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The State of Retail Inventory:

The Latest Risks, Opportunities, and Tactics to Create Winning Shopper Experiences

Overcoming Inventory Challenges to Uncover the Optimal Customer Experience

Doing What Retailers Love to Do Best

While retailers all have metrics to meet when it comes to sales and maximizing margins, what makes the industry oh-so-special is the love retail planners have for their customers.

Success is measured by more than numbers on a balance sheet, it's knowing you are delighting your consumers every day by providing them with the products they love.

Whether you sell clothing that helps people look and feel fabulous or beverages that refresh and delight the taste buds, consumer goods that keep households running or electronics that ensure people are connected and entertained–no matter your segment–the products you sell have a direct impact on human lives.

It's the beauty of retail and the shopping experience, and one that remains in the spotlight.

We get it: Meeting demand and delighting customers is why you do what you do.

And, instead of the usual twists and turns in the road, retail planning has become the equivalent of driving down a roller coaster track full of potholes. From supply chain challenges to inventory imbalances, time keeps getting spent on patching those tires.

Consider this guide your roadmap to minimize detours and resources spent on car repairs, as we break down:

Inventory Imbalance by the Numbers

Retailers have spent the 2020s rolling up their sleeves in an attempt to maximize sales and improve the customer experience despite ongoing inventory issues.

As described by Joel Wolitzer, Senior Vice President and Business Development Officer with Rosenthal & Rosenthal, "What happened is that the retailers started to buy a lot more in anticipation of the issues of getting goods and bringing them on shore…And so they were trying to backfill to compensate for the supply chain issues at the height of the pandemic. Now they have a lot of inventory that's not moving as quickly as they would have liked."[1]

Those inventory issues are predicted to remain and have had a direct impact on consumer trust.

Greg Buzek, President and Founder of IHL Group, explains the continued inventory issues retailers face: "From overstocks and inflation to continued supply chain issues, it will be another year and a half before that gets resolved in a level loaded way. Despite these challenges, retailers need to take action now, utilizing inventory and demand planning to rebuild their credibility with consumers."

> **"Retailers need to take action now, utilizing inventory and demand planning to rebuild their credibility with consumers."**
>
> — Greg Buzek, President and Founder of IHL Group

The following statistics break down the numbers behind the inventory imbalance today's retailers are dedicated to overcoming.

An Abundance of Inventory

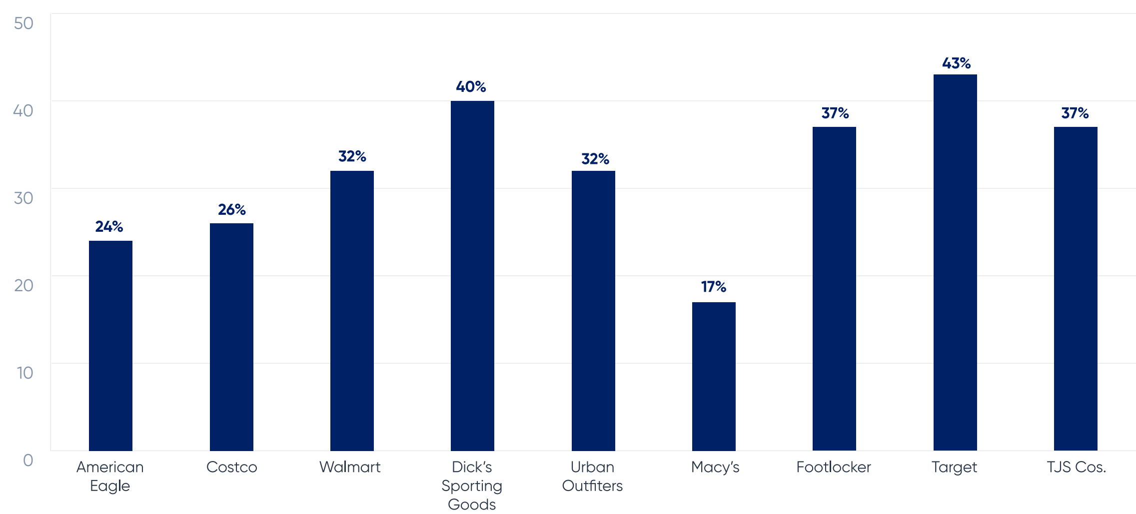
The start of 2022 saw increasing inventory levels across the globe, and analysts explain it will take time before inventory levels return to normal.

In the first quarter of 2022, Walmart, Macy's, and other retailers saw inventories rise $44.8 billion[2], and, on the overstock market, merchandise availability was up 40% in comparison to June of 2019.[3]

Retailers in the UK also saw stock levels as "too high" in relation to expected sales.[4]

In comparison with Q1 of 2021, the following image displays the increased inventory levels of some of the top retailers in the US:

Figure 1



Increased Inventory Levels at the End of Q1, 2022, Compared to the Previous Year

Stockouts Are Still an Issue

Despite so many retailers dealing with excess inventory, customers around the world are still feeling frustrations from stockouts.

Seventy-nine percent of Americans have dealt with product shortages when grocery shopping,[5] and 56% of UK shoppers report feeling that stock-outs are worse than they were during the panic buying at the start of the pandemic.[6]

According to PwC's global consumer study, after rising grocery prices, the inability to purchase a product due to out-of-stocks was cited as the greatest obstacle to both in-person and online shopping.[7]

Figure 2
Stockouts Identified as a Top Issue Affecting the Consumer Shopping Experience

Consumers who ranked the inability to purchase a product due to it being out of stock as one of the top three issues impacting the shopping experience:

Of **online** shopper experiences impacted by stockouts

43%

37%

Of **in-store** shopper experiences impacted by stockouts

Source: PwC

Additional insights from PwC's survey of shoppers across 25 territories demonstrate the actions consumers are taking to find the products they want and need:

- **40%** utilize comparison sites to look for availability
- **37%** buy from multiple retailers in order to meet their shopping needs
- **29%** change the store they usually shop at in order to get the products they typically need

Expert Insights on Today's Inventory Disruption

When times get tough, it's good to know you aren't alone.

These industry leaders break down the reality of retail today, giving commentary on how we got here, how retailers are responding, and the challenges that have planning teams working harder than ever to ensure customer satisfaction.

Working to Predict Customer Demand and Maximize Profits:

"

They're guessing. They're all guessing. And any one of them that tells you they're not guessing, they're lying, because they don't know...The demand levels are entirely unpredictable."

— John McQuiston, Managing Director and Global Head of Originations, Receivables and Trade Finance, Wells Fargo

"

Retailers are falling back to the problems they faced over the last few decades...We are starting to see them chase growth at the expense of profits."

— Simeon Siegel, Analyst, BMO Capital Markets

Excess Inventory:

"

Covid was a time to rethink how you do things, but I don't see many retailers making fundamental changes in their supply chains...They got intoxicated by people rushing back to stores, and went back to their old habits."

— Jackie Ferrari, Founder and Chief Executive, American Fashion Network LLC

"

The just-in-time mentality is broken now, so you're seeing retailers carry more inventory than they traditionally carried."

— Jen Bartashus, Retail Analyst, Bloomberg Intelligence

"

Excess inventory is now a risk the market cares about…The excess inventory element and the associated risk to pricing is less understood and is just now beginning to be reflected in stock prices."

— Mike Wilson, Chief U.S. Equity Strategist, Morgan Stanley

Inflation's Impact on Inventory Optimization:

"

There's a lot of noise out there with inflation and rising [interest] rates. If retailers are able to flush out some of the non-performing goods, they'll make room for strong purchases for the holiday season. But there's only so much room on the floor and in their warehouses to take merchandise in. Which is why importers are facing delays or cancellations."

— Joel Wolitzer, Senior Vice President and Business Development Officer, Rosenthal & Rosenthal

Retailers Utilizing Markdowns to Overcome Excess Inventory:

"

Our current inventory levels, mostly at the Urban Outfitters brand in North America, are higher than we would like and could lead to higher markdowns versus last year's low levels."

— Melanie Marein-Efron, Chief Financial Officer, URBN

"

Maybe you mark it down 20% off. Maybe it's 40%, maybe 50%…And when you do that, your profits get squeezed, and potentially – if you have to mark it down too much – you end up losing money on that product."

— Brian Yarbrough, Analyst, Edward Jones

"

They don't want the clearance to cannibalize the full-price sales of those fresh products…They would rather take the hit, move it through a channel where it can't be compared to their full-price items, and do the best they can with the new fresh product that's arriving."

— Lorraine Hutchinson, Retail Analyst, Bank of America, on why full-price retailers need to mark down slow-movers.

The Latest Inventory Challenges and Risks

Life is full of risks to minimize and challenges to overcome. We conquer these difficulties with lessons learned in our journeys to date, wisdom from others, and a determined tenacity.

Today more than ever, the same principles apply to retail planning. Companies are selling and fulfilling through more channels and facing continual supply chain disruption. This complexity is intensified by the post-COVID inventory bullwhip, surging fulfillment costs, and inflation.

Retailers must overcome the following seven threats or face:

- Poor customer experience
- Lost sales and diminished customer loyalty
- Working capital tied up in wrong inventory
- High expediting costs chasing evasive supply and maneuvering inventory to alternate locations
- Fewer inventory turns
- Markdowns and obsolescence which drag down profit margins
- Threatened top-line revenue

1. Unpredictable Consumer Spend

Even in the most stable times, predicting consumer demand will always come with its challenges.

Accurately forecasting customer demand depends on predicting:

- How much consumers are spending
- What categories they choose for discretionary spending

In the 18 months leading up to the 2021 holiday season, the share of household spending on retail goods increased for the first time in 60 years.[8]

With consumers spending so much on their favorite brands, retailers needed to spend $39 billion to return to inventory levels seen during pre-pandemic days.

It took less than a year for the pendulum to swing in the other direction: Consumers are not only buying less thanks to inflation and other economic factors—there's also a shift in how they choose to spend their hard-earned cash.

Instead of the goods bought from retailers, people are now using their discretionary spend on activities such as travel and dining out.

Goldman Sachs cites goods consumption still 5% higher than pre-pandemic levels, but down from a peak gap of 15%.[9]

Kathy Bostjan, Chief U.S. Economist at Oxford Economics, explains, “We are just in the early stages of seeing the rotation of consumer spending from goods to services. As time goes on, you are going to see more of that. Food services are quite strong. Travel is picking up, airfares and hotel occupancy.”[10]

2. Imbalanced and Excess Inventory

From continued shortages to excess inventory, retailers across categories have faced challenges in achieving optimal inventory levels.

HSBC analysts identify this as the greatest threat to retailers, explaining that the “biggest risk in our view is the sector moving from inventory shortages last year to a glut as early as H2 this year...With tight inventories, the sector enjoyed some gross margin support (more full-price sales); with supply chains functioning a lot more efficiently now and possibly some over-ordering, we could soon be in a situation in which inventories are larger than what the market can absorb.”[11]

Big box brands made headlines when they experienced those excessive inventories firsthand.

Major retailers including Target and Best Buy have been forced to turn to price reductions to clear stock, with Walmart reducing its prices on over 10,000 products, including kitchen appliances, sporting goods, and home decor.

John Furner, Walmart U.S. CEO and President, shared, “There’s probably 20% of [inventory] if you could just wish away and make it disappear, you would.”[12]

“There’s probably 20% of [inventory] if you could just wish away and make it disappear, you would.”

— John Furner, CEO and President, Walmart U.S.

3. Long and Uncertain Lead Times

It's easy to see why long lead times lead to increased challenges in accurately planning demand.

Yet supply chain disruptions and stockouts can leave you with no choice, particularly when facing fears of shortages, lost capital, and other missed opportunities.

Industry analysts and executives report that production cycles have expanded to over a year, an increase of over four months compared to pre-pandemic production cycles.[13]

Retailers are feeling the sting of long lead times first hand.

JCPenney starts the process for new product design three to eight weeks earlier than it did in pre-pandemic days,[14] and, companies who sell products that require semiconductors have lost billions in revenue due to chip bottlenecks and long lead times. Lead times for semiconductors finally fell one day in June of 2022, but it's still a long 27 week wait for microchips.[15]

> **"There are some signs of supply chain inflation easing and price increases slowing, but other pockets remain...Among key companies we track, NONE posted record-high LTs, perhaps another sign of 'peak cycle.'"**
> — Chris Rolland, Analyst, Susquehanna Financial Group

While forecasters from Bloomberg and the Federal Reserve Bank of New York are showing modest improvements to supply chain snarls, ongoing issues remain with continued port congestion, labor strikes, Covid-19 factory closures in China, Russia's war with Ukraine, and pressures around holiday shopping all posing threats to logistics networks.

4. Inflation

Whether you're a buyer or a seller, inflation impacts every link of the supply chain, making it a word no one wants to hear.

Its impact has already been seen by retailers: Despite a 10% increase in the average selling price of products consumers purchased at the start of 2022, consumers bought 6% less from retailers, resulting in a 2% decrease in the average spend per buyer.[16]

Figure 3
Q1 2022 vs 2021:
General Merchandise Purchase Metrics

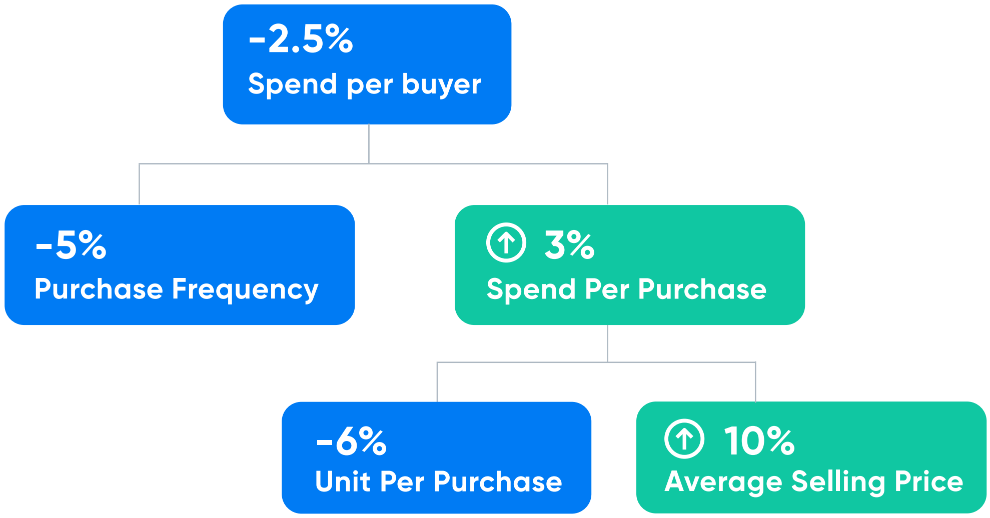


Image source: The NPD Group/Checkout Analytics

Additional data from NPD demonstrates a 5% decrease in purchase frequency, with the prediction that 83% of consumers are planning to reduce their spend due to inflation.

5. Declining Customer Loyalty

A world driven by digital commerce means shoppers have more choices than ever.

E-commerce brands don't require a store lease or staff, lowering the cost to entry. Increased channels for selling and promotions, such as Instagram, TikTok, and other social selling platforms, mean emerging brands have the opportunity to embrace the "virtual browsing" experience on social media—providing even more competition in an already crowded market.

Consumers know they have a bounty of brands to choose from, which has resulted in declining loyalty–particularly in the face of stockouts.

Original research by ToolsGroup and IHL reveals that customer loyalty has decreased across retail categories and shopping experiences, as illustrated in the graph below.

Figure 4

Decreasing Consumer Trust:

Percent Consumer Trust Has Decreased in the Past Two Years

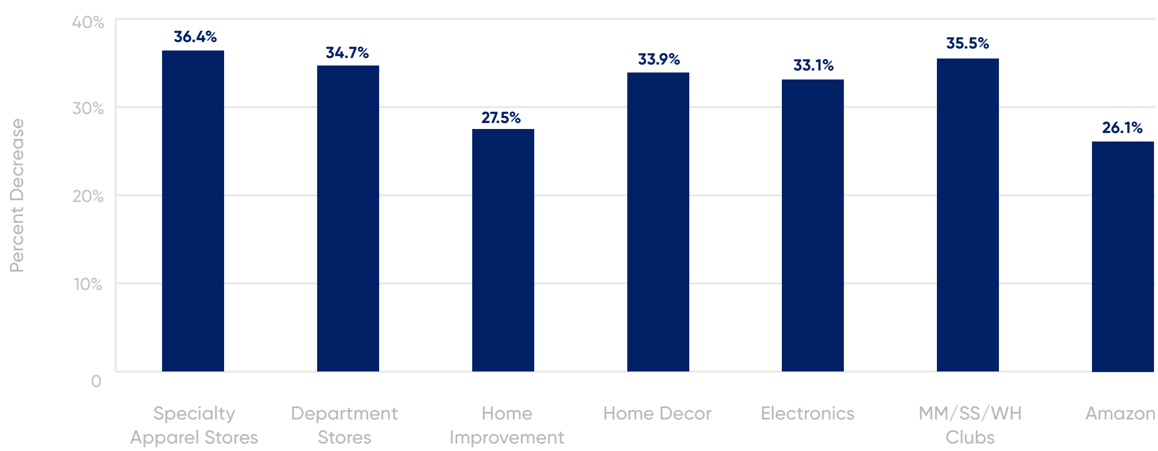


Image source: ToolsGroup and IHL

6. Decreased Operating Income

A number of factors are increasing the operational costs for retailers, including the increased warehouse space needed to store inventory, increased shipping and fulfillment costs due to higher gas prices, and inflation.

The impact this has on decreased operating income has been documented by a number of retailers, including:

- Target, who saw a 43% decrease in year-over-year operating income[17]
- Victoria's Secret, whose operating income fell 37% to $126.9 million[18]
- Walmart, who saw its operating income down by $1.6 billion[19]

Buyers demanding speedy delivery with no additional fees also increases logistics costs: 64% of retail executives see customer expectations for timely delivery as a challenge.[20]

7. Cybersecurity and Bot Operators

With continued cyber threats, retailers who depend on technology to run their operations, market to customers, and sell their products online face a multitude of risks, particularly when 24% of cyberattacks are targeted at retailers–the highest percentage in any industry.[21]

The supply chain that fuels retailer inventory is also a high risk industry. According to the European Union Agency for Cybersecurity, supply chain attacks are a major concern due to the nature of the industry: One attack on a single supplier can trigger a chain reaction that compromises an entire network of providers.[22]

While it may not be as malicious (or illegal) as hackers stealing customer data and thwarting your operations, technology poses additional risks to retail inventory–particularly when it comes to bots.

In regards to supply chain and inventory shortages, Sandy Carielli, Principal Analyst at Forrester,[23] advises "Retailers: Beware of other fraudulent actors looking to capitalize on the crisis. Bot operators will inevitably cash in on the shortages."

"Retailers: Beware of other fraudulent actors looking to capitalize on the crisis. Bot operators will inevitably cash in on the shortages, deploying bots to hoard and resell prized toys, electronics, and other desirable products. To mitigate the risk to their customers, retailers need to step up their game—quickly."

— Sandy Carielli, Principal Analyst at Forrester

Actionable Ways to Overcome Inventory Disruption to Maximize Margins and Customer Satisfaction

The following nine tactics demonstrate ways retailers can utilize technology, communication, pricing, and omnichannel strategies to overcome inventory disruptions and deliver customer experiences that drive long-term loyalty.

1. Optimize Your Inventory and Stock Mix

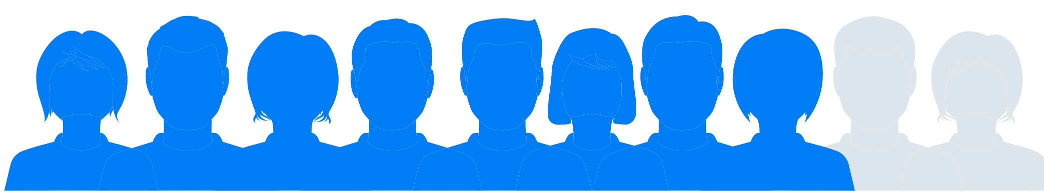
Whether in times of supply shortage or overstocks, it's crucial to get the right products to the right stores or channels where customers want to buy—while also maximizing revenue and profit.

This is true now more than ever, thanks to limitations on customer loyalty and an explosion of digital commerce.

For example, over half of shoppers will abandon their cart entirely and shop elsewhere if there's just one item they can't find.[24]

It's a sentiment recognized by retail leaders, with 80% of retail executives believing consumers will prioritize stock availability over brand loyalty.[25]

Figure 5
8 out of 10 retail executives believe consumers will prioritize stock availability over brand loyalty.



Data source: Deloitte

In addition to improving customer loyalty, inventory optimization enables you to decrease working capital by reducing unnecessary inventory buffers and safety stock. Other cost reduction can be seen from a decrease in backorders, overstocks, and stockouts.

This also improves service levels and delivery times, particularly when backed by AI and machine learning.

2. Embrace Real-Time Inventory Visibility

Real-time, accurate inventory visibility is key for both you and your customers.

Visibility for Retailers

Inventory visibility for retailers ensures that you can identify both fast and slow movers, and adjust your orders accordingly.

Visibility also supports your promotional strategy: Excess inventory can be offered in promotions, ensuring customer satisfaction that discounted products will be available for purchase.

The data and analytics gained from inventory visibility help retailers make more strategic decisions, while enabling them to respond quickly to market changes.

Visibility for Buyers

Within the past year, Google searches for the term “in stock” have been up by 800%, demonstrating the need to display available inventory is stronger than ever.[26]

Research from Google goes on to explain, “Simply put, shoppers expect to find what they are looking for with ease, with many of their searches starting on retailers’ websites even if they ultimately visit a physical store.”

Additional studies reinforce the importance of inventory visibility: 60% of Gen Z customers check in-store availability online before going to make an in person purchase,[27] and, one-in-four buyers avoid stores entirely when they don’t know if a product is in stock.[28]

Figure 6
How Inventory Visibility Affects In-Store Foot Traffic

60% of Gen Z customers sometimes or always check in-store inventory availability online before going to make a purchase in person.

One in four buyers report avoiding stores when they don’t know if a product is in stock.

Source: Global News Wire and Retail Wire

Yet, an evaluation of 2,000 retail websites demonstrated that only 38% of retailers show basic inventory availability on product pages.[29]

3. Improve Allocation and Replenishment

Having the right products in the right place at the right time has always been the mantra of successful retail planning. But having products available "at the right time" has never been more imperative than it is today, when 2-to-3 day delivery times are a baseline expectation for over 90% of customers.[30]

Intelligent inventory allocation, on-order visibility, and continuous in-season planning help retailers maximize sales and margins despite constrained stock and supplier challenges such as late and canceled orders.

Improved allocation also leads to cost savings, offering a tactic to maintain your margins in the face of inflation–without the need to increase prices and risk losing sales.

4. Rethink Retail Assortment Planning

The right retail planning solution can provide guided, strategic open-to-buy target setting that ensures the right localized assortment width and depth. This increases sales and builds brand loyalty, as customers can count on the right items being available.

Perhaps retail consultant Emily Benson put it best, saying, "The only way you make money in retail is through your product assortment; by selling the stuff that you buy."[31]

This is critical to both the online and in-store shopping experience–and beating Amazon. 31% of shoppers turn to Amazon because they like the breadth of its assortment.[32]

In addition, 66.3% of buyers leave stores empty handed because the retailer didn't have the desired products,[33] and 20% of shoppers report product selection as one of the most important factors in selecting an online retailer.[34]

> **"The only way you make money in retail is through your product assortment."**

Figure 7

The Importance of the Assortment Mix in Fostering Purchases

In-Store Shopping

66.3% of buyers will leave stores empty-handed because the store didn't have the items they wanted.

Digital Commerce

20% of shoppers cite product selection (including expensive items) as one of the most important factors when choosing an online retailer.

Localizing assortments also means reducing unnecessary products in stores where customers may not want them.

Recalibrating Your Product Portfolio

Today's demand shifts and inventory variability present a unique opportunity to rethink and rationalize the product portfolio, ensuring you're focused on the more critical subsets going forward.

- Identify the products that are surging in demand versus dwindling and adjust assortment
- Determine the strategic value of each product in your portfolio
- Assess potential opportunities to collaborate with business partners to bring new products to market

5. Assess Your Pricing Strategy

While inflation may ring your inner alarm bell, it can hold an opportunity.

Despite the fears of consumers spending less due to increased prices, 58% of retail senior executives believe inflation can be an opportunity to improve margins.[35]

The impact promotions have on margins should also be considered hand-in-hand with how they can drive brand awareness, earn market share, and drive business growth.

According to Marshal Cohen, Chief Retail Industry Advisor for NPD, retailers must be "well versed in all the conditions influencing their retail channel and their target consumer or they will risk missing growth opportunities."

> **"An appealing shopping environment, displays that make the product pop, and persuasive promotions are necessary to get more items into the basket when consumers do shop."**
> — Marshal Cohen, Chief Retail Industry Advisor, NPD

6. Uncover Top-Line Growth

In addition to improving customer loyalty, optimized inventory gives retailers the opportunity to increase their margins.

When customers face obstacles when looking for the products they want, not only are they more likely to comparison-shop, but one in four global consumers are willing to pay more to get the product they want.[36]

PwC's global survey of over 9,000 consumers across 25 territories demonstrated that one in four people are willing to pay more for the products they want when facing supply chain shortages.

Providing an omnichannel retail experience may be a customer expectation, but it's also an opportunity for business growth and driving a competitive advantage.

When your competitors face stockouts, customers are ready to take their business elsewhere.

Original research by ToolsGroup and IHL reveals that when consumers utilize click/collect or BOPIS, 28.7% of the time, the retailer has been out of stock for at least one item.

Combine this with the fact that, across categories, all it takes is less than three out-of-stock experiences before consumers give up on a retailer entirely[37], and brands who embrace inventory visibility as a part of their omnichannel strategy have an opportunity to gain market share.

Increasing Basket Size with BOPIS

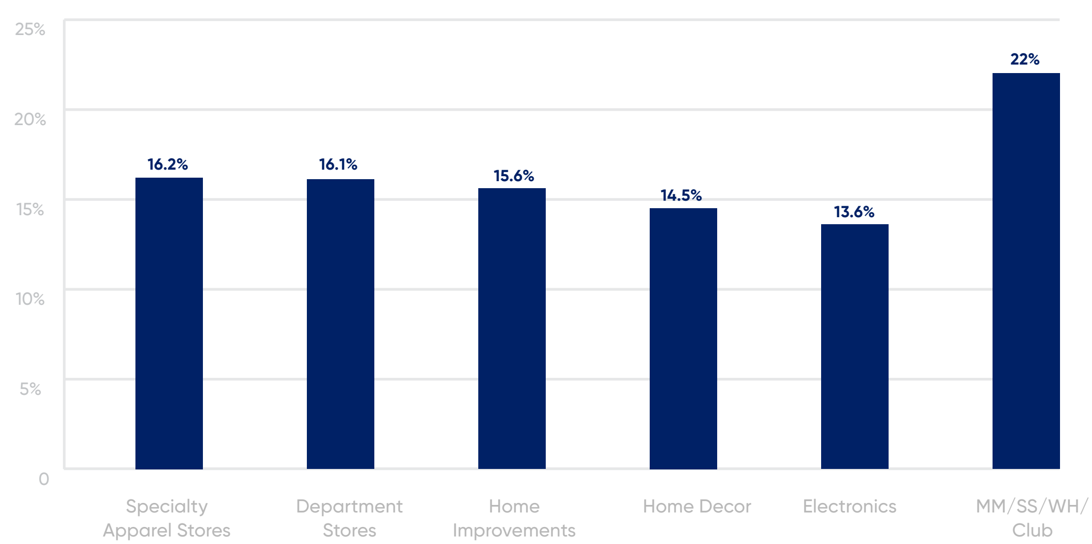
Shoppers love the convenience of curbside pick-up, but it doesn't mean they are confined to their cars when picking up items they ordered online.

Opportunity awaits once shoppers have left their homes to collect their items in person: 85% of consumers report having made additional in-store purchases once they have arrived to pick up the items already purchased online.[38]

Using inventory visibility to support the omnichannel experience, then maximizing on the opportunity to increase revenue once customers are in-store, is a strategy that can be applied across categories.[39]

Figure 8

Percentage of In-Store Impulse Buys



Source: ToolsGroup and IHL

The click/collect or BOPIS experience also provides opportunities to shape demand in relation to excess stock, with 40% of Gen-Z shoppers reporting that in-store displays influence them to add items to their shopping cart.[40]

7. Model Uncertainty in Your Forecast

The one thing retailers can be certain of is uncertainty.

Retailers know healthy inventory starts with a reliable forecast. But, when no one can predict the future with absolute certainty, it's important to plan for the unknown.

Technology provides the ability to more accurately model uncertainties, with an AI-powered probabilistic demand forecast that actually knows it could be wrong and shows you by how much.

This type of digitally-transformed forecast takes uncertainty into account, providing all the potential outcomes and probabilities that may occur.

As a result, your odds of accurate forecasts are exponentially higher: Applying AI-driven forecasting to your supply chain management can reduce errors 20-50%. This, in turn, leads to a reduction of lost sales and product unavailability of up to 65%.[41]

Adding AI-driven forecasting to your supply chain management can reduce errors 20-50%, **resulting in a reduction of lost sales and product unavailability of up to 65%.**

8. Proactively Shape Demand to Available Inventory Options

From your customers to your suppliers, communication is key when dealing with supply chain disruptions.

Communication also provides an opportunity to overcome inventory imbalances by utilizing demand shaping.

Work with commercial teams and use incentives that include discounts, terms, and lead time to shape customer demand, thereby driving customers to want the products you have in stock and keeping satisfaction high.

According to Forrester Senior Analyst Judy Weader, "It's especially important that brands communicate options and alternatives for harder-to-source products and harder-to-deliver services.

"For example, Target has a feature in their mobile app that allows customers to select a 'Backup Item' for certain products. That sets the expectation that the product may be harder to fulfill and it signals that alternatives exist and can easily be swapped in without the customer having to go through any additional steps after they place their order."[42]

"It's especially important that brands communicate options and alternatives for harder-to-source products and harder-to-deliver services."
— Judy Weader, Senior Analyst, Forrester

9. Plan for the Future of Commerce with AI, Machine Learning, and Automation

The more inventory disruptions retailers face, the more important it is to leverage the latest technologies.

McKinsey data demonstrates how merchandising teams can uncover increased efficiency–and the ability to focus on more strategic planning decisions–thanks to automation.[43]

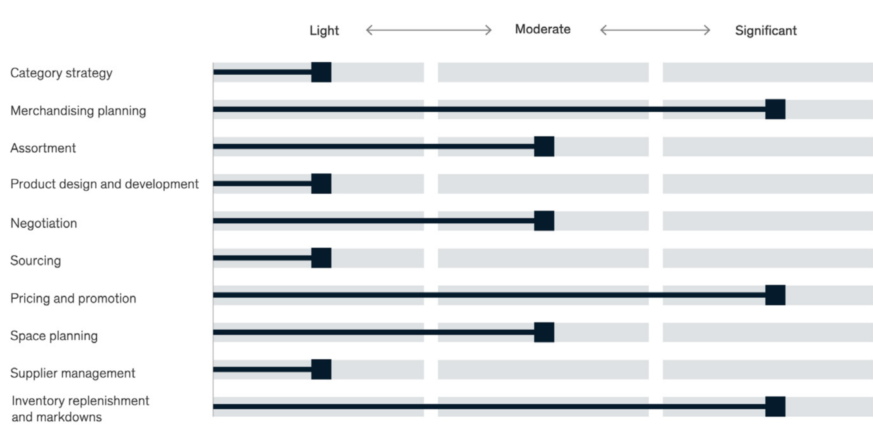


Image source: McKinsey, "Perspectives on retail and consumer goods"

Automation can take an advanced supply chain planning system to the next level by assigning the optimal inventory mix and placement in the network, and allocating inventory where it will sell for the highest margin.

It also supports you when facing stock shortages, with automatically optimized "fair share allocation" to determine the best way to allocate scarce resources until supply can be replenished.

The Future Depends on Data Powered by AI

When looking to the future of retail–and accurately forecasting customer demand–you may not know what's on the horizon, but technology enables you to be prepared for whatever disruptions lie ahead.

With constantly changing demand factors, it's crucial to incorporate outside-in market data, including weather factors and social trends. A self-learning, AI-powered system can use this data to drive store and channel clustering algorithms and localized assortments.

It also gives you the opportunity to leverage demand sensing for daily fine-tuning of your forecast.

And the time to take action in implementing these retail technologies is now.

IHL President Greg Buzek predicts that "Winning the future of commerce will belong to whoever gets clean data. Once supply chain disruptions become normalized, AI and machine learning will become even more critical. Implementing these tools can't wait: Retailers who leverage these systems now will gain a competitive advantage in the present, and build up the data repository needed to leverage these systems in the future."

"Once supply chain disruptions become normalized, the importance of AI and machine learning will become even more critical. Implementing these tools can't wait."
— Greg Buzek, President and Founder, IHL Group

In a world where winning depends on who has the best data, AI enables you to capture events across systems to create a real-time record of inventory.

This centralized availability and eligibility management displays accurate and real-time inventory to any channel or application–at web-speed–giving your customers a consistent experience that builds brand loyalty.

Inventory: The Heart of Satisfied Customers and Successful Retailers

When looking to keep customers engaged with your brand, and still achieve your business and financial goals, it is important to remember that inventory is at the heart of them both.

From the in-store experience and displays to retail media, social selling, and contactless payment, there are endless tactics retailers can use to earn customer's share of wallet.

Yet, inventory is the foundation that every other tactic is built on.

Retail at its core is built on the buying and selling of goods–offering the products customers want and need, and meeting buyers where they want to shop, be it online or in-person.

Without the goods customers want available at the right time and place, the entire foundation of a successful retail operation risks crumbling.

The Heart of Retail Satisfaction:

- **Optimal assortments:** Offering the products customers want
- **Inventory visibility:** Giving customers insights into stock availability
- **Inventory allocation:** Ensuring products are distributed to the ideal location

Unlocking Your Competitive Edge through Optimal Inventory

To meet customer demands despite imbalanced inventory, retailers are turning to retail planning software.

Retail success will always depend on the people who do the work, day in and day out–despite unbelievable inventory disruptions–to offer the products that will satisfy and delight your customers.

Artistic insights, gut instinct, and pure heart are something technology will never be able to replace.

When looking to build on the connection you have with customers, retailers are turning to AI, machine learning, and automation to enhance the work they do to deliver the optimal customer experience.

According to Lora Cecere, Founder of Supply Chain Insights, “For many companies, this is an opportunity to redesign their supply chain flows and take steps to drive digital innovation. Before the rise in variability, supply chains could be managed on enterprise data, and investments in transactional systems were sufficient.

“This is no longer the case. Instead, companies need to redesign supply chain processes to be outside-in and use market data and orchestrate signals market to market.”[44]

Make Your Planning Process Easier

From assortment planning to allocation, AI takes your unique insights and understanding of your customers, then uses them to uncover opportunities otherwise overlooked.

Increased inventory turns and profits, as well as reduced costs and lost sales, are all examples of how retailers are getting better results–without additional effort.

In fact, retail planning tools actually make your day easier, eliminating the time-consuming manual labor of spreadsheets, and giving you increased efficiency and collaboration, while making the most of your inventory and product assortments.

According to one apparel Planning Executive, the software “helps us more efficiently and effectively manage the complexity of planning. Without [it], we would probably require 20-30% more planners to accomplish the same work.”[45]

Figure 9
The Benefits of Retail Planning Tools

Customers using retail planning software report increases of:

10% in efficiency of purchasing allocation inventory

20% in inventory turns for replenishment items

25% in planning efficiency

Source: Hobson & Co. and ToolsGroup

Data Proving the Results of Retail Planning Software

The results of combining the artistic side of inventory planning with the science of machine learning demonstrate how AI can unlock additional profit opportunities when seeking to overcome inventory disruptions.

For example, after implementing allocation software, a global footwear retailer with over 1,150 stores worldwide sold **two million more units on Black Friday than the year prior,** paying for the entire project in one day.

The following data shows the working capital retailers can free up thanks to more effective supply chain management powered by AI.

Figure 10
Measurable Value

Reduce Lost Sales	Grow Revenue	Increase Profits	Reduce Lost Sales	Reduce Cost	Increase Inv. Turns
Through more accurate replenishment planning by **$2.6M** / year	Through standardized and streamlined planning and purchasing by **$5.3** / year	Through more effective pricing and discounting execution by **$1.3M** / year	Through allocating non-replenishment items more accurately by **$1.0M** / year	For replenishment inventory by purchasing more accurately by **$0.8M** / year	Through more effective replenishment planning by **$0.8M** / year

Based on independent interviews by Hobson & Company with ToolsGroup customers.

Retail Planning Technology You Can Trust

To truly understand how retail planning tools can help you overcome demand uncertainties and inventory imbalances, it's best to turn to your peers:

"

Across our entire store network, we're holding about 10% less stock in stores which is impressive. However, the real story is that we achieved this and improved the composition of inventory in stores, meaning a higher ratio of key lines relative to each store's demographic performance. With ToolsGroup we're now seeing opportunities we never had before which is a huge value for us. We're getting better at forecasts and our history continues to become cleaner in a perpetual positive cycle."

— Caleb Nicolson, General Manager Supply Chain, Kathmandu

"

One of the most important changes we see now is a stabilization of the sales lot because we are in stock with the right items at the right store. We are also getting a better handle on our supply chain since it is based on actual needs now. We are holding the stock in our distribution centers and not in our stores."

— Neil Muller, Head of the Project Management Office, Ackermans

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Out-of-stocks equate to lost sales, and lost sales equate to lost customers. The system has drastically reduced out-of-stocks and increased our GMROI (gross margin return on investment) at most stores. We're now seeing sales lift on SKUs that were previously plagued by out-of-stocks."

— Jennifer Petrash, Demand Planning Manager at ABC Fine Wine & Spirits

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Using ToolsGroup as our source of truth for real-time inventory data has unlocked new supply chain capabilities for TORRID. It has helped us improve the customer journey by exposing real-time inventory from stores, enabling experiences like 'shop-by-store' and allowing us to leverage this inventory for fulfillment."

— Parvinder Singh, Head of Information Technology, TORRID

"

Before ToolsGroup, my team invested a colossal effort for a small payoff. Now the situation is reversed. The chief reason ToolsGroup frees up our time is that we now trust the output. This means we can spend more time looking at the genuine exception SKUs rather than having to question everything."

— Senior Inventory Planning Manager, ECommerce Home Goods Retailer

Take the First Step to Better Inventory Optimization and Customer Experience

As consumer expectations continue to evolve, retailers must follow suit.

Spreadsheets may have served their purpose in the days before digital commerce and omnichannel retail, but today's shopping experience has undergone a transformation. These factors, along with supply chain shortages, excess inventory, and other socioeconomic considerations contribute to the need to advance retail planning practices.

Preserving and growing market share requires technology that can truly optimize your inventory and planning process, while providing consumers with the inventory visibility they demand.

Capitalize on Your Inventory Opportunities Today

Learn how you can improve inventory imbalances with expert guidance from the retail planning solution trusted by brands across the globe, including Tommy Bahama, Chewy, Clas Ohlson, Cole Haan, Kathmandu, Rue 21, and more.

Take the first step in your journey to improved customer experiences and increased working capital: **Get in touch now.**

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Report Sources

The insights contained in this report contain data from the following publications:

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About ToolsGroup

ToolsGroup's innovative AI-powered solutions enable retailers, manufacturers, and distributors to outsmart supply chain uncertainty and deliver inventory performance from source to customer doorstep to maximize revenue and profitability. Our planning suite optimizes and automates supply chains to unlock powerful business improvements in forecast accuracy, service and inventory levels, and financial KPIs, to empower a new level of intelligent, flexible decision-making. Stay in touch with ToolsGroup on **LinkedIn, Twitter, YouTube,** or visit **www.toolsgroup.com.**