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GARCIA Outlets boosts conversions with Smart Supply stock optimisation solution

It takes more than just a great product to win in the fiercely competitive denim market. To get a leg up on the competition, GARCIA Outlets has professionalized all aspects of its operations in the past three years, including stock management. After just a few months, the Smart Supply stock optimisation software from Chainbalance has proven its worth, helping the company boost conversion rates and sales revenues.

Smart Supply automates and optimises stock allocation and replenishment, based on dynamic stock management at the individual store and SKU level.

As GARCIA Outlets continues to grow and expand, Smart Supply helps them make profitable decisions for every store, in every country.

THE NUMBERS

About Garcia Outlets:
· Founded in 1977
· Grown from 20 to 31 outlet stores in three years

About the pilot:
· Pilot started end September 2018
· Full roll out December 2018 before Christmas peak

Benefits of Smart Supply:
· Increase of conversions
· Higher sales revenues
· More accurate numbers
· Satisfied stores
· Easy to use system
· New perspective on inventory
· Foundation to build on

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CEO Sabine van der Zanden

GARCIA Outlets: We are GARCIA
Conceived in Italy, crafted in the Netherlands. GARCIA is the fashion brand with a denim heart. Its sister company, GARCIA Outlets, sells both the GARCIA and Jeans Centre brands through its outlet stores. It defines itself as 'the best affordable alternative for high-end brands.' The company is family owned and was founded in 1977.

Although blue jeans are an essential part of every wardrobe, they face a lot of competition from inside and outside their product segment. GARCIA Outlets seems to thrive in this challenging environment, thanks to its progressive business strategy. In the past three years it has grown rapidly – from 20 to 31 stores – located in some of the most well-known luxury outlet centers in countries across Europe. To streamline operations at this scale, the company has professionalized its buying system, HR system and other areas in the past few years. In 2018 they started looking for ways to make their inventory optimisation system work faster and smarter.

Improving replenishment decisions
As GARCIA Outlets began moving into other countries, their inventory decisions became more complex and difficult. "The fast pace of our growth meant that the inventory we were getting from wholesale was not always sufficient for one-on-one replenishment in the outlet stores. And it was challenging to predict the sales potential in new countries," says CEO Sabine van der Zanden. "Our pace of growth was so fast, we simply had to step-up the speed and accuracy of our inventory decisions to continue to be successful."

The company began conversations with Chainbalance in 2018 and was impressed by the results they had achieved for other retail brands. At the time GARCIA Outlets was doing one-on-one replenishment based on a standard size curve, replenishing one SKU sold at a store with one of the same. They were using software to manage this process, but there were still many manual tasks that had to be performed by the Merchandising Department. As more and more outlets were added, it became more time-consuming and unwieldy to manage the entire inventory process.

Rolled out before the Christmas peak

It was decided to pilot the Smart Supply solution for three key outlet stores and the Never Out of Stock (NOOS) items for all of their outlet stores. One store has the biggest floor space but the smallest stock room so overstock can be a real issue. The company knew that if Smart Supply could work in these stores it could work anywhere. The pilot began at the end of September 2018 and after just two months GARCIA Outlets decided to roll it out to all stores in December 2018 – just before the Christmas peak.

Why Smart Supply?

Unlike one-on-one replenishment solutions, Smart Supply determines stock targets based on actual sales transactions, available stock and individual store settings. The software uses an advanced algorithm to calculate the stock target levels of every SKU on a daily basis, creating orders overnight to realise these levels in each store. This approach to allocation and replenishment better reflects actual consumer purchasing behaviour for individual stores to boost profitability.

Surprising decisions, positive numbers

GARCIA Outlets has strong brand loyalty from its customers, but many people may visit a particular outlet location only once every few months. And research shows that if they are looking at jeans, chances are they will only try on a few pairs during a visit. "These factors make it critical that we have the right stock on hand when a customer does show interest in a particular item," says Van der Zanden. "During the pilot, we quickly saw that Smart Supply was making decisions we would never have come up with on our own. In one store our SKU targets went from 6 to 12 pieces, and they were being sold. That convinced us that the logic behind the system is sound."

Smart Supply has been turning up positive numbers. Van der Zanden: "We see an increase in our conversions and I'm convinced that Smart Supply has played a big role there. We also achieved higher sales revenues over the Christmas period in some outlets and Smart Supply contributed there as well."

The right items in the right place

Merchandiser Anthony Theus has been working at GARCIA Outlets for 19 years, so he understands the challenges of inventory management like no other. Because they are an outlet channel rather than a standard retail channel, they depend on the items received from wholesale. That means they make a lot of ad hoc decisions, depending on what's available at any given time. "Before Smart Supply, we might get 300 T-shirts in from wholesale, which we then had to divide equally over all the outlets that needed to be replenished. Now, Smart Supply gives me a much more accurate number, so I know I'm sending an item to the location that has the highest sales potential. I just put a batch in the system and it divides everything out for me."

The feedback on Smart Supply from the outlet stores has been very positive. Theus: "I used to make a lot of manual calculations and decisions. Because we worked with minimum and maximum target levels, stores were continually calling me about their desired levels for specific articles. I used to spend a great deal of time on the phone with stores and on manually adjusting those numbers. Now Smart Supply does all of those calculations and stores are much more satisfied with the numbers they get, so the calls from the stores have stopped."

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Easy to use
Chainbalance provided three training sessions for the GARCIA Outlet team on Smart Supply. After that, the company had two months to intensively test out the new system in the pilot. "The implementation went great, and it was easy to learn and use Smart Supply," says Theus. "I put new SKU's in the Smart Supply system almost every day and I really appreciate the fact that now I can just enter it once and it works without having to copy it manually to each separate store." He finds the 'event planning' feature very convenient. It allows him to create an event before a holiday or peak period, for example, when additional products can be sent to the stores without the software changing the target levels. Theus: "By just entering the total number of pieces I would like to push to the stores, the event planning feature calculates on the SKU level how many pieces will be sent to each store based on the stock and sales potential per store."

New perspective
Theus: "This tool comes up with suggestions that I would never come up with on my own. For example, in one of the stores we saw jeans targets increasing for our top sellers. Because of that information, we've decided to take out the models and sizes that are not selling and use this space for the top sellers. This new approach has been very successful in helping us leverage our full sales potential in the stores. All in all, Smart Supply gives me another level of information about stock dynamics that has changed how I look at my data and how I make my decisions."

Enthusiastic and supportive
"The Chainbalance team is very professional and enthusiastic," says Van der Zanden. "They are able to explain the technology in a very simple way so everyone understands it. They even gave a presentation during our store manager day to help get everyone on board." Theus adds, "We know exactly who we need to call and they are available if we need them."

A foundation to build on
"Going forward, I hope that Smart Supply will help us see what inventory we can increase and what inventory we need to reduce. Inventory that isn't solid is just lazy money that's not working productively for us," says Van der Zanden. "Smart Supply gives us the data to make smarter decisions as we scale up in the future."

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Merchandiser Anthony Theus

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