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Addressing the 5 Key Challenges of Inventory Optimization

Today's digitally savvy consumers expect to be satisfied at every point of the shopping journey.

They want unique products, helpful item information, attractive prices, loyalty rewards, omnichannel services — and being in-stock on that SKU in whatever channel the customer chooses, delivered or available for pickup wherever she prefers. When retailers don't deliver on these expectations, they risk lost sales and lower overall customer lifetime value (CLV).

Retailers that are proactive and responsive when it comes to inventory accuracy will reap 5 key business benefits. Is your organization up to speed on the latest inventory accuracy initiatives?

5 Business Benefits of Accurate Inventory

① More Sales

CHALLENGE

If shoppers don't have access to real-time inventory information, they can't make the decision to buy. Stock is left on the shelves and in DCs, then later marked with reduced prices to make room for next season's merchandise. The fact is, the average retail store's inventory accuracy is a startlingly low 65%, according to a _recent academic study from Auburn University_[1], which sets up retailers to leave significant sales on the empty table — not to mention dissatisfied customers.

WINNING SOLUTION:

Because its average store is approximately 300 square feet, luxury swimwear and ready-to-wear apparel brand Vilebrequin turned to Cegid to enable on-demand omnichannel services such as endless-aisle (also called store-to-web). Now in its boutiques across the globe, sales associates use Windows tablets to show their customers items not available in the shop, virtually expanding assortments to capture more sales. As Vilebrequin added new omnichannel offerings, its digital sales doubled and doubled again. This was made possible through a unified approach to commerce, where stock, orders and customer data are centralized and visible to the retailer in real time.

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2 Improved Loyalty

The cost of acquiring a new customer[2] can range from five to seven times the expense of keeping an existing one. The probability of converting a new customer falls in the 5% to 20% range; for existing customers, it's between 60% and 70% — making sustained loyalty a key component of long-term success.

After designer fashion brand Paul Smith rolled out Cegid's Retail and POS solution as the right cloud-based retail platform to support its global footprint, the brand became far more agile and responsive to consumer needs. Inventory visibility increased by 90%. The solution also empowered the brand to pursue mobile POS and deploy a new tablet showroom initiative to improve customer loyalty.

3 Decreased Out-of-Stocks and Overstocks

If an item is out-of-stock (OOS) in a store and the store is not able to locate the item in-stock at a different store, 72% of consumers will switch to a competitor, according to an IBM study[3]. Apparel retailers are losing up to 9% of same store sales due to poor size and inventory control.[4]

The 16 stores inside the Baltimore Ravens' M&T Bank Stadium must ensure they maintain enough stock to continually meet demand in the crush of the halftime shopping rush. Using *Cegid's Retail solution*[5], the Ravens' retail operation has optimized its inventory, ensuring it has the right inventory in-stock and can replenish orders accurately. As a result, the Ravens now enjoy improved insight, fewer out-of-stock items, increased sell-through percentages and increased productivity.

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④ Better Inventory Visibility

CHALLENGE

As many as 68% of consumers want the ability to check other-store or online stock quickly, but just 58% are satisfied with retailers' current ability to provide this capability, according to *PwC's Total Retail 2017*[6] study.

WINNING SOLUTION:

At Intersport, a UK-based sporting goods retailer, affiliated stores in the UK and Ireland phoned in their orders, and because the retailer had no central visibility on stock levels, it took as many as 14 days to fulfill them — potentially missing sales and disappointing customers due to out-of-stocks. The Cegid Retail solution improved inventory accuracy by moving telephone reordering online; and reduced replenishment time from 14 to three days.

⑤ Fewer Markdowns

CHALLENGE

When shoppers cannot view real-time inventory, they are less likely to complete purchases at peak times and peak prices, thereby triggering the need for retailers to offer discounts and promotions to move merchandise. Indeed, if inventory can be purchased on any channel, it decreases the likelihood of discounting stock that doesn't sell in a specific channel. Therefore, opportunities to sell at full price are greater for the brand.

WINNING SOLUTION:

Manual processes and lack of integration between central systems and stores were holding back international 5,500-store sporting goods retailer Intersport's ability to keep up with escalating customer demands. A pilot of Cegid's Retail solution in seven stores quickly proved the value an integrated solution provided to Intersport's store network. The new solution increased full-price sales by better managing inventory throughout the merchandise cycle.

1 Auburn University, RFID Blog: http://blog.rfid.auburn.edu/the-out-of-stock-study-that-changed-the-way-retail-views-inventory
2 Retail TouchPoints: https://www.retailtouchpoints.com/resources/type/infographics/loyalty-program-weaknesses-only-25-reward-engagement3
3 IBM, *2016 Consumer Expectations Study*: https://www-01.ibm.com/common/ssi/cgi-bin/ssialias?htmlfid=ZZE12355USEN
4 IHL, *Out of stock, Out of Luck*, June 2018
5 Cegid: https://go.cegid.com/US-WinRetail_LP_RET_Y2PDF-US.html?src=SIT_US_DDL
6 PWC, *Total Retail 2017*: https://www.pwc.com/gx/en/industries/assets/total-retail-2017.pdf