

# RESTORING RETAIL CONFIDENCE: RETAIL STRATEGIES TO OPTIMIZE INVENTORY AND CONVERT CONSUMERS

[Barrie Scardina](#) • 6/25/2020



Following a strong holiday season, retailers waited to receive new spring fashion from China. As factories closed in the wake of COVID-19, retailers scrambled to manage late deliveries and understand the impact to early back-to-school receipts due to be placed with manufacturers.

Then the virus spread to Europe, the U.S., and the world and everything changed.

During the pandemic, consumers stockpiled food, paper goods, and cleaning supplies, but apparel, accessories, and footwear sat aging in stores and online with a finite expiration date. Now, as retail around the globe begins to reopen, and vendors and manufacturers return to business, there are sizeable inventory challenges to resolve. Most important, to all involved, is to create solutions that maximize revenues, optimize inventory, and protect the brand image.

## The Short-Term Implications:

Today, as stores reopen, retailers are resetting their floors, taking aged inventory to markdowns, and re-strategizing how to move through summer product. Through month-end May, retailers witnessed a significant decline in sales with women's apparel trending down almost 90% from last year.

## To maximize profits retailers should focus on:

- **Understanding omni-channel capabilities to drive sales.** Retailers need to execute new paths to purchase and fill eCommerce orders from stores to improve inventory productivity, convert customers, and reduce liability. Retailers should understand revenue, expense, and return on inventory investment as they determine which capabilities to support and the technology investments needed to compete.
- **Balancing the consumer journey to maximize margins.** By balancing promotions, liability, and product placement, brands can entice customers with newness and offer great deals on liabilities. Creating a compelling journey online and in store is critical at this time to drive conversion and keep consumers engaged. Make the trip worthwhile to the customer!
- **Developing localization strategies to maximize seasonal stories.** Brands should manage allocations by geography and develop profitable strategies to manage excess. Leverage eCommerce data to understand seasonality of product by geography. Save markdowns for true liability vs. reducing inventory on basics.
- **Evaluating strategies for excess inventory.** Excess inventory can be packed and held to be utilized next year, moved into an outlet channel, or sold to a third-party. Management teams should understand the profitability and brand impact for each scenario. Carrying over excess product for future floor sets is a profitable and productive way to utilize inventory. This protects brand pricing strategies and saves excessive markdown dollars.
- **Reviewing future inventory on order for Fall Transition, Back-to-School, and Fall.** Planning teams should reforecast sales and understand, at a style level, where there is incremental inventory. Retailers can then

leverage their excess strategies to mitigate financial risks.

- **Leveraging temporary or pop-up space to move through liability.** This not only helps brands to move through liability, but tests new markets for future opportunities.

### Longer-Term Opportunities:

While the pandemic created significant challenges in the supply chain and left retailers with inventory imbalances, it also created an opportunity to launch new strategies throughout the supply chain. Do not let this transformational moment pass you by!

1. **Collaborate with vendors and suppliers to improve margins.** Brands should meet with vendors, factories, and suppliers to review everything from communication, timing of deliveries, and speed-to-market. This is an opportunity to work collaboratively and cohesively through the entire supply chain and create competitive advantages. From frequency and timing of fashion deliveries, to holding basic safety stock in fabric, greige, and finished goods, new solutions can be created cross-functionally.
2. **Maximize channel agnostic strategies to improve consumer engagement and conversion.** During the pandemic, brands with nimble omni-channel capabilities were able to pivot and continue to drive sales. Retailers should be able to fulfill online orders from stores, support curbside pick-up, and have product from stores shipped to a customer's home. Today, consumers demand a seamless shopping experience and now is the time to deliver an engaging experience with multiple paths to purchase.
3. **Understand the impact of volatility on your supply chain and distribution network.** Manufacturers and warehouses cannot turn on a dime due to a structure driven by automation, workforce, and production lead time. Begin to model out scenarios and develop contingency plans to create greater alignment and agility as the environment changes. Shifting business from stores to online, as well as developing new omni-channel strategies, may require a financial investment in logistics. New capabilities should drive consumer engagement and lead to competitive advantages.

Retailers have a unique moment to be transformational as they re-open and bring customers back to their brands. From developing new profitability models and supply chain strategies, to creating new ways to engage consumers, brands need to work cross-functionally to develop seamless consumer experiences. The retail landscape is evolving, and brands will need to be agile and forward-thinking to capitalize on new opportunities and compete in a rapidly changing marketplace.

*This is part of the series "Restoring Retail Confidence" exploring the impacts of COVID-19 on consumer behavior and how retailers can evolve to meet these new challenges.*

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