy to accomplish this, with a shared technology platform and the industry's most robust capabilities that span every activity in fashion merchandising. Blue Yonder helps ensure that everyone is on the same page and working toward the same goals, no matter the level of demand and supply volatility. As conditions inevitably change, Blue Yonder supports seamless and continuous re-planning across all merchandising functions.



Mastering disruption is the new “must have.”

Virtually every fashion retailer experienced the same types of upstream and downstream disruptions in 2020 and 2021. From sudden channel shifts and product shortages to labor shortfalls and transportation roadblocks, the world’s retailers weathered the same violent storm — and most are still feeling the negative impacts.

What has separated the retail leaders from the followers?

The ability to not only sense disruptions, but to manage them with speed and intelligence. Retailers who had alternative sourcing plans or transportation options in place had a clear edge as disruptions hit. Merchandising teams with shorter assortment planning windows, and the

ability to shift inventory and fulfillment capabilities were far better equipped to profitably manage sudden demand shifts. And retailers who had invested in automated planning and execution solutions held an advantage as devastating talent shortages emerged.

These advanced capabilities, supported by technology, remain a clear differentiator as retailers still contend with these and other supply chain disruptions. Increasing upstream and downstream visibility — and sharing that perspective across functions — has allowed many retailers to gain an early edge when the unexpected happens. And the ability to shift products strategically, implement innovative

fulfillment offerings and onboard new suppliers quickly have all helped softlines retailers protect profit margins while optimally serving customers.

In the fast-moving, unpredictable world of retail fashion, advanced capabilities like AI and ML are necessary to see across the end-to-end value chain, gather enormous volumes of data, weigh multiple decision factors and arrive at a coordinated response across the organization. Blue Yonder’s merchandising solutions are backed by the industry’s most advanced AI and ML, as well as predictive analytics and proprietary forecasting algorithms. No other provider is better prepared to help fashion retailers master disruption — and even turn it into a competitive advantage.



Sustainability never goes out of style.

With so many other challenges emerging in 2020 and 2021, it would have been easy for softlines retailers to overlook the need for sustainable operations. But the fashion industry has prioritized environmental stewardship, in the face of mounting concerns about the waste caused by “fast fashion,” as well as the complex global transportation networks needed to deliver apparel to consumers. Retailers are not only driven by their own sustainability targets, but by consumers’ growing demand for recycled, or recyclable, garments that include eco-friendly fibers.

Across the end-to-end supply chain, softlines retailers are beginning to focus on making smarter, more environmentally conscious choices. This includes both sourcing and disposing of products in a sustainable manner. It’s a complex puzzle of rethinking the use of transportation, warehousing and other physical assets to minimize the consumption of natural resources to reduce emissions and other negative environmental impacts. It also includes rethinking the merchandise returns process to look for ways to immediately resell returned items to minimize waste, while also maximizing margins.

In addition to considering profitability and service targets, Blue Yonder’s AI- and ML-enabled optimization engines can be “tuned” to make sustainable decisions as well. Warehouses can become automated and paperless, and transportation routes can be shortened by moving products closer to the consumer. Assortments can be tailored to feature garments made from recycled or biodegradable materials. Consumers can be incentivized to minimize packaging materials and transportation impacts by picking up orders in-store.

Seemingly every day, fashion retailers are arriving at innovative new practices that improve their sustainability and minimize their carbon footprint. Blue Yonder solutions can be leveraged to support these strategies and help drive autonomous, optimal decisions that reflect environmental stewardship goals.



Blue Yonder's customer-connected merchandising technologies

Enterprise Planning

Blue Yonder's merchandise financial planning capabilities combines data science with ML to model long-term forecasts that predict customer demand, seasonality and non-linear trends for basics and fashion merchandise. These insights empower planners to make faster, more accurate decisions that improve performance.

Reduce out-of-stocks up to 30%

Allocation

Blue Yonder's allocation helps distribute merchandise, with financial plans and strategic assortments as the foundation. It seamlessly connects with seasonal assortment plans and builds intelligent distribution plans over time, including initial assortments, in-season fill-ins and the end-of-season final push.

Reduce inventory expense by reducing need for transfers

Replenishment

Blue Yonder's replenishment simplifies in-season inventory placement and helps retailers dynamically react to changes in shopper demand. Workbenches empower planners with a consolidated view of on-hand, deployed and projected inventory, supported by algorithms that auto-generate intelligent inventory plans across all channels.

Fine-tuned, responsive inventory management

Clearance Pricing

Blue Yonder improves softlines markdown performance by leveraging AI/ML driven insights to determine the most profitable markdown prices for seasonal, end-of-promotion, and de-listed products. Intelligent, store-specific prices that balance business strategy, desired outcomes, and local market conditions.

Intelligent market-aware pricing

Assortment Planning

Blue Yonder harnesses the power of AI and ML to help buyers create the right assortments aligned to shopper preference. Purpose-built for softlines, it's designed to keep up with today's fast retail environment to find the right balance between new fashion and continuity items.

Increase inventory turns & achieve higher margins

Supply Chain Platform

Blue Yonder enables end-to-end visibility and synchronization across the supply chain, from the warehouse to the final sale. This allows retailers to adapt to demand surges, growing e-commerce, resource volatility, and changing customer demand with an orchestrated approach that delivers the most value.

Driving 75B AI transactions a month

Why Blue Yonder? Because customer intelligence is always in fashion.

The Blue Yonder advantage begins with proprietary forecasting engines, algorithms and analytics designed to address the fast-moving, complex nature of fashion demand, with its many decision factors and purchasing influences. While considering internal data, Blue Yonder's unique forecasting engines also help retailers quantify and understand how social media, news, weather and local events drive demand.

Blue Yonder matches that capability with industry-leading capabilities in assortment optimization, allocation and replenishment planning, and pricing and promotions optimization. Backed by Blue Yonder, softlines retailers can create accurate product assortments that match local demand, move inventory in cost-effective and sustainable ways, support profitable and flexible fulfillment schemes, and enable personalized offers that drive both short-term sales and long-term loyalty.

No other provider offers Blue Yonder's comprehensive merchandising solution suite that's designed to focus the entire team on a common view of customer demand — the key driver of retail success.

Respond strategically, at the speed of change.

Working with a shared, near real-time perspective on demand as well as at the upstream supply chain — and utilizing a shared technology platform — retailers have an unmatched ability to sense changes at the earliest opportunity and pivot with speed and accuracy. Whether the change is a port closure that disrupts supply, or a new social media post that sends shoppers racing to the store, Blue Yonder solutions are built to recognize the event and intelligently predict its impacts.

Enabled by AI and ML, Blue Yonder's optimization engines create automated recommendations that balance profitability, customer service, sustainability and other outcomes. Because AI and ML greatly exceed the cognitive abilities of human planners, they can consider enormous volumes of data, support continuous planning and re-planning, and drive fact-based decisions that all stakeholders can agree on.

The world of fashion apparel will always be volatile. But Blue Yonder positions retailers to turn that uncertainty into a competitive advantage, by moving at the speed of change. Blue Yonder transforms art into science, eliminating guesswork and supporting retailers as they pivot with equal degrees of speed and precision. The result? Happier customers, along with higher revenues and profit margins.



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