

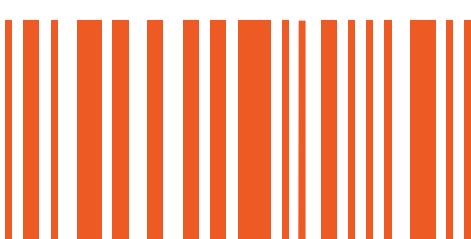


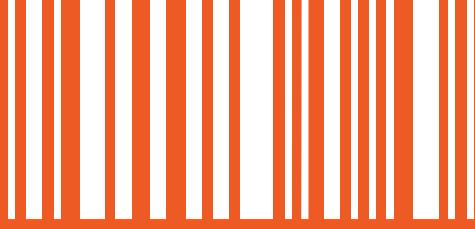
GreyOrange



REVOLUTIONIZING FASHION RETAIL

Achieving channel agnostic intelligent
inventory allocation with GreyMatter to
drive omnichannel excellence.





Introduction

The fashion retail market in 2023 is facing a range of challenges that necessitate a re-evaluation of fulfillment operations. Inflation headwinds and a complex geopolitical background have created an environment of uncertainty and risk for fashion retailers. As the initial surge of e-commerce growth driven by the pandemic begins to normalize, the direct-to-consumer digital model that propelled many brands over the past decade is losing its luster. While online channels remain important, especially in the luxury segment, shoppers are expressing a strong desire for brick-and-mortar experiences. This shift in consumer preferences and the need to adapt to changing distribution channel mixes highlight the importance for fashion retailers to rethink their warehousing strategies.



The fashion retail sector is set to increase its revenue to exceed

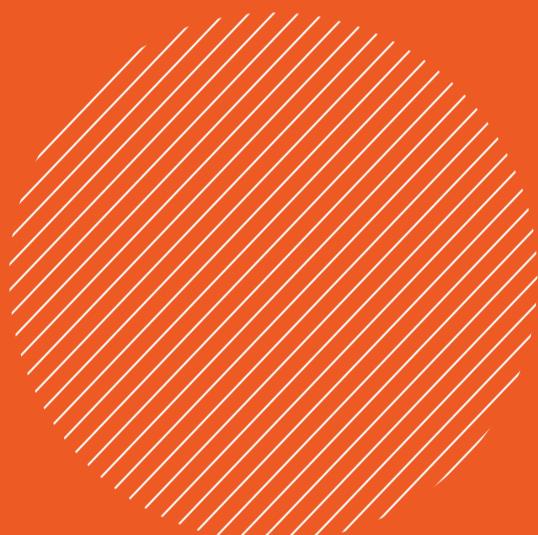
\$1.7 trillion in 2023



and is looking ahead to add \$50 billion y-o-y until 2027 with an annual growth rate of 2.8%. Its total revenues are set to surpass

\$2 trillion by 2028

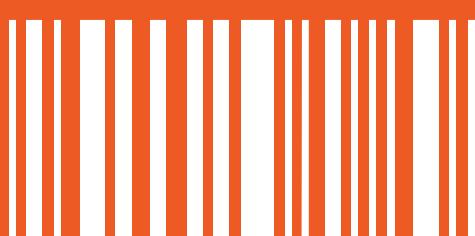
according to Oberlo Research.

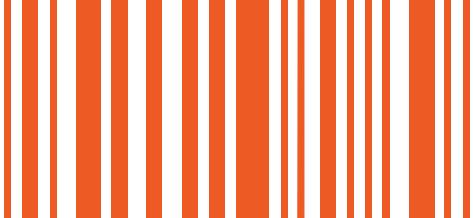


Overall e-commerce sales is forecasted to grow by 56% over the next few years, hitting

\$8.1 trillion by 2026.

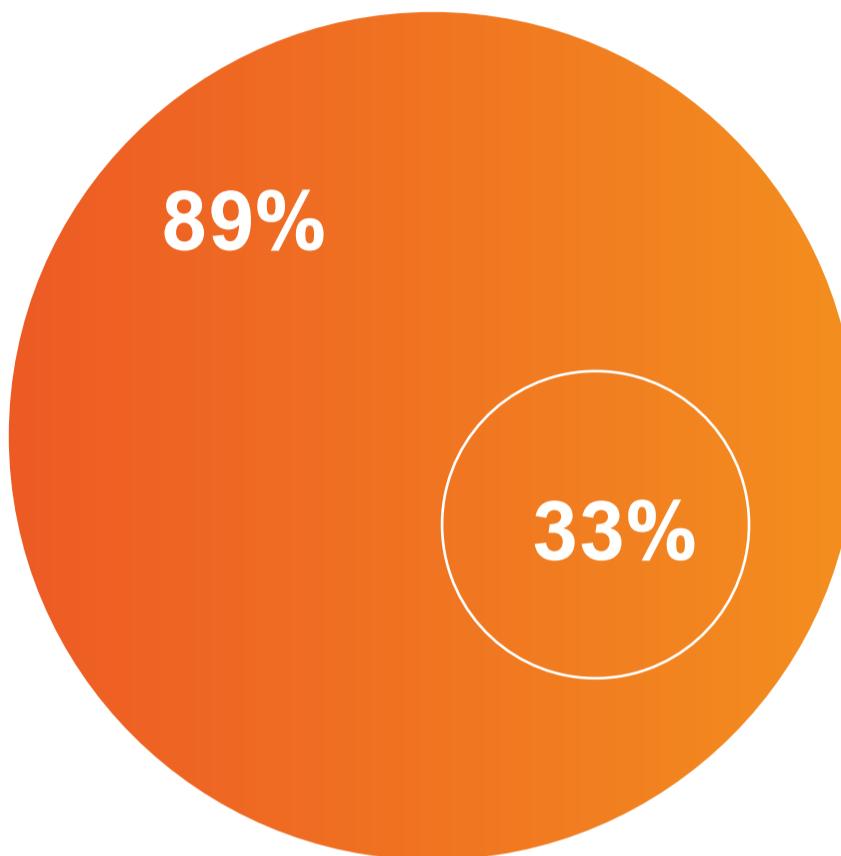
While omnichannel customers represent only **7%** of all customers, a they generate **27%** of all sales





The world's leading fashion houses are propelling themselves into the future by implementing intelligent inventory allocation with one secret sauce—End-to-End Omnichannel Automation.

To thrive in this evolving landscape, retailers must optimize their inventory management, streamline fulfillment operations, and find the right balance between online and offline channels to achieve an ideal Total CPU level.



Companies with omnichannel customer engagement strategies retain **89%** of their customers, compared to a **33%** customer retention rate for companies with weak omnichannel strategies.

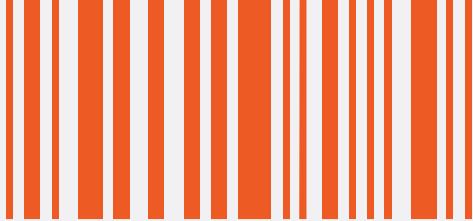
Factors specific to fashion industry that directly impact Total CPU -

- **Efficient Inventory Management:** Having a centralized view and maintaining real-time visibility and accuracy of inventory across multiple channels optimizes order fulfillment, minimizes stockouts and overstocking, reduces costs associated with inventory carrying, ultimately impacting the Total CPU.
- **Streamlined Order Fulfillment:** Optimization of picking & packing to reduce order processing times, and implementing a flexible channel strategy has a significant impact on the Total CPU.
- **Returns management and reverse logistics optimization:** Driving down costs associated with return handling, restocking and consolidating returned items helps reduce labor and operational costs, positively influencing the Total CPU.

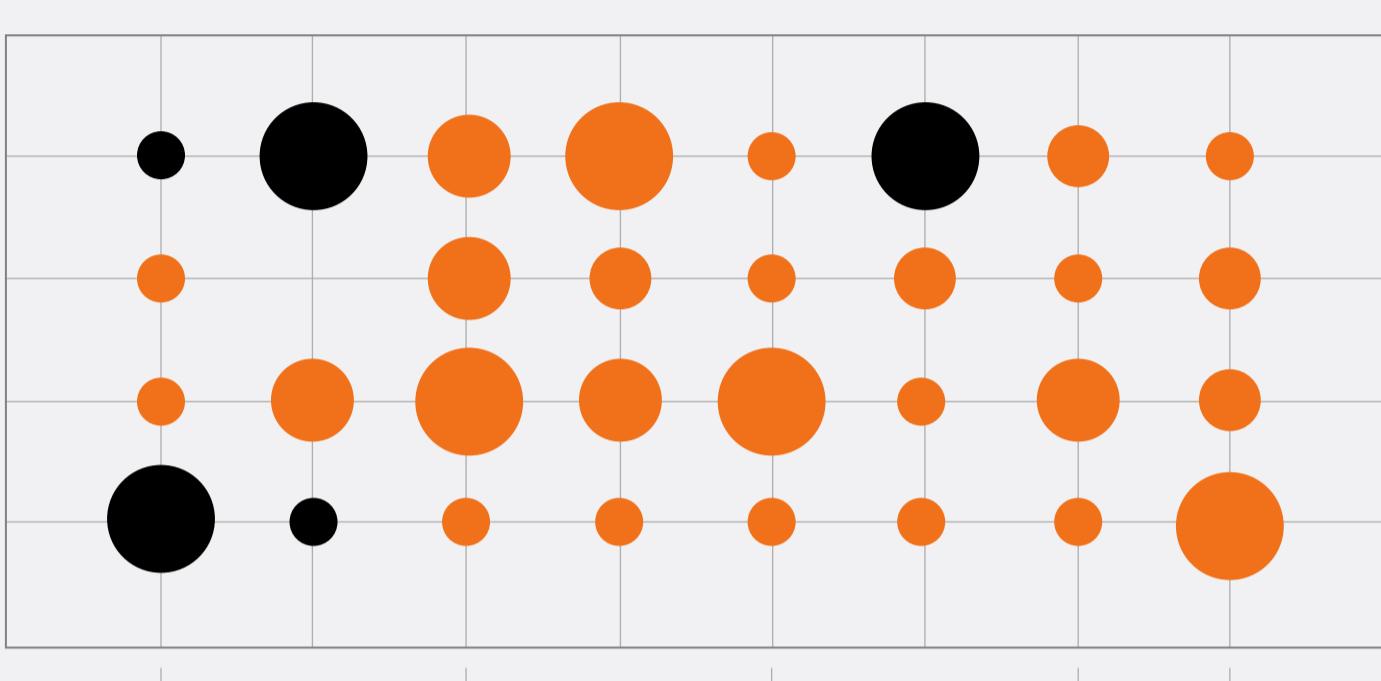
Fact-check: What is Total CPU?

Total CPU or Total Cost Per Unit is defined as the overall expenses incurred in producing and delivering each unit of product. By analyzing the total cost per unit, companies can evaluate the efficiency of their operations, identify cost-saving opportunities, and make informed decisions to optimize profitability, sustainable growth and offer competitive pricing to customers. It is the single most important metric that retailers are trying to optimize to fulfill omnichannel orders effectively in today's fashion retail environment.





The Omnichannel Fashion Retail Trend Snapshot



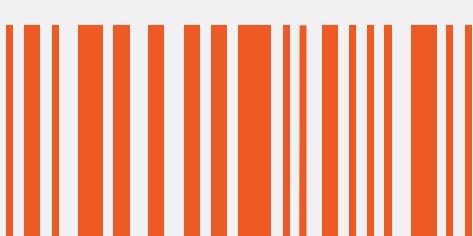
TREND

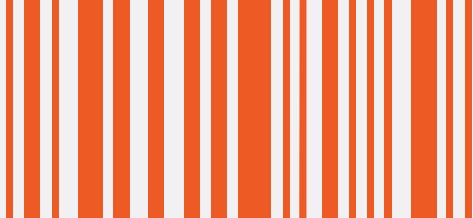
With the normalization of e-commerce growth following the pandemic boom, the D2C digital model that propelled brands is losing its luster as shoppers, while still valuing online channels, expressing a desire for brick-and-mortar experiences.

Impact: The profitability of the online direct-to-consumer (DTC) channel is being impacted by the increase in digital marketing costs and the rise in online return rates, which result in substantial costs for brands averaging between **\$21** and **\$46** per returned product.

CHALLENGE

Allocating common stock across channels with purpose becomes a complex task as brands must ensure they have sufficient inventory available both online and in physical stores to meet customer demands.

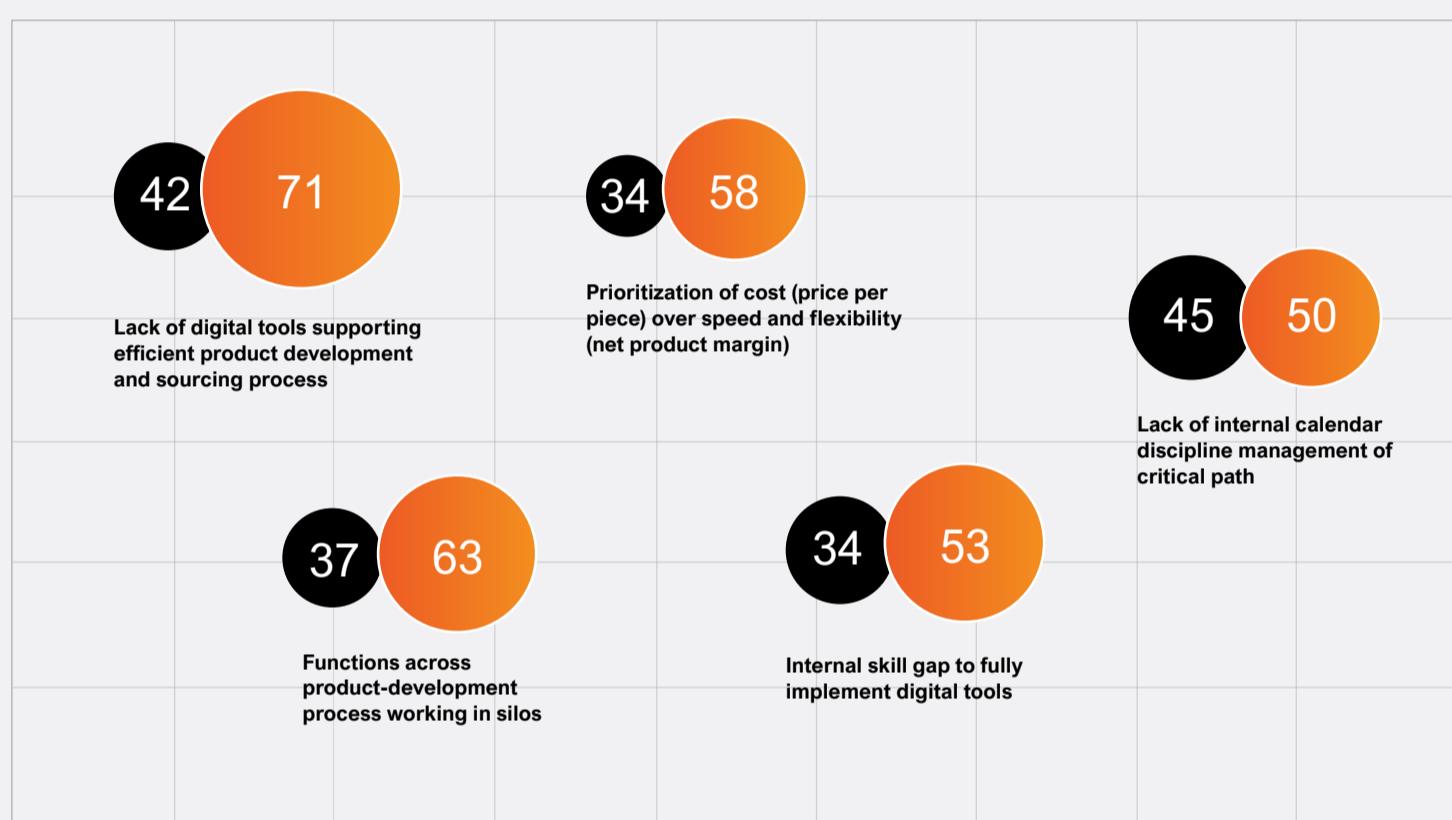




TREND

The escalating anticipation of consumer demand volatility, coupled with the urgent need for speed, flexibility and cohesiveness in managing these fluctuations, is emerging as a prominent trend in the fashion industry.

As a result, Fashion houses are compelled to optimize their inventory split between e-comm and retail post COVID-19 imbalances.



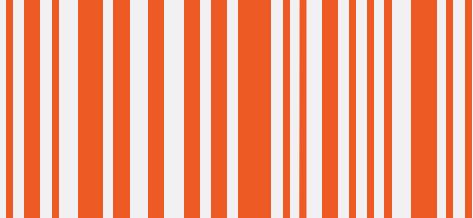
Source: <https://www.mckinsey.com/industries/retail/our-insights/revamping-fashion-sourcing-speed-and-flexibility-to-the-fore>

CHALLENGE

This trend poses a significant challenge for fashion companies as they grapple with poor, unpredictable volumes resulting from a high amount of stocked inventory and consumer hesitancy citing pricing pressures. Consequently, the Total CPU¹ for fashion companies is on the rise, not adjusted against selling prices and drives down profitability, meaning that retailers need to find the optimal split between e-commerce and retail orders such that Total CPU isn't affected.

1: Total CPU is defined as overall expenses incurred in producing and delivering each unit of product.

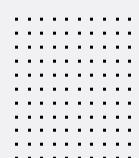




TREND

Fashion outfits are embracing a "less is more" approach to assortment planning and design decisions, given that most retailers overstocked because of over-predictive demand during the pandemic, wherein inventory was balanced between two channels as opposed to having a single inventory view, and allocating common stock across all channels.

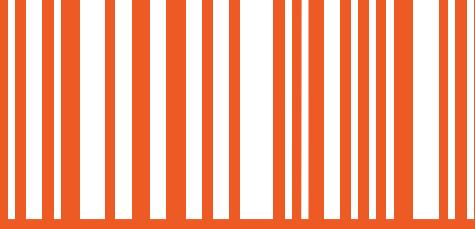
Retailers have begun prioritizing in-season reactivity and reduced product complexity, thereby recognizing the importance of warehouse design criteria to effectively tailor their inventory assortment across multiple channels.



CHALLENGE

Fashion companies need to ensure that the right products are available at the right time and in the right quantities for both online and brick-and-mortar channels. This requires accurate demand forecasting, real-time inventory visibility, and efficient order fulfillment processes.

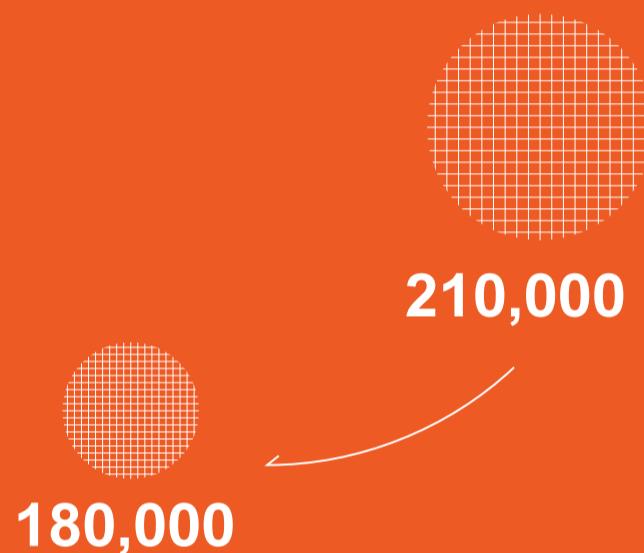




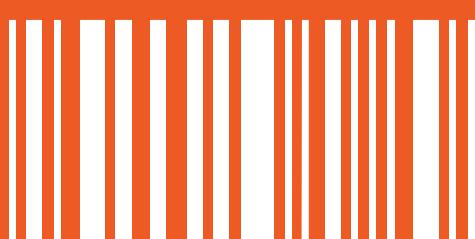
Case Study: How we took the 2nd largest global clothing retailer's omnichannel operations to new heights, reducing the Total CPU to under \$1.

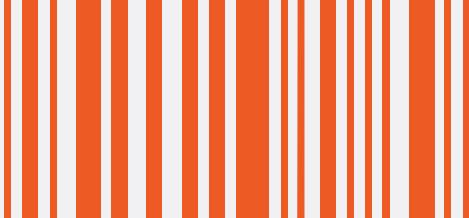
The Challenge: Doing it all under one roof (and then some)

Through GreyMatter's solution, the fast fashion apparel retailer successfully addressed their SKU proliferation and disjointed order processing challenges. By consolidating their omnichannel operations into a single facility and merging their retail and online SKUs, they were able to reduce the SKU count from **210,000** to **180,000** in common stock for both channels with one single inventory view.

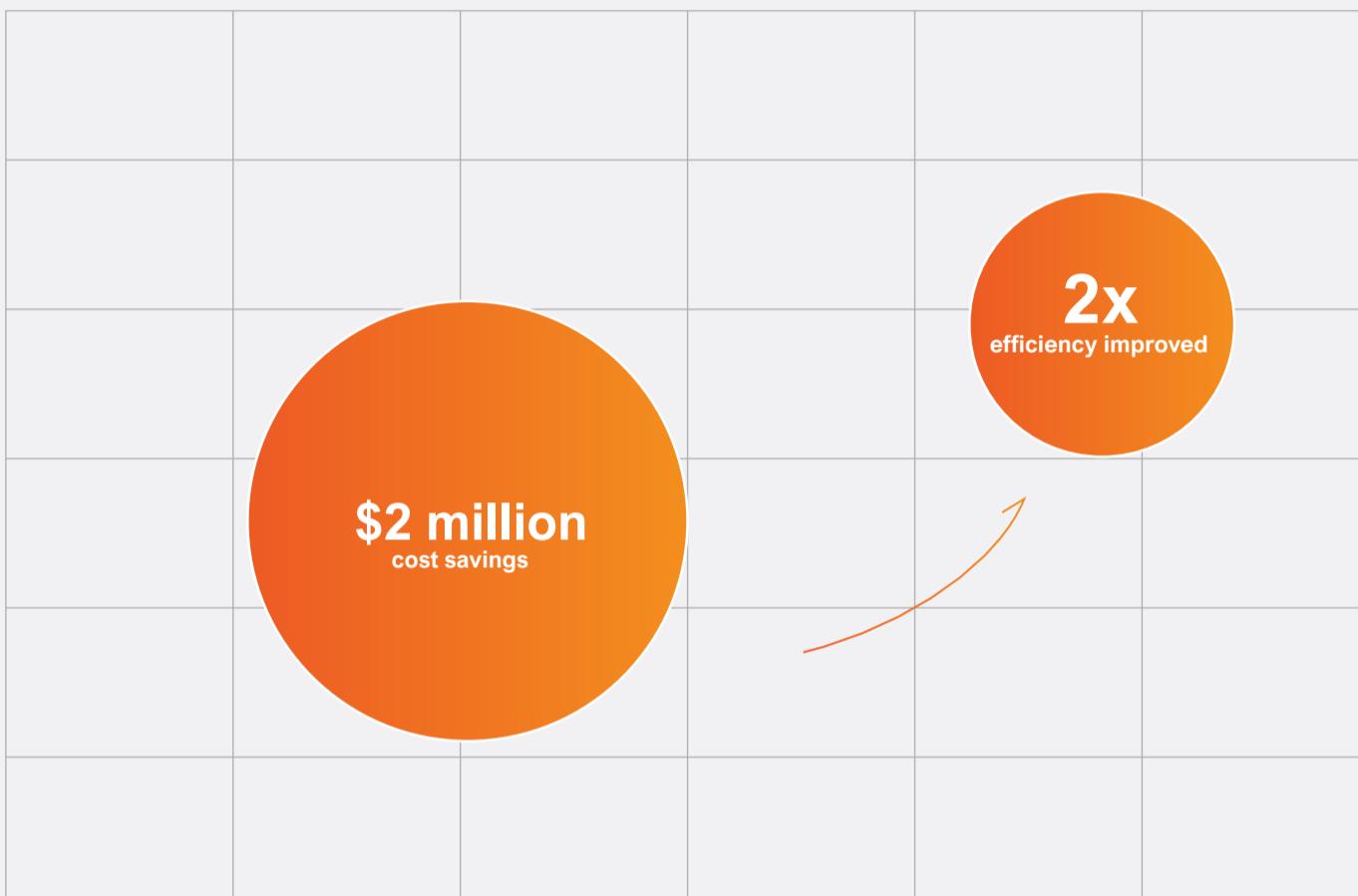


Not only did they improve their productivity rate by **2x** compared to manual processes, boosting their throughput rate to **400 pieces/hr** for all channels compared to manual systems that previously allowed them to fulfill **171 pieces/hr**





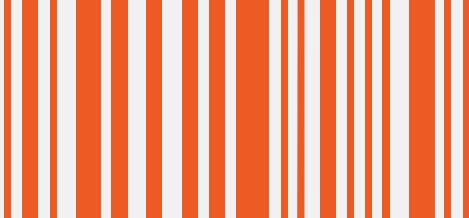
All this, and with twice as less manpower resources required, the facility's robust omnichannel operation helped streamline inventory management and allocation processes, resulting in improved efficiency of **2x** and total yearly cost savings of **\$2 million**. With GreyMatter's assistance complemented by AI-powered Ranger™ robotic agents, the retailer ultimately achieved a significant reduction in their Total Cost per Unit, bringing it down to less than \$1.



Additionally, by optimizing tote utilization, optimizing downstream and in-store processes by streamlining pick processes in the warehouse, the retailer experienced faster order fulfillment, enhancing customer satisfaction and overall operational performance.

By addressing these challenges, GreyMatter's solution enabled the retailer to achieve a unified and optimized inventory management system, effectively supporting their goal of true omnichannel integration and improving overall operational performance.

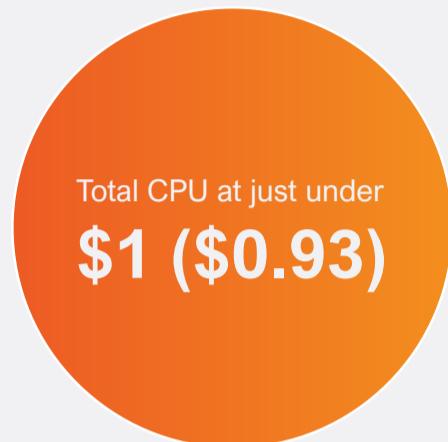




The Solution brought to life

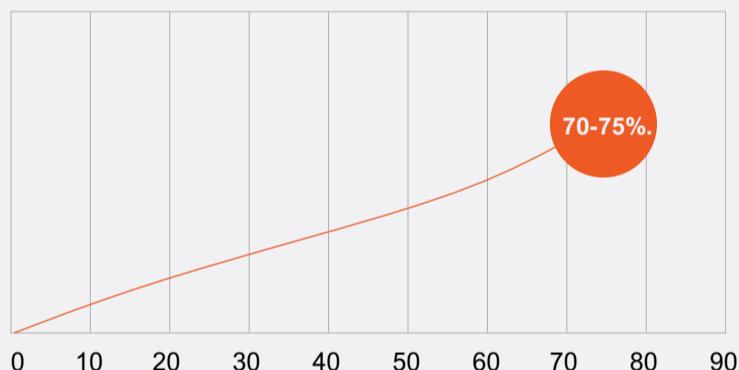
Total CPU Optimization:

GreyMatter aimed to maintain the **Total CPU at just under \$1 (\$0.93)**, encompassing both fixed and variable costs. By implementing efficient processes and leveraging automation, we helped the client achieve this target, reducing their overall operational expenses and maximizing profitability.



Intelligent SKU Re-arrangement:

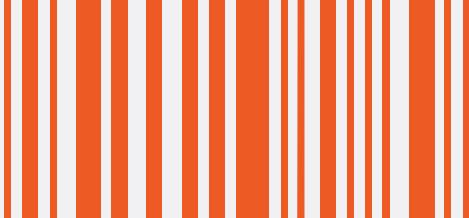
Leveraging GreyMatter's intelligent SKU re-arrangement capabilities and the 'Right Fit Right Now' approach, we optimized the inventory assortment based on demand patterns. This ensured optimal product availability, leading to a remarkable boost in sell-through rates, **reaching an impressive 70-75%**.



True Omnichannel Facility:

GreyMatter eliminated the need for separate inventory areas by introducing virtual division and soft allocation of inventory across channels. This enabled the client to achieve a truly omnichannel facility, breaking down silos and reducing high-holding costs associated with maintaining separate inventories.





Intelligent Agent Orchestration:

GreyMatter's seamless coordination of Ranger™ robotic agents optimizes warehouse operations by dynamically allocating tasks based on real-time demand. With tagged inventory and picking strategies, we minimize idle time, increase productivity, and streamline order fulfillment, sorting, and material movement processes. The result is enhanced operational efficiency and improved overall performance.



Dynamic Inventory Allocation:

Leveraging GreyMatter's intelligent SKU re-arrangement capabilities and the 'Right Fit Right Now' approach, we optimized the inventory assortment based on demand patterns. This ensured optimal product availability, leading to a remarkable boost in sell-through rates, reaching an impressive 70-75%.

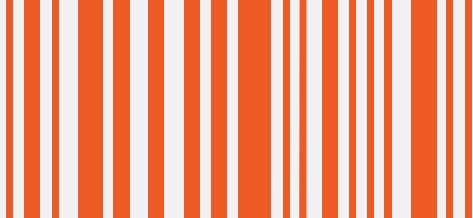
Proactive Analytics and Replenishment:

GreyMatter's robust analytics capabilities empowered the client to gain proactive insights into their inventory management. With our solution, they were able to optimize inventory levels, minimize costs, and maintain sufficient stock to meet customer demand for a specified period, typically 30 days.

Streamlined Operations:

By consolidating inventory allocation within a single storage node, GreyMatter eliminated the complexities of managing separate allocations for different channels. This streamlined approach improved operational efficiency, reduced errors, and enhanced overall productivity.



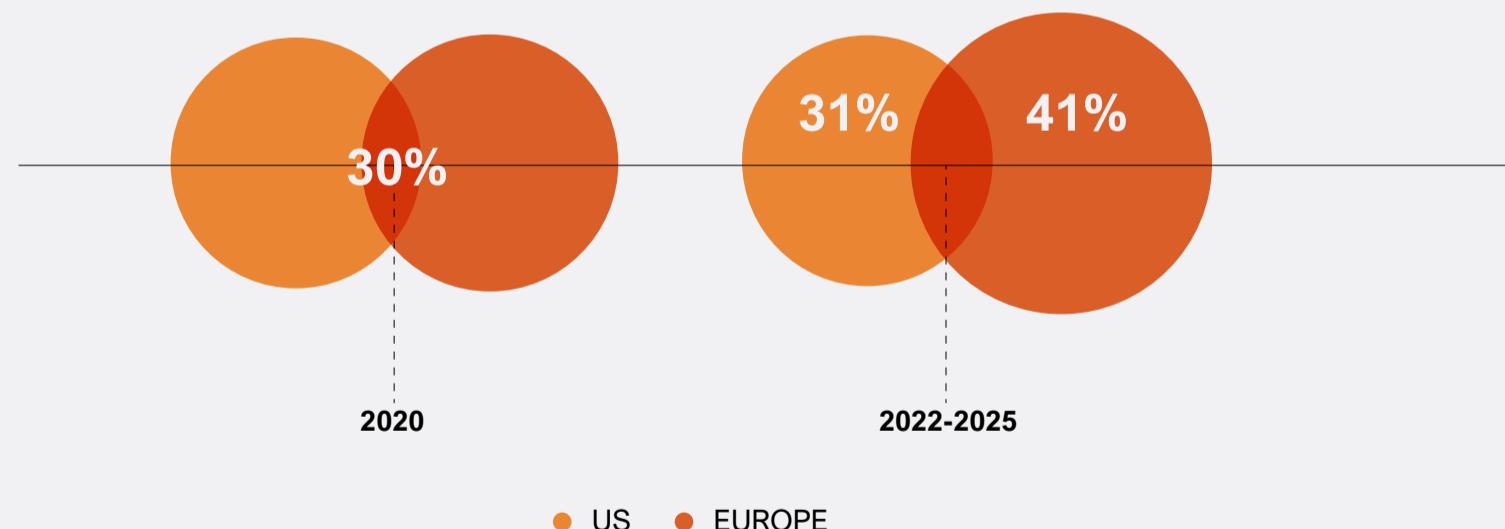


The Result: Supercharged Omnichannel Greatness

With GreyMatter's Omnichannel fulfillment solution, the fast fashion apparel retailer achieved tremendous outcomes. They successfully maintained a **Total CPU below \$1**, resulting in improved profitability. The implementation of intelligent SKU re-arrangement led to a significant boost in sell-through rates, **2x productivity** as compared to manual operations for the same volume and thus maximizing their revenue potential. By embracing a true omnichannel facility and dynamically allocating inventory across channels, they achieved **2x higher efficiency and reduced costs**.

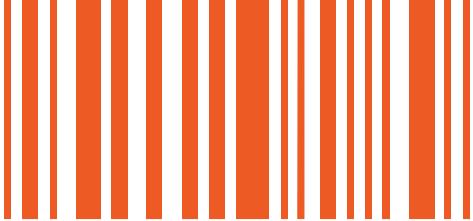


E-commerce grew at an unprecedented rate during the pandemic, but the days of heady growth now appear short-lived owing to unpredictable volumes, volatility in consumer demand as well as the size and variability of baskets.



After online purchases surged **30%** year on year in **2020 in the US and Europe**, a new reality is settling in. Between 2022 and 2025, e-commerce is expected to grow at a compound annual rate of **1% in the US** and **11% in Europe**.





The primary growth drivers in this space allude to the rise of omnichannel dominance, focus on sales growth and profitability, robust plans to seek cost improvements and seamless customer experience.



Cross-channel consumer shopping behavior is becoming increasingly mixed, forcing more brands to turn to further diversification of their channel mix including third-party and wholesale, alongside Direct-To-Consumer.

Fashion businesses are embracing supply chain resilience strategies to adapt to changing market dynamics. They are focusing on enhancing flexibility in inventory management systems and technology by optimizing the mix of style-agnostic and seasonal products. This approach enables them to efficiently allocate resources, maintain capital efficiency and keep their **Total Cost Per Unit figure low**.