



# Reduce your markdowns

7 ways to maintain your margins by aligning supply and demand

# Step off the high-volume, low-price treadmill

Browse through any online store or shopping mall and you'll see it everywhere. **Massive savings! Reduced to clear! Priced to go!** And although this may be good news for customers seeking a bargain, the cost of these markdowns is the single most important factor affecting retail fashion profitability.

In looking at ways to address this ubiquitous trend, it's important to acknowledge that planned markdowns have been part of the retail landscape for years, with annual or seasonal sales being infrequent and highly anticipated events.

With the growth of low cost manufacturing, however, many retailers have increasingly focused on price as an ongoing strategic point of difference—relying on lower margins to drive greater volumes.

In this “pile it high and sell it cheap” environment, aligning supply with shifting demand becomes almost impossible. With excess stock taking up valuable space and tying up precious capital, frequent permanent markdowns become the option of last resort. Slashing prices and eroding profits just to rescue any percentage of cost.

In this e-book, we discuss 7 ways to step off the high-volume, low-price treadmill and reduce the need for costly markdowns. By delivering the right products to the right people at the right time—and in the right quantity—successful fashion companies like yours can effectively reduce waste, maintain margins, and increase profits.



**On average,**  
30% to 40% of all  
fashion products  
are sold at  
markdown prices<sup>1</sup>

# Know your market

It may seem almost too obvious to talk about the importance of customer insights, but in today's fashion environment where loyalty is fickle and choice is abundant, understanding your market is crucial for aligning supply and demand.

The good news for modern retailers is that technology can help you plan with greater accuracy. Big Data analysis of buying patterns, merchandising strategies, sales results, and constant consumer analytics can all be used to enhance your forecasting ability.

Even more valuable are online tools that allow you to engage directly with your existing customers and gain their opinions through open dialogue. Combining this focus with a comprehensive CRM strategy creates a whole range of ways to gain competitive advantage by fostering a deeper understanding of customer desires.

To help better understand these desires, you may undertake initiatives like:

- Asking customers' opinions on new styles
- Engaging in social media conversations
- Creating blogs to monitor ideas
- Offering new collection pre-orders
- Holding events where customers can be involved



## Closer customer relationships can help you:

- Develop ranges based on feedback
- Build customer loyalty
- Advertise with precision
- Tailor rewards programs
- Create effective promotions
- Tailor content by user

# Embrace customer ideas

## Changes in the relationship between companies and consumers are transforming product innovation

In developing ranges that cater to demand, your customers can be a massive untapped pool of knowledge.

If we look at Apple® Apps, for example, the community has produced far more solutions than Apple could ever have produced alone.

By embracing customer opinions and suggestions, not only can you gain enormous insight and develop more appealing collections, you can enjoy stronger, more lasting relationships.

- A recent study by 3M® found that products developed by customers were, on average, eight times more successful than manufacturer-based designs.<sup>2</sup>
- 77% of innovations in scientific instruments come from users.<sup>2</sup>
- On average, users develop early prototypes five to seven years before manufacturers start working on these innovations.<sup>2</sup>





# Respond quickly

## Limit your losses and fuel your gains

In the business of speed to consumer, where today's success can be tomorrow's failure, planning too far ahead can spell disaster for profit margins. Most collections have a very short lifespan, with the price of garments usually starting to reduce the minute the season begins. And the longer those garments sit on shelves or in a warehouse, the less likely they are to sell at full price—or at any price.

To maintain margins and reduce your need for markdowns, the most important asset you can have is the ability to control supply at a moment's notice. To quickly ramp up stock to meet increasing demand, and scale down production as soon as demand tapers off.

Within an overall objective of maximizing sales at original price, fashion companies are realizing the importance of an omni-channel presence. This approach helps you reach more customers in more ways, and presents new opportunities for better stock utilization and fewer markdowns.

Of course, when you have an omni-channel sales network, it's more important than ever to maintain accurate inventory control. You can do this with collaboration tools and tight supplier relationships. By having every channel connected, your warehousing, forecasting, shipping, logistics, returns, and pipeline data can provide up to the minute inventory accuracy. This can dramatically improve your speed of delivery, demand planning, stock replenishment, and price competitiveness.



**Dramatically improve your:**

speed of delivery   demand planning   stock replenishment   price competitiveness

# Collaborate internally for greater efficiency

To deliver innovative products to your customers with speed and flexibility, you need to create visibility across your entire organization.

## Collaborate across teams

Unify the efforts of creative, technical, and commercial teams using social collaboration to streamline the design, development, and sourcing process.

## Process concurrently

Manage different phases of production to work simultaneously, rather than sequentially. This lets you shorten time from concept to consumer and keep up with the latest consumer trends.

## Reuse more information

Build a library of previous designs, together with the specifications, BOM, sourcing, costing, and construction details.

## Automate repetitive tasks

When you automate repetitive tasks, teams can spend their time adding value by developing and delivering new and better products.

## Control quality

Maintaining a level of quality is not only important for your brand, it can save an enormous amount of time and money.



**By breaking down silos** of information and creating a unified and collaborative environment, you can increase both your responsiveness and your efficiency.

# Integrate your supply chain

Being able to accurately align supply with shifting demand is largely dependent on your relationship with your suppliers

It's important to view these partners as part of your business by integrating your supply chain data with their operations for end-to-end visibility.

With shared information on processes such as sourcing, procurement, conversion, and logistics management, you can achieve a pipeline view that allows you to:

- Follow materials and components wherever they are
- Coordinate schedules in real-time
- Communicate emerging difficulties
- Share contingency plans quickly and clearly
- Ensure suppliers receive and understand demand signals
- Gain insight into scheduling constraints
- Perform tactical and operational planning



**Operating in a connected world** places global resources at your fingertips

The emergence of linked global supply and logistic networks provides enormous opportunity to deliver new ranges and styles with flexibility and speed. Your ability to accurately orchestrate these networks will play a major role in your ability to balance supply and demand.

# Know your network

## Connect your business to expert skills whenever you need them

When you focus on delivering the right products at the right time, you need to be able to manufacture with accuracy, certainty, and efficiency. By having a deep knowledge of supplier capabilities and specialist skills, you can assign the right job to the right supplier, according to the suppliers' respective strengths and location.

Keeping partners engaged is important for building a reliable network; your relationships should be based on mutual interest. The key here is to be important enough to your partners to have influence, without locking yourself into exclusivity arrangements.



## Save the 'soft dollar'

With the right technology and human expertise, the biggest opportunities for cost savings lie outside the factory. Better use of shipping capacity,

electronic customs clearance and making fewer mistakes along the way, for example, can save as much as the entire cost of manufacturing.

# Select a system with social media capabilities

Social media gives your sales and marketing professionals the opportunity to understand more about your customers than ever before. The Millennial generation researches products and services online and shares opinions about businesses like yours with their social networks. Your CRM system needs to have social media capabilities, so you can find your customers online and gather important information from their social conversations.



Social CRM increases the productivity of sales professionals  
**by nearly 12%<sup>5</sup>**

# Why Infor?

We are where you are

- More than 1,700 organizations use Infor® solutions in 90 countries around the world
- Proven expertise in fashion industry best practices
- Leader in user experience
- Support for global requirements with multi-company, multi-language, multi-brand, multi-currency capabilities

“

Through our deployment of Infor SCE, we have achieved our objectives of greater visibility, accuracy and efficiency, which means ultimately, we are able to do more with less.”

BILL JARMAN, CIO,  
Courtaulds UK Ltd.

Contact us today

 [infor.com/industries/fashion](http://infor.com/industries/fashion)

 [solutions@infor.com](mailto:solutions@infor.com)

Overview  
ORDER 12345

	SORT	GROU
	MEN'S PU #2012C	ST
	WOMEN'S #10122A	
	MEN'S PU #30122A	
	MEN'S PU #30122B	
	MEN'S PU #40121C	
	MEN'S PU	



## About Infor

Infor is the world's third-largest supplier of enterprise applications and services, helping more than 73,000 large and mid-size companies improve operations and drive growth across numerous industry sectors. To learn more about Infor, please visit [www.infor.com](http://www.infor.com).

### References

<sup>1</sup> [reporterlinker.com](http://reporterlinker.com)

<sup>2</sup> Victor Fung, William Fung, Jerry (Yoram) Wind, October 2007 "Competing in a flat world", Prentice Hall, USA

### Disclaimer

This document reflects the direction Infor may take with regard to the specific product(s) described in this document, all of which is subject to change by Infor in its sole discretion, with or without notice to you. This document is not a commitment to you in any way and you should not rely on this document or any of its content in making any decision. Infor is not committing to develop or deliver any specified enhancement, upgrade, product, or functionality, even if such is described in this document.

Copyright ©2015 Infor. All rights reserved. The work and design marks set forth herein are trademarks and/or registered trademarks of Infor and/or related affiliates and subsidiaries. All other trademarks listed herein are the property of their respective owners.

INFDTPI450196-en-US-0215-2