WHITE PAPER

Agile Merchandising for Fashion

Turning uncertainty into advantage in **physical retail**

nextail

CONTENTS

FOREWARD

"Today, customers demand more newness, more trends, more individuality, different channels, better customer experience and service. But most retailers are using the same operating models in order to achieve their results.

This white paper is perhaps one of the best articulations of how retailers can capitalize on a substantially changed retail landscape to deliver a better customer experience and enhance profitability. This work sets out how the retail landscape has changed immeasurably in the last 50 years.

In modern retail, agility is key, but not just agility in supply chains. Agile Merchandising is such an evolution from traditional operating models that meets the challenges of the new retail landscape and customer expectations to deliver substantially better results, by predicting the best commercial outcomes from what is happening now, rather than how the assortment was planned. An approach pioneered in practice by the likes of Inditex.

It's time to break the myth of a fixed plan and assortment to produce a continuous assortment: a model in which design, production, allocation, and replenishment operate in near real time, continuously responding to emerging demand.

It's time to more accurately predict that demand at a granular level, in real-time and change in reaction to it is essential."

Simon Calvert

SENIOR UK MERCHANDISING CONSULTANT & DIRECTOR

EXECUTIVE SUMMARY

Fashion retail is operating in an environment of unprecedented volatility. Shorter product lifecycles, fragmented demand, omnichannel complexity, and rising operational costs have fundamentally changed the economics of inventory management.

Yet most fashion retailers with physical stores still operate with a model designed for a more *predictable* world that prioritizes pre-season planning precision and treats execution as fixed.

That model no longer holds.

The cost of inertia is compounding. Retailers locked into static, plan-driven execution face chronic stock imbalances, margin erosion through excessive markdowns, trapped working capital, deteriorating store experience, and mounting sustainability pressures. As networks grow more complex and markets more volatile, these costs intensify, leaving little room for survival.

A NEW OPERATING MODEL FOR VOLATILE MARKETS

This white paper introduces Agile Merchandising as a complete operating model designed for this new reality. While the term is increasingly used across the industry, it is often applied loosely. We define it precisely: an operating model in which in-season decisions are continuously adapted to real demand signals, operational constraints, and commercial objectives, rather than being rigidly executed against a pre-season plan.

The core insight is simple but powerful: In-season decisions, rather than better forecasts, are the primary source of competitive advantage in modern fashion retail.

Agile Merchandising treats pre-season plans as hypotheses rather than contracts. Instead of defending a fixed plan, it operates through continuous decision loops that adapt five critical levers while the season unfolds.

Together, these levers transform inventory from a constraint to a controllable asset.

FROM IN-SEASON EXECUTION TO STRATEGIC TRANSFORMATION

Once these in-season feedback loops are in place, their impact extends upstream. Pre-season decisions (e.g., assortments, budgets, and clustering) become more flexible, informed by live demand rather than historical assumptions. Over time, this learning reshapes planning without requiring a whole reinvention of the retail calendar.

5 CRITICAL LEVERS

1. **Smarter initial allocation** that preserves flexibility through strategic warehouse holdback.
2. **Demand-driven replenishment** guided by real-time signals instead of static rules.
3. **Selective in-season reordering** to scale the products that are working.
4. **Proactive inventory rebalancing** through optimized store-to-store transfers.
5. **Continuous price optimization** to manage velocity, not just end-of-season markdowns.

THE FOUNDATIONS REQUIRED

Making Agile Merchandising work demands specific capabilities: reliable, granular data structured at SKU-store-day level; AI-driven forecasting designed to sense demand rather than predict the distant future; optimization engines capable of evaluating thousands of scenarios against business constraints; automation to sustain decision cadence; and governance mechanisms such as an Inventory Control Tower to steer performance in real time.

Just as importantly, it requires a cultural shift from defending plans to piloting outcomes, from hierarchical intuition to evidence-based decisions, from firefighting to continuous learning. Technology enables agility, but only teams that adopt a new mindset will realize its full value.

MEASURABLE IMPACT ACROSS THREE DIMENSIONS

Retailers that successfully adopt Agile Merchandising typically see impact across at least three levels:

- **Business results:** Full-price sales uplift of 1-3%, with full-price sell-through gains often exceeding 5%. Average in-store stock reductions of at least 5% combined with improved availability. Reduced markdown dependency and stronger margin performance, with material EBITDA gains depending on baseline.

- **Operational benefits:** Time savings of 75%+ in initial allocation creation, 10-20% in replenishment management, 75%+ in transfer planning, and 50%+ in reorder processes. Store operations simplified through leaner stock levels. Critically, teams shift from execution-heavy firefighting to higher-value analytical and strategic work.

- **Environmental benefits:** An ability to adjust inventory to real-time helps increase full-price sell-through translates to less end-of-season waste which may be disposed of or destroyed.

PROOF FROM THE MARKET

The paper examines real-world implementations across the agility spectrum: from ultra-fast algorithmic competitors like **Shein**, to the gold standard of **Inditex**, to pragmatic adopters like **Guess** (transforming legacy global planning), **Decathlon** (leveraging logistics for extreme responsiveness), **Style Union** (embedding agility from launch during rapid growth), and **Flying Tiger Copenhagen** (scaling through automation).

These examples demonstrate that Agile Merchandising delivers measurable results without requiring complete business reinvention.

THE WIDENING GAP

As market volatility increases and margins tighten, the gap will continue to widen between retailers that can adapt in-season and those that cannot. AI agents and increasingly sophisticated systems will further compress decision cycles, making agility not just an advantage but a requirement for survival.

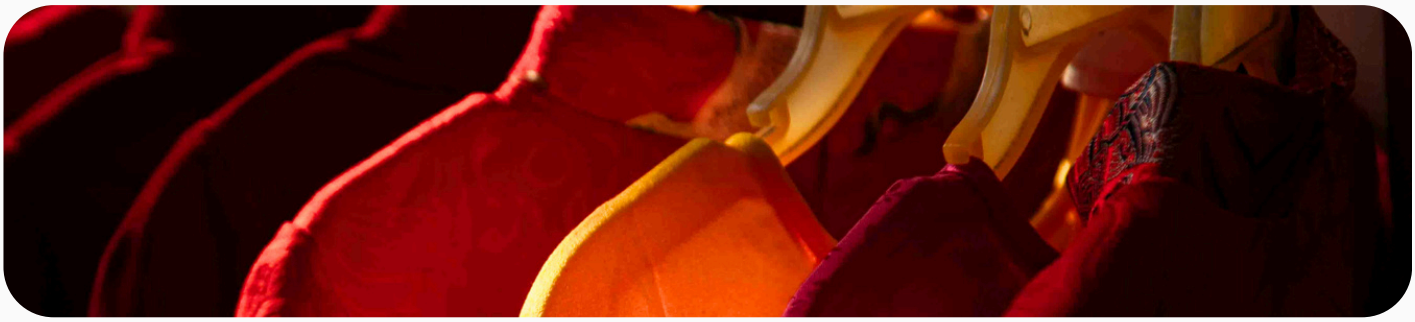
The question is not whether Agile Merchandising is needed, but how quickly it becomes the standard way of working.

For most organizations, the journey starts small: with focused pilots, the right KPIs, and cross-functional alignment around in-season impact. But the direction is clear. Fashion retail has entered an era where explaining results after the season ends is no longer enough. **Value is created or lost while the season is still alive.**

Only those who can sense, decide, and adapt in real time will thrive.

Why the old model no longer holds

Today's fashion retail industry is operating on an active geological fault line. For decades, the sector operated like a slow-moving tectonic plate, assuming demand could be predicted far enough in advance to justify rigid, pre-season decisions regarding their physical store networks.



Buying, allocation, and inventory flows were locked in months before products reached stores, under conditions of relative market stability.

That stability has disappeared.

Consumer expectations have shifted toward speed, personalization, and constant renewal. Omnichannel retail has dissolved the boundaries between stores, warehouses, and e-commerce, turning inventory into a single, interconnected pool.

Furthermore, a flood of fast-moving, experimental and aggressive digital-native brands such as Shein and Temu are increasing competition and complexity to an already volatile retail landscape[1].

At the same time, supply chains have become longer, more global, and increasingly fragile. Disruptions ranging from pandemics to geopolitical instability have transformed lead times from long to unpredictable. Near shoring has reduced some of this exposure and lessened lead times, but often at higher production costs.

Retailers are now squeezed between rising operational costs and sustained pressure on prices, leaving less margin for error than ever.

These pressures extend beyond sourcing. Even once inventory is produced, downstream decisions (i.e., where stock is placed, how it is replenished, and how imbalances are corrected) continue to rely on assumptions of predictability.

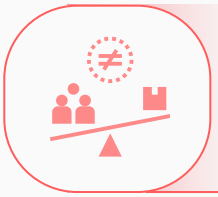
Inventory is still "pushed" aggressively into stores at the start of the season, rather than "pulled" based on actual demand.

The result is a structurally broken retail calendar: early stockouts on winning items, excess inventory on slow movers, and defaulting to the bluntest instrument available, continuous discounting to compensate for distribution failures. Sustainability requirements from customers and regulators (e.g., ESPR in Europe) further reduce tolerance for waste and overproduction.

Today, agility is a condition for survival.

The compounding cost of staying "static"

Given the industrial complexity of today's retail landscape, the biggest price fashion retailers will pay is that of doing nothing at all. Operating with a static, reactive approach carries costs that compound over time and intensify as retail networks grow more complex.

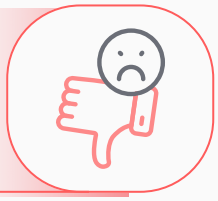


Chronic stock imbalances occur when static models lock retailers into pre-season decisions, creating a mismatch between supply and real demand[2]. Winning products run out quickly (understocks), while slower-moving items accumulate (overstocks). This imbalance creates the illusion of healthy inventory levels despite poor availability.

What follows is **margin erosion**. Excess stock forces retailers into aggressive markdowns, normalizing lower sell-through and training customers to wait for discounts and creating a massive opportunity cost[3,4]. Even successful collections fail to reach their full revenue potential when promotions become the default lever.

Working capital pressure increases as unsold stock ties up cash that could otherwise fund future collections or growth initiatives[5]. Over time, this **financial asphyxiation** limits operational flexibility and increases financial risk through borrowing or short-term financing.

Brand and store experience suffer when stores oscillate between empty shelves and promotional overload. Excessive discounting and old stock creates an "outlet effect," diminishing brand prestige, lowering foot traffic, and weakening long-term loyalty.



Increasing **sustainability targets become harder to reach** as overproduction and end-of-season leftovers conflict with regulatory mandates and consumer expectations (e.g., ESG targets, ESPR[6,7,8]). Every excess SKU represents a missed opportunity to align operations with environmental responsibility and ethical sourcing standards.

Internally, **organization capacity and morale erodes** as planners and allocators are trapped in constant firefighting, relying on manual workarounds and spreadsheets to improve distribution instead of contributing to strategic, high-value decisions. Attrition levels among planners and merchandisers are very high, which results in extra hiring, training, and other costs.

Processes that may work in a single country or warehouse quickly collapse when applied to multi-channel, multi-warehouse, or multinational operations. Likewise, fast-growing brands attempting to expand their physical store footprint will find that static inventory models **inhibit scalability**, as the complexity of managing stock across a growing network magnifies errors and inefficiencies.

The cost of inertia, or "staying static", is both tangible and systemic and only intensifies as networks grow and markets become more complex, leaving little escape.

A complete in-season operating model

Many retailers already recognize the need to react faster in-season and have introduced elements of dynamic allocation, replenishment, or rebalancing. However, the term “Agile Merchandising” has often been used loosely to describe a wide range of disconnected practices.

We define Agile Merchandising as a complete operating model in which in-season decisions are continuously adapted to real demand signals, operational constraints, and commercial objectives, rather than being rigidly executed against a pre-season plan.

In this model, pre-season plans are treated as hypotheses, not contracts. They provide direction and structure, but are expected to be challenged, adjusted, and refined as real customer behavior emerges throughout the season. Execution is guided by current reality rather than historical averages, and decisions are revisited frequently instead of being defended.

Agile Merchandising, enhanced by AI and machine learning, replaces static, push-based execution with continuous optimization loops: demand is sensed, decisions are made, actions are taken, outcomes are observed and learning feeds directly into the next decision.

These loops are deliberately short and reversible, allowing retailers to correct course early, reduce risk, and capture benefit faster.

More than a single tool, a module, or an incremental improvement, Agile Merchandising is a **fundamental shift in how planning, execution, and learning interact**. Success is measured by inventory availability, sell-through, margin, and the ability to adapt while the season is still alive, instead of by adherence to the original plan.

At its core, Agile Merchandising acknowledges a structural reality of fashion retail: **demand is inherently uncertain**. Competitive advantage therefore comes not from perfect prediction, but from the ability to sense reality early, act decisively, and learn faster than the market.

See Appendix II for a detailed comparison between traditional and agile retail approaches.

Origins & core beliefs

Agile Merchandising did not emerge from theory, but rather out of necessity.

In the 1980s, Amancio Ortega pioneered what would later be termed “fast fashion” at Inditex, the Spanish fashion group behind brands such as **Zara** and **Massimo Dutti**[9]. Inditex fundamentally reimagined the relationship between design, production, and customer demand in order to operate within physical retail context that made traditional retail planning unworkable.

Extreme demand volatility, short product lifecycles, and global scale exposed the limits of long-range forecasting and fixed seasonal execution. To remain competitive, Inditex took on a merchandising approach **designed not to predict demand perfectly, but to sense it early, respond frequently, and learn continuously.**

The retail industry would later borrow the term 'Agile' from software development methodologies formalized in the 2001 Agile Manifesto, as it applies the same principles to physical retail, where uncertainty is a structural characteristic of the market:

- **Lean Manufacturing:** An approach focused on flow, waste reduction, short cycles, and rapid feedback.
- **Agile Software Development:** A replacement for rigid upfront planning with adaptive execution and incremental learning.

By the early 2000s, Inditex’s model wasn’t just faster, it was fundamentally different.

While competitors required 6-9 months from design to store, Zara could do it in 2-3 weeks[10].

They had inverted the traditional model, making responsiveness (rather than forecasting accuracy) the primary competitive advantage.

From this origin, a clear set of core beliefs emerged that challenge traditional merchandising logic and define how value is created in this new model.

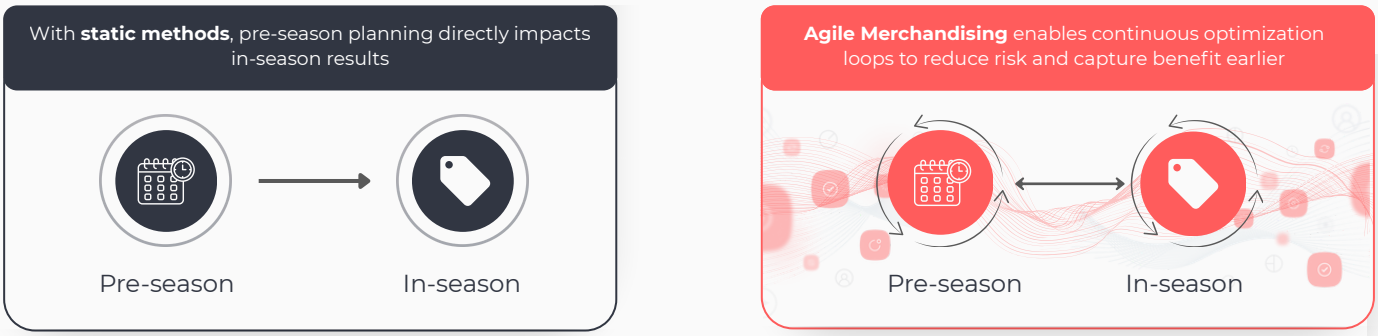
ADAPTABILITY OVER PLAN ADHERENCE

In Agile Merchandising, the objective is not perfect execution of an original plan, but rather to achieve the **best possible commercial outcome given what is happening now across a retail network.**

Pre-season plans provide direction, but are not commitments. Inventory that is locked into a fixed allocation loses value quickly, while inventory that remains flexible retains it. Agile Merchandising thus **prioritizes the ability to redirect stock toward real demand** regardless of the original plan.

The key question shifts from “Did we execute the plan?” to “Given what we know today, what is the best decision we can make?”.

Figure 1: Agile merchandising prioritizes directing stock toward real demand rather than adhereing to pre-season plans



CONTINUOUS OPTIMIZATION OVER PERIODIC CORRECTION

The traditional **"push and wait"** model operates in steps: plan, execute, review. Corrections often arrive too late to materially change outcomes.

Agile Merchandising replaces this model with continuous optimization loops. **Demand at the most granular level is sensed through real-time sales and stock signals via artificial intelligence**. Decisions are made frequently and actions are taken in small, reversible increments. Outcomes are observed, and learning feeds directly into the next decision.

By shortening decision cycles and reducing the size of each bet, retailers lower risk while capturing benefit earlier. Optimization becomes the default operating state, allowing course correction before imbalances become expensive or irreversible.

LEARNING OVER CONTROL

Agile Merchandising treats store networks as living systems rather than static execution points.

Every transaction is a signal. Reliable, granular data is used not only to monitor performance, but to continuously improve decision quality. Rather than explaining variance after the fact, teams use in-season insights to shape the very next action.

This represents a fundamental shift from control to learning. Experience and intuition remain valuable, but they are tested against evidence rather than protected from it. Over time, this feedback loop strengthens both human judgment and system intelligence.

Agile Merchandising is not the ability to do the same things faster, but rather about making different decisions, at different moments, with a fundamentally different mindset.

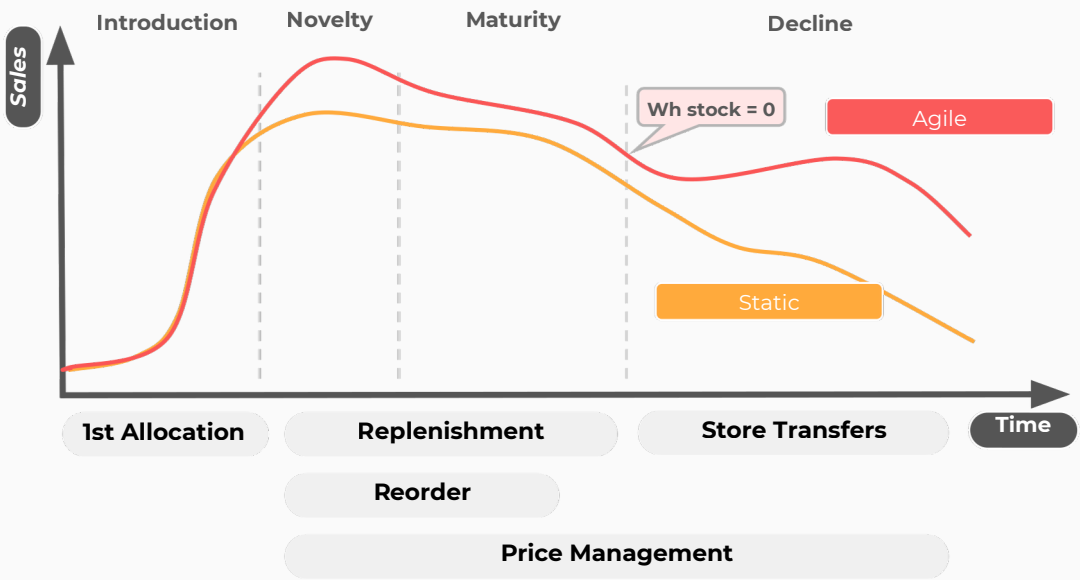
What execution looks like in-season

The principles of Agile Merchandising only create value when translated into concrete, repeatable in-season decisions. The model therefore concentrates on the in-season period, when uncertainty is highest and when even small, timely decisions can materially change outcomes.

Rather than relying on occasional interventions or end-of-season corrections, it introduces a structured set of decision loops that continuously align stock with demand while the season is still unfolding.

The following section describes the decisions that determine whether inventory becomes a constraint or a source of competitive advantage.

Figure 2: Critical in-season moments that most benefit from an Agile Merchanding process



FIVE CORE LEVERS OF AGILITY

Agile in-season inventory management is based on the five levers of initial allocation, replenishment, reordering, inventory rebalancing (inter-store stock transfers), and in-season price optimization.

Once inventory enters the network, these five decisions determine whether agility is possible.

1 INITIAL ALLOCATION THAT PRESERVES FLEXIBILITY

Agile, AI and data-driven initial allocations enable **intelligent hold-back strategies**, in which a larger portion of stock remains in the warehouse, rather than locked in stores which limits flexibility and creates costly store-to-store transfers needs.

With stronger warehouse holdbacks, retailers gain time to observe early sales performance before making informed and strategic replenishment decisions later. Doing so frees working capital, allowing different production launches and delaying payments.

The optimum initial allocation level varies by product rotation and lifecycle. While 50% is often cited as a healthy baseline (versus the 70-80% many retailers still practice), it should be treated as guidance rather than a rule. High-rotation products planned for extended season may warrant initial allocations < 30%, while limited-run image products with minimal volume and no financial targets may justify levels above 80%.

However, initial allocations consistently exceeding 70% (outside over very short lifecycle products) create structural problems. They deplete warehouse stock early in the season, leaving retailers locked into their initial distribution decisions for weeks with limited ability to correct imbalances as real demand emerges.

Where high allocation percentages result in only one unit per size reaching stores, the root issue often lies in assortment construction rather than distribution logic. However, such upstream planning challenges fall outside the scope of this paper.

The counterintuitive nature of lowering initial allocations:
A mindset shift

The idea of reducing initial levels may seem counterintuitive, as conventional wisdom assumes each store should have a minimum number of units per SKU to avoid stockouts.

In reality, holding back certain SKUs or sizes prevents more severe stockouts later in the season. Retailers must balance lower initial allocations with meeting early demand to avoid stockouts in the first weeks of the season.

2 DEMAND-DRIVEN REPLENISHMENT THAT KEEPS WINNING PRODUCTS ALIVE

In an agile model, once sales begin, AI-driven replenishment is guided by actual demand at each point of sale based on real-time sales by product and size.

Unlike a traditional, static approach, overstocks and understocks are minimized, sales and turnover increase, and fewer discounts are required.

The best systems combine industry-specific machine learning forecasting models (e.g. fashion vs. grocery) with optimization, selecting the best allocation out of thousands of possibilities.

Replenishment frequency plays a critical role. Shorter cycles reduce the need for buffer stock and amplify the value of demand-based logic. While higher frequency may increase logistical costs, full commercial impact must be evaluated end to end.

3 IN-SEASON REORDERING TO SCALE PRODUCTS THAT WORK

Reorders allow retailers to amplify profitability for certain categories, even if higher production costs are incurred, though they must be anticipated in the pre-season period. Financial capacity, supplier flexibility, and analytical discipline are prerequisites.

Budget construction, collection structure and initial buys should reserve part of the financial capacity (OTB) for mid-season reorders. Analysis tools must guide decisions on which categories and SKUs merit additional stock. Fashion retailers can also consider increasing the share of permanent/core items to allows for easier rebalancing and reduces risk in replenishment decisions.

4 CORRECTING NETWORK IMBALANCES THROUGH TRANSFERS

Once warehouse stock is depleted, store-to-store stock transfers of inventory become essential to restoring flexibility and availability. The most advanced, automated transfer solutions can optimize movements based not only on real demand but also on key business constraints, while running cost-benefit analyses to ensure that every transfer generates net value.

This approach can increase full price sales (boosting turnover, sell-through, and margin), improves store presentation and customer experience, especially in the critical weeks before sales, and ultimately strengthens the season's financial performance.

5 IN-SEASON PRICE OPTIMIZATION TO MANAGE VELOCITY, NOT JUST MARKDOWNS

Price remains the most impactful lever for influencing sales. However, today's complex operating reality requires more detailed analysis and proactivity in terms of adjusting prices to the reality of demand for each and every product and category in an active collection.

This approach can increase full price sales (boosting turnover, sell-through, and margin),

Relying solely on pre-planned sales periods reduces flexibility and can harm margins, particularly as sales periods have lost impact due to continuous promotions throughout the season.

Agile price management replaces reliance on fixed sales periods with continuous assessment of stock and demand by category and product, and enables proactive price adjustments thanks to an ongoing understanding of where stock is lacking or in excess.

How in-season learning reshapes planning processes

The previous section described how Agile Merchandising creates value during the in-season period, when uncertainty is highest and when timely decisions can still materially change outcomes.

However, the impact of these feedback loops does not stop at execution and goes beyond the in-season period. Once they are in place, they begin to reshape pre-season decisions and structural choices upstream, extending agility without requiring a complete reinvention of the planning process.

By rethinking certain pre-season assumptions and practices, this extension is to reduce rigidity, preserving optionality and allowing learning from live demand to influence decisions that were traditionally fixed months in advance.

PRE-SEASON DECISIONS AS FLEXIBILITY LEVERS

In fashion retail, pre-season decisions define the boundaries within which in-season agility can operate. How much inventory is purchased, how budgets are reserved, and how assortments are structured across stores all determine whether or not teams will be able to react to demand once the season starts.

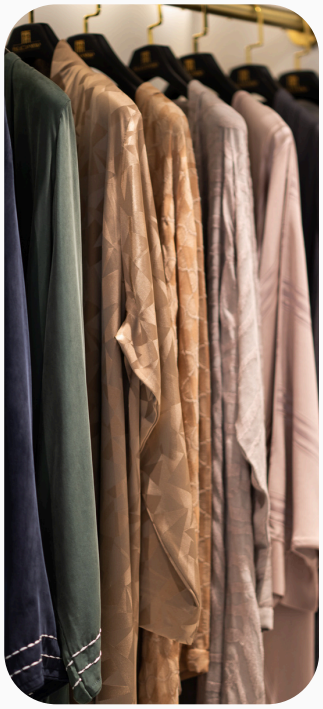
Retailers that exhaust their OTB early, lock all depth into initial allocations, or enforce highly rigid assortments across the network leave little room for correction. In contrast, those that intentionally preserve flexibility by reserving budget, holding back inventory, or designing assortments with optionality enable in-season learning to translate into action.

Viewed through this lens, the goal of pre-season planning is to maximize the ability to adapt rather than to maximize precision.

BREAKING THE MYTH OF THE “FIXED” ASSORTMENT

One of the most persistent barriers to agility is the belief that store assortments and layouts defined in the pre-season must be respected throughout it.

While a pre-season store assortment definition is essential due to long production cycles, providing structure to buying teams, and understanding the “starting point” of an assortment to uncertainty, simplify inventory management and ensure a cohesive fashion presentation, treating these decisions as immutable often leads to avoidable imbalances.



EXTENDING AGILITY UPSTREAM

As real demand emerges, some products consistently outperform expectations while others underperform, yet stock continues to flow according to an outdated blueprint. Thus, adherence to a fixed assortment is a major blocker to reaching a fully agile model.

Extending agility upstream means accepting that **assortments can and should evolve or be adjusted during the season** so as not to quickly become misaligned with demand and create early stock imbalances that are costly or irreversible. Actions may include stopping shipments of certain SKUs to low-rotation stores, reducing assortment width where demand is weak, or redirecting depth toward higher-performing locations and categories.

The objective is not SKU-level perfection, but rather category-level alignment, ensuring that inventory is concentrated where it has the highest probability of selling at full price, and not getting trapped in stores where it cannot.

This flexibility becomes even more critical late in the season when warehouse stock is depleted. Store-to-store transfers (often viewed as corrective measures) can operate independent of the original assortment logic, prioritizing category-level demand over store assortment adherence.

By this stage, the goal shifts from preserving assortment architecture to maximizing sell-through, allowing stock to flow to stores where it will convert at full price regardless of their original cluster or format designation.

CLUSTERING AS A DYNAMIC SYSTEM, NOT A FIXED RULE

When clusters are defined purely by physical space, historical sales, or organizational convenience (and then left unchanged over time), they quickly lose relevance as demand patterns evolve. Stores grow, neighborhoods change, channels interact, and customer behavior shifts within a single season.

An agile merchandising approach treats clustering as a dynamic system rather than a “set and forget” exercise.

Both the clustering logic itself and the assignment of individual stores to clusters are reviewed continuously using in-season performance data so that space and assortment depth adapt to the store’s true demand potential.

Stores may migrate between clusters as their demand profile changes, and assortment depth can flex accordingly. Some retailers may even define define store product assortment just prior to initial allocation, rather than the months before.

When clustering is used this way, it becomes one of the most powerful levers for improving in-season stock distribution and long-term planning accuracy, particularly during the sales period where the priority is maximizing sell-through versus preserving assortment architecture.

Store-to-store transfer patterns provide particularly valuable input for this process. Repeated transfers between specific stores or clusters reveal structural mismatches in assortment design or allocation assumptions, generating diagnostic signals that feed directly into future clustering and planning decisions.

THE LONG-TERM HORIZON: MOVING TOWARD “CONTINUOUS ASSORTMENT”

At the most advanced end of the spectrum lies the concept of a “continuous assortment”: a model in which design, production, allocation, and replenishment operate in near real time, continuously responding to emerging demand.

For most fashion retailers, this model remains aspirational. It typically requires an entire rethinking of how collections are managed, extreme supply-chain responsiveness, strong negotiation power, or vertical integration, and is currently most feasible for highly agile or digital-native players.

Each retailer will have their own path, pace and capacity for moving toward a more continuous assortment; these retailers do not need to fully adopt one to benefit from its principles, particularly quick wins.

For example, retailers can practice **dynamic mid-season rebalancing** even if they need to follow a pre-season structure and logic at the beginning of the season, using a defined pool of flexible references to redirect stock toward stores and categories where sell-through is strongest, based on real demand rather than fixed store hierarchies (e.g. flagship vs. local store).

Again, retailers can carry out **category-lead demand allocation** by shifting away from store-size rules, identifying where products will sell fastest regardless of format to help reduce empty shelves and avoid over-constraining distribution.

On the other hand, by reserving a portion of the OTB for fast-moving or shorter-lead-time categories, retailers can practice **in-season budget flexibility**, enabling reorders and incremental investment in emerging bestsellers from mid-season onward.

Finally, **modest and intentional overproduction** can increase agility for selected styles and can be used strategically to improve in-season distribution and capture incremental demand that was not fully forecasted pre-season.

Together, these steps allow retailers to **introduce elements of continuous assortment behavior** within a traditional seasonal framework, delivering faster response, better stock utilization, and higher full-price sell-through without requiring a complete transformation upfront.

Technological enablers

Agile Merchandising is an operating model first: A way of making decisions continuously, at the right cadence, using real demand signals sensed. But no operating model runs on intent alone.

To sustain these loops at scale, retailers need technological foundations that make decision-making repeatable: reliable data, AI/ML to drive decision engines that can evaluate trade-offs, automated execution capabilities that can act quickly, and governance that keeps the organization aligned.

These enablers are tightly connected. Strong demand forecasting without optimization produces limited impact. Optimization without execution capabilities creates theoretical recommendations. And automation without trust and governance simply accelerates and perpetuates misaligned behavior.

The goal of the following section is therefore not to describe “tools,” but to explain the **foundational capabilities** required to make Agile Merchandising operational: what must exist, why it matters, and where organizations typically underestimate the challenge.

DATA FOUNDATIONS: GRANULARITY IS KEY, STRUCTURE IS DECISIVE

Agile Merchandising depends on access to reliable, granular, and structured data.

At a minimum, retailers require sales and stock data at SKU–store–day level, updated frequently enough to support in-season decision-making.

However, raw data is insufficient.

To be actionable, data must be systematically enriched and contextualized. Products need to be **structured into meaningful hierarchies** since SKUs do not represent a discrete item (e.g. sneaker, short-sleeved t-shirt), but rather are part of a larger classification (e.g. category, brand, gender, season, lifecycle stage, price segment). Data must also include **predefined commercial and inventory targets**.

Sales data must also be complemented by business context such as store, cluster and warehouse information, capacity constraints, local events, channel mix, demand drivers, and planning intent (e.g. planned point of sale).

This enriched structure allows teams to diagnose performance at category and network level and understand whether outcomes reflect demand, distribution, or structural constraints and course correct as early as possible. Without this foundation, continuous optimization loops cannot exist.

FORECASTING: GRANULAR & CONTINUAL DEMAND SENSING

The role of demand forecasting in Agile Merchandising is to sense evolving demand potential throughout a product's lifecycle and translate recent signals into forward-looking guidance for in-season decisions.

To support agility, forecasts must be:

- Continuous rather than static
- Granular enough to inform store-level decisions
- Responsive to changes in sales velocity, availability and seasonality

A wide range of forecasting techniques exist, from simple linear statistical models based on pre-established rules to more sophisticated AI and machine learning approaches such as gradient boosting machines. These methods have been shown to perform particularly well for retail's tabular datasets and often offer stronger explainability than deep learning models.

That said, the field continues to evolve rapidly, and it is important to remain attentive to emerging techniques and advancements over time.

However, technique alone does not guarantee results. What matters most is alignment with retail reality: fashion volatility, sparse data at SKU level, and the need for explainability.

Demand forecasts provide the input to decision-making, but do not determine actions on their own.

AI/ML forecast accuracy

McKinsey cites cases where AI-driven demand forecasting reduces forecast or supply-chain errors by 20-50%, contributing to significant reductions in lost sales. These improvements are particularly pronounced when using granular SKU-level forecasting models adapted to fashion's unique demand patterns[11].

OPTIMIZATION: THE DECISIONS ENGINE

Advanced mathematical optimization is the often-overlooked multiplier of Agile Merchandising. It is the engine that turns forecast insights into actionable impact.

While forecasting is a predictive estimation of what could happen, optimization describes prescriptive action of what should be done given limited stock, competing stores, operational constraints, and commercial objectives such as commercial objectives and visual rules.

It is particularly strong if it is adapted to retail and can evaluate thousands of possible scenarios to recommend how inventory should be allocated, replenished, or rebalanced to maximize value across the network.

This capability becomes critical in moments of:

- Stock scarcity
- High assortment width
- Volatile or uneven demand

Without optimization, even accurate forecasts result in manual prioritization, local overrides, and suboptimal outcomes. With it, decisions become explicit, consistent, and aligned with global objectives such as sell-through, margin, availability, and compliance with visual rules.

AUTOMATION AND ARCHITECTURE: ENABLING SPEED AND SCALE

To operate continuous decision loops, retailers must also be able to **execute decisions quickly and repeatedly**.

This requires **process automation, particularly in replenishment and stock movements**, as well as a **flexible technology architecture** that supports integration with external forecasting and optimization capabilities.

Modular systems are essential, as developing all advanced capabilities internally is rarely feasible or desirable.

When data flows reliably and decisions can be executed with minimal manual intervention, agility becomes scalable. Without this execution layer, even the best analytical models remain theoretical.

INVENTORY CONTROL TOWER: STEERING THE SEASON IN REAL TIME

The last great enabler of Agile Merchandising is the ability to interpret inventory performance holistically in order to diagnose the season in real time and guide corrective actions. We term this type of tool an “Inventory Control Tower” to differentiate from similarly named tools in the market that have similar functionalities in common but cover different aspects of retail.

Ultimately, control towers contextualize sales performance with stock conditions and category targets. They mirror the way collections are planned (by hierarchy and category), ensuring alignment between financial goals and daily operations.

The objective is to both understand and diagnose each moment of the season related to performance and to anticipate how the season will close and take action early when necessary.

The key decisions and actions emerging from accurate diagnosis will be primarily related to the basic agile methodology pillars:

- Replenishment adjustments
- Rebalancing stock between stores
- Promotional pushes to accelerate sales
- Markdown planning by category and product
- Re-launching productions (reorders)

Many retailers still manage to perform the required analysis manually through spreadsheet-based processes, though it is increasingly inefficient as scale, complexity, and speed demands grow.

Moving toward Agile Merchandising requires commitment and investment. Data, technology and analytical control must evolve together.

Without strengthening these enablers, agility remains out of reach. Each retailer must conduct a clear diagnostic to identify which investments will unlock the greatest impact and ensure that the shift toward agile management delivers the highest return.

TECHNOLOGY AS AN ENABLER, NOT AS THE FINAL OBJECTIVE

In an Agile Merchandising model, systems provide recommendations, surface trade-offs, and execute decisions at speed, while teams focus on interpretation, exception management, and strategic steering. When these roles are clear, technology becomes a true enabler of better decisions rather than a source of complexity or resistance.

Should a retailer collaborate with an external vendor, technological modernization must be a shared journey that requires commitment from both sides. Specialized platforms can accelerate transformation and bring advanced capabilities, but their real impact depends on the existence of technological foundations that enable effective collaboration.

To make this possible, retailer's systems must be able to provide secure, stable and consistent data whose models are structured to deliver the quality and level of detail required to support analysis, optimization, and decision-making processes.

When these conditions are in place, collaboration flows naturally and allows the full potential of capabilities such as forecasting, automation, and optimization to be realized. It is at that point that technology ceases to be a constraint and becomes a true enabler of change, strengthening a partnership focused on results, efficiency, and continuous improvement.

People, culture, and adoption

Even with the best AI software and the cleanest data, transformation will fail if the team remains anchored to an old mindset. The shift toward Agile Merchandising is not just a technical change, it is fundamentally cultural which, in practice, is the single most important enabler for success.

Transformation must be planned with people in mind. Retailers must consider how to involve everyone from senior leaders to planners and allocators early, prepare them for change, and support them throughout the journey. Such support may come through strong internal leadership, external consultants, or active involvement from the technology providers depending on organizational maturity.

MINDSET, SKILLS, & EMPOWERMENT

Agile Merchandising starts with a shift in mindset. It accepts that error is inevitable and reframes success away from perfect pre-season planning toward strong in-season "piloting." Teams are expected to interpret real-time signals, anticipate deviations, and correct course quickly. The more skilled the pilot, the more proactive the response and the better the commercial outcome.

Reskilling is a natural consequence of this shift. Automation is not designed to reduce headcount, but to elevate roles. As routine tasks are automated, planners and allocators move from administrative execution to analytical and strategic work.

Their value increasingly lies in understanding the system, managing exceptions, and making informed trade-offs. This evolution makes roles more impactful, more engaging, and often reduces resistance to change.

Leadership plays a critical role here. Leaders must actively champion agility, encourage experimentation, and empower teams to make timely, data-driven decisions rather than deferring to hierarchical approval. Without this empowerment, automation risks becoming underutilized or overridden.

ORGANIZING FOR AGILITY AT SCALE

Agile Merchandising also invites retailers to rethink how teams are structured. Traditional separations between buying, planning, and allocation often reinforce silos and slow decision-making.

Many organizations find value in moving toward more vertical, end-to-end roles, where individuals are responsible for purchasing decisions, initial allocation, replenishment configuration, and ongoing category-level piloting. This clarity of ownership reduces friction and strengthens accountability.

Breaking down silos must be reinforced through aligned incentives and shared KPIs. Teams need a common, end-to-end view of inventory performance, often supported by an Inventory Control Tower or equivalent visibility layer, so that decisions are optimized globally rather than locally. When objectives and incentives are aligned, collaboration becomes the default rather than the exception.

DECISION-MAKING, ADOPTION, AND GOVERNANCE

A further cultural shift concerns how decisions are made. Agile Merchandising requires moving away from “hierarchical intuition,” where decisions are driven by seniority or gut feeling, toward objective, evidence-based analysis enabled by artificial intelligence at scale. This transition requires humility: experience remains valuable, but it must be tested against rather than defended.

Similarly, retailers must balance global optimization with store-level feedback. While transparency and communication with stores are essential, responding to every individual request often undermines agility. Organizations that grant stores excessive control over stock (e.g. through manual pushes, inflated display minimums, or exception-heavy processes) frequently struggle to realize the benefits of agile models.

Internal adoption and compliance are therefore critical. Teams that continue to operate with legacy logic (e.g. rapid push allocation, excessive initial distribution, or resistance to automated recommendations) risk neutralizing even the most advanced tools.

SUSTAINING CHANGE ACROSS REGIONS AND SEASONS

Agile Merchandising is iterative by nature. Continuous learning and feedback loops are essential to sustain progress. Teams should regularly review outcomes, learn from both successes and failures, and refine processes through structured in-season checkpoints and post-season reviews.

Regional involvement is another decisive factor. Many global retailers observe markedly different results by region, often explained almost entirely by cultural readiness and engagement. Regions involved early in the reflection and adoption process consistently outperform those where change is imposed top-down.

Finally, formal change management support (e.g. training, workshops, coaching, and clear communication) accelerates adoption and reduces resistance. Explaining not only how decisions are made, but why the organization is changing, builds trust and alignment.

Agile merchandising is ultimately a people transformation. Technology and data enable agility, but only teams that adopt a new, in-season, data-driven mindset will fully realize its value. Retailers that align skills, roles, incentives, and decision-making around agility turn uncertainty into advantage. Those that do not, risk undermining even the most sophisticated solutions.

Business, operational, organizational, and environmental impact

Agile Merchandising delivers measurable impact across three interconnected dimensions: business results, operational efficiency, and organizational transformation. The following sections quantify these benefits using performance ranges observed across real-world implementations.

Impact varies by starting point. Retailers furthest from agile practices typically see the most dramatic gains, while those with some existing capabilities realize incremental but still material improvements. The ranges presented here reflect outcomes achievable by the majority of fashion retailers today.

COMMERCIAL AND FINANCIAL BENEFITS

A typical and early benefit is the **reduction in average in-store stock of at least 5%** or perhaps even significantly higher depending on a retailer's initial allocation strategy. As discussed earlier in *"Initial allocation that preserves flexibility",* excessive upfront distribution (often 70-80% of available inventory) constrains in-season flexibility and creates the conditions for chronic imbalances throughout the season.

By adopting intelligent, data-driven allocation with strategic warehouse holdback (ideally targeting 50% initial allocation for most product categories) retailers preserve the optionality needed to respond to real demand. While concerns about early stockouts are natural (see sidebar on page 12), an intelligent system quickly becomes more reactive than static models, with the performance gap widening as the season progresses. Lower overstocks in slow-moving stores combined with warehouse reserves that can be deployed strategically lead to stronger overall sales performance.

If we define real stockout as the proportion of SKU-store combinations missing in-store when available at the warehouse, a healthy level falls between 2–6%. The goal of agile management is not to eliminate stockouts entirely, but to optimize availability over time.

An intelligent allocation and replenishment system ensures that stockouts occur for SKU-store-day combinations with very low demand, minimizing sales impact. Lower percentages (0–2%) can also be healthy when paired with high replenishment frequency or rotation, but often signal overstock: A 0% real stockout rate means product is being sent even where there is no demand, typically causing early warehouse depletion and downstream inefficiencies. Rates above 6% indicate lost sales risk, usually driven by low replenishment frequency or a system that isn't fully optimized.

One of the most visible effects is accelerated sales during the full-price period. **Typical full-price sales uplift can range between 1% and 3%**. When combined with lower average stock levels, this leads to a substantial improvement in store sell-through, with **full-price sell-through gains often exceeding 5%**.

A second major impact area is markdown performance. Entering the sales period with healthier inventory positions reduces the need for aggressive discounting, creating margin upside. This effect is difficult to quantify precisely because it depends entirely on each retailer's markdown strategy, but the outcome is consistently positive.

Shallower discounts typically improve net margin, while maintaining existing discount depths tends to further increase sell-through. In all scenarios, the overall financial result improves, with **EBITDA gains** that can be material depending on the retailer's baseline.

An additional benefit that is often under-measured by buying and retail teams and related to the feedback loops associated with agile merchandising: the **opportunity to reduce purchasing volumes in future seasons**. This shift requires alignment with finance teams and, ideally, the integration of these metrics into objectives and incentives.

OPERATIONAL BENEFITS

The most straightforward way to assess operational benefits is through time savings achieved by integrating intelligent tools and automation as with other benefits, the magnitude of these gains depends on each retailer's starting point. However, across most organizations, the impact is both material and measurable. The primary sources of time savings include:

INITIAL ALLOCATION

Beyond the commercial benefit of avoiding store overstocking from day one, the most immediate operational gain lies in the creation of allocation orders. This process typically consumes a significant number of planning hours and is drastically streamlined with the right tools. Time savings of at least 75% in this task are not uncommon.

REPLENISHMENT

When transitioning from a non-automated system, the time savings are substantial, often 30% or more of total working hours for the teams responsible, as replenishment is both daily and high-effort.

When moving from a static automated system to a dynamic one, the benefit is less about the replenishment process itself and more about eliminating the surrounding manual adjustments required in static systems (pushes, blocks, minimum displays, overrides, etc.). These additional savings, on top of baseline automation, typically range between 10-20%.

STORE TRANSFERS

This is often where time savings are most dramatic. Manual transfer planning is highly complex and time consuming, and intelligent tools can reduce effort by 75% or more. More importantly, automation unlocks the use of transfers as a real lever: because the task becomes manageable, retailers can act far more frequently and effectively than they ever could manually.

REORDER

Reorder processes are also highly manual in most organizations. With adapted tools, time savings of at least 50% are common. While the automation impact may be slightly lower than in transfers, the availability of reliable calculations significantly increases the practical use of reorders as an in-season lever

IN-STORE OPERATIONS

Operational benefits are not limited to central teams. Store teams also benefit directly from lower average stock levels, which simplify stockroom management, sales floor replenishment, and inventory counts. As a rule of thumb, reductions in average stock (typically 5% or more) translate directly into fewer hours spent handling products at store level.

Beyond these measurable savings, agile merchandising also generates several important secondary benefits:

- **Time reallocation to higher-value work:** Planners and allocators consistently report that automation frees time for higher-value analytical and strategic tasks that were previously deprioritized or invisible to management.
- **Role enrichment and retention:** Agile Merchandising elevates planning roles from execution-heavy to insight-driven, making them more attractive and reducing staff turnover.
- **Scalability:** Growth no longer requires linear increases in planning and merchandising resources. Agile models support geographic expansion and channel growth far more efficiently.
- **Improved store and brand experience:** Leaner stock levels result in clearer, more attractive (and therefore, pleasant) stores with fewer stockouts, improving day-to-day customer satisfaction and reinforcing brand perception.

ENVIRONMENTAL BENEFITS

Merchandiser's Monday morning

Beyond financial and operational outcomes, agile merchandising delivers a final, and often unintentional positive benefit: increased sustainability.

As has been previously discussed, an ability to adjust inventory to near real-time demand based on its selling potential throughout the season helps to increase full-price sell-through and reduces markdown dependency. This translates to less end-of-season waste which may be disposed of or destroyed.

This is particularly pertinent as greater regulatory requirements come into force such as Europe's **Ecodesign for Sustainable Products Regulation (ESPR)** which sets minimum requirements for product durability, repairability, and recyclability and penalizes waste, or US examples such as state-level **Extended Producer Responsibility (EPR)** laws, such as **California's SB 707,** which requires brands to fund and manage recycling.

Additionally, the feedback loops that characterize an agile merchandising approach enable retailers to potentially reduce purchasing volumes for future seasons.

Holding more stock centrally and managing it dynamically makes overbuying more visible and helps identify categories where production can be reduced. With the right analytical discipline, retailers can lower working capital tied up in inventory by adopting more demanding sell-out-on-buy targets, selling more with less.

The spectrum: From extreme agility to incremental adoption

Agility is not a binary state. Fashion retailers today are operating across a broad spectrum of maturity, depending on their scale, operating model, supply chain configuration and appetite for change.

See “Appendix I: The Merchandising maturity curve”

At one extreme end of the spectrum are ultra-fast, digital-native "algorithmic competitors” such as Shein and Temu that have bypassed many traditional retail constraints entirely[1, 12].

Their extremely agile operating models are built around continuous testing, rapid feedback loops, and near real-time production decisions. Rather than planning in the traditional sense, they test, read data, and react at scale. These models demonstrate what is possible when merchandising is fully automated and unconstrained by physical networks.

However, for **fashion retailers with large footprints, the more relevant and attainable “true north**” is represented by players such as leading global fashion retailer **Inditex**.

Inditex has embedded agility deeply into their operating DNA while still operating thousands of physical stores at global scale, thanks to their vertically integrated supply chain, nearshoring activity, rapid design-to-store cycles and store-driven demand sensing[13, 14, 15].

Each store continuously receives updated assortments and stock levels based on real-time sales and customer trends, while decisions at central hubs are informed by aggregated data from the network.

This dynamic approach allows Inditex to operate with a near-continuous assortment logic, minimize overstocks, and react to trends within days rather than weeks, illustrating the most advanced expression of agile merchandising in physical retail.

Inditex reserves 85% of factory capacity for in-season adjustments, with over 50% of products designed and manufactured mid-season. This enables the company to achieve approximately 12 inventory turns per year (compared to 3-4 for competitors), with 85% of items selling at full price versus roughly 60% industry average.

At the opposite end of the spectrum sit more traditional retailers still anchored in rigid, pre-season planning models, long lead times, and static in-season execution. These retailers experience the highest friction between demand and supply, resulting in excess inventory, higher markdown dependency, and slower reaction to market signals.

For the vast majority of fashion brands and retailers, however, the most relevant path lies between these two poles: progressively introducing Agile Merchandising principles into in-season operations in a way that respects their existing network, brand positioning, and organizational realities.

In this context, the objective is not to replicate digital-native extremes, but to move structurally closer to a model of continuous, data-driven, in-season decision-making within a physical retail framework.

Real world Agile Merchandising deployments

A wide range of pragmatic, real-world implementations of Agile Merchandising deliver measurable and transformational results.

The following examples illustrate how retailers across segments and geographies have transformed their merchandising performance without completely reinventing their businesses.

GUESS

Globally recognized lifestyle fashion brand operating across apparel, accessories, and footwear with a large, diverse international store network.

Guess's transformation illustrates how **Agile Merchandising can modernize a legacy global planning model** without disrupting brand or scale.

Facing the limits of manual, pre-season–driven allocation, the brand shifted toward **continuous, in-season demand sensing at a much finer level of granularity**.

Treating each store group as a distinct demand environment rather than a fixed planning unit and adjusting stock levels to each one, adapting stock levels to each store turnover and rotation level.

+7.5%
STORE COVERAGE REDUCTION

+7%
INCREASE IN YOY SALES

-1%
STOCK.OUT REDUCTION IN FULL-PRICE STORES

+5%
FULL-PRICE IN-SEASON SALES INCREASE

This shift enabled **faster correction of initial allocation assumptions, better redistribution of stock as real demand emerged, and a stronger balance between warehouse availability and store execution**. The result was a structurally more flexible merchandising model capable of protecting full-price performance, and reducing unnecessary inventory exposure in stores[16].

Guess is doing **this journey in a progressive way**, adding new tools, processes and regions (teams) gradually, with a clear leadership to make safe steps each time.

Decathlon

Global apparel and sporting goods retailer with a large store network and a highly optimized logistics organization.

Decathlon is characterized by particularly strong logistical operations adapted to their business model. This agility stems from its extensive network of warehouses enabling **constant replenishment between central and regional warehouses**. For example in Spain, Decathlon has 6 regional warehouses and France has more than 10, making them less than a 2-hour distance from the majority of stores within those two countries.

Such proximity enables them to replenish nearly all stores within 24 hours, sometimes multiple times per day, with stock being received before stores open[17]. This means that what is sold at 11am may very well be replenished by 4pm. Doing so also means that overstock rarely exists at Decathlon: **stock levels carried in stores are much lower and they can even carry just one unit of most SKUs without losing sales.**

Additionally, store and category managers (e.g. mountaineering, biking, fitness) are empowered to adjust stock levels (not manually) whose performance is directly linked to bonuses, even at the store level, reinforcing accountability and operational agility. **This combination of logistics, data-driven stock management, and empowered teams demonstrates how agile merchandising principles can be encouraged from day-one and support both efficiency and customer service at scale**.

Style Union

Fast-growing Indian fashion brand that scaled from launch to 100+ stores within its first year, combining rapid expansion with centrally controlled merchandising operations.

~30%	2%	71%
FEWER ITEMS HELD AT STORES VS. COMPETITORS	OUT OF STOCK RATE	YOY PHYSICAL NETWORK GROWTH

Style Union represents a new generation of retailers that embed agile merchandising from day one rather than retrofitting it later. Facing aggressive expansion targets, the brand recognized that **rapid growth requires continuous adaptation and constant improvement across all stages of the merchandising process**. To support this, Style Union adopted a centrally led agile approach, enabled by **machine-learning–based demand forecasting, automated allocation and replenishment, and proactive store-to-store transfers** designed to extend product life cycles[18].

By keeping inventory flexible and decisions grounded in real demand signals, Style Union was able to scale its footprint while maintaining tight control over stock levels and availability. Proactive use of smart, macro-level reporting provided leadership with **clear visibility across the network, while enabling fast, efficient, and data-driven execution at store and category level**. In this context, Agile Merchandising acted as the operational backbone that made rapid expansion possible without compromising efficiency or customer experience[19].

Flying Tiger Copenhagen

Denmark-based variety retailer known for fast-changing assortments and a highly standardized store concept across a global footprint of 800+ locations.

10%
INCREASED REVENUE

15%
INCREASE IN AVG. UNIT PRICE

1.2
WEEK REDUCTION IN COVERAGE

Flying Tiger Copenhagen demonstrates how agile merchandising principles can be applied at scale through process automation and centralized control. With rapid assortment turnover that includes a vast array of unique items (53% seasonal and 1.4K fixed) and a growing international footprint, the retailer needed to replace manual decision-making with simpler, **automated decision-making and better visibility and control over inventory.**

By automating allocation and replenishment decisions and embedding intelligence into daily operations, Flying Tiger Copenhagen **reduced operational friction while increasing responsiveness to sales signals across its UK and Ireland network**[20]. This approach allowed the team to manage complexity centrally, maintain consistency across countries, and scale growth without proportional increases in manual workload. It was subsequently expanded across the broader European network.

Agile Merchandising, in this context, became a key enabler of scalability rather than a purely analytical exercise.

Starting the Agile Merchandising journey

Fashion retail has always been complex, but it has rarely been this unforgiving.

Shorter product lifecycles, volatile demand, tighter margins, and rising operational costs leave little room for slow or rigid decision-making. In this environment, explaining results after the season has ended is no longer enough. Value is created (or lost) while the season is still alive.

In this context, Agile Merchandising is no longer a future ambition or a “next step” in maturity. It is a competitive advantage, and is becoming necessary for survival when retailers need to protect margin, improve availability, and respond to demand in time to change outcomes.

Looking ahead, the evolution of Agile Merchandising will be shaped not only by better data, but by systems that can act on that data continuously. AI agents, for example, will increasingly support in-season operations by identifying imbalances, simulating outcomes, and recommending or executing actions within defined business rules, further compressing decision cycles and increasing organizational agility.

The gap is only widening between organizations that can adapt in-season and those that can only explain performance post-mortem.

WHERE TO BEGIN: FROM INTENTION TO IMPACT

While Agile Merchandising can be the catalyst for a big-bang transformation, the most successful journeys start small and deliberate with early wins creating confidence and momentum.

- **Pilot with intent:** Focus on a limited scope (a category, region, or use case) where impact can be measured quickly.
- **Anchor on the right KPIs, not just process compliance:** Availability, sell-through, margin, stock efficiency, etc.
- **Build cross-functional buy-in:** Merchandising, supply chain, IT, and store operations must share a common objective, not competing success metrics.

Starting small does not mean thinking small. It means creating proof, trust, and discipline before scaling.

THE AGILE MERCHANDISING MANIFESTO

We are uncovering better ways of running in-season merchandising by doing it and helping teams learn from real outcomes.

Through this work, we have come to value:

- **Data-driven decisions over rigid processes and static rules**
- **In-season impact over perfect pre-season plans**
- **Flexibility and optionality over rigid cost efficiency**
- **Cross-functional collaboration over siloed ownership**
- **Responding to real demand over following the original plan**

That is, while there is value in the items on the right, we value the items on the left more.

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GLOSSARY OF TERMS

Agile Merchandising
An operating model in which merchandising decisions are continuously adapted in-season based on real demand signals, operational constraints, and commercial objectives, rather than being rigidly executed against a pre-season plan.

Availability
A measure of whether products (and sizes, in fashion) are present and sellable when customers want to buy them, often more indicative of performance than total stock levels.

Clustering (Store clustering)
The grouping of stores based on shared characteristics (e.g., demand profile, customer behavior, geography) to simplify assortment and allocation decisions.

Continuous assortment
An advanced retail model in which assortment, production, and distribution decisions are continuously adjusted in near real time based on emerging demand, rather than fixed seasonal drops.

Continuous optimization loop
A recurring cycle in which demand is sensed, decisions are made, actions are executed, results are observed, and learning feeds directly into the next decision.

Decision cadence
The rhythm at which merchandising decisions are reviewed and updated (e.g., daily, weekly), enabling continuous optimization rather than sporadic intervention.

Dynamic clustering
An approach where store clusters and store-to-cluster assignments are reviewed and adjusted during the season based on actual performance rather than remaining fixed.

Forecasting
The estimation of future demand based on historical and recent sales signals, used in Agile Merchandising to sense evolving demand potential rather than predict long-term outcomes.

Initial allocation
The first distribution of inventory from the warehouse to stores at the start of a season, defining how much stock is placed in each location before real demand is observed.

In-season
Also referred to as “downstream”, the period after inventory has entered the retail network (warehouse and stores), during which allocation, replenishment, rebalancing, pricing, and reordering decisions directly influence commercial outcomes.

Inventory Control Tower
A centralized analytical and governance layer that provides real-time visibility into inventory performance, diagnoses risks and opportunities, and supports coordinated in-season decisions.

Inventory rebalancing
The redistribution of stock across stores or channels during the season to correct imbalances between locations with excess inventory and those experiencing shortages.

Markdown
A reduction from the original selling price used to accelerate sales of slow-moving inventory, typically impacting margin and brand perception if overused.

Markdown depth
The average percentage reduction applied to original prices during promotions or sales periods.

Operating model
The combination of processes, decision rights, data, technology, and governance that defines how merchandising decisions are made and executed across the organization.

Optimization
A decision-making process that evaluates multiple possible inventory distribution scenarios under constraints (stock, capacity, cost) to recommend the actions that maximize commercial objectives.

Optimization engine
A system component that systematically selects the best allocation, replenishment, transfer, or reorder decisions by balancing competing objectives and constraints at scale.

OTB (Open-to-buy)
The portion of budget intentionally left uncommitted at the start of the season, allowing retailers to invest in in-season opportunities such as reorders or assortment adjustments.

Pre-season
Also referred to as “upstream”, the planning phase during which collections are designed, budgets allocated, assortments structured, and initial buys committed, often months before products reach stores.

Reorder (In-Season Reorder, Reordering)
Additional production or purchasing of products during the season to scale items that are performing better than expected, typically enabled by reserved budget and shorter lead times.

Replenishment
The ongoing process of redistributing inventory from warehouse to stores to replace sold units and maintain availability, ideally guided by real-time demand rather than static rules.

Replenishment frequency
The cadence at which stores can be replenished (e.g., daily, weekly), which directly affects required stock levels, responsiveness to demand, and overall agility.

Sell-through
The percentage of inventory sold relative to the quantity received, commonly measured at full price, total season, or end-of-season levels.

SKU–store–day granularity
A level of data detail that captures sales and stock information for each product (reference) in each size, in each store/point of sale, on each day, which is essential for precise in-season decision-making.

Stock efficiency
A measure of how effectively inventory generates sales or margin, often expressed as sales per unit of stock or similar productivity metrics.

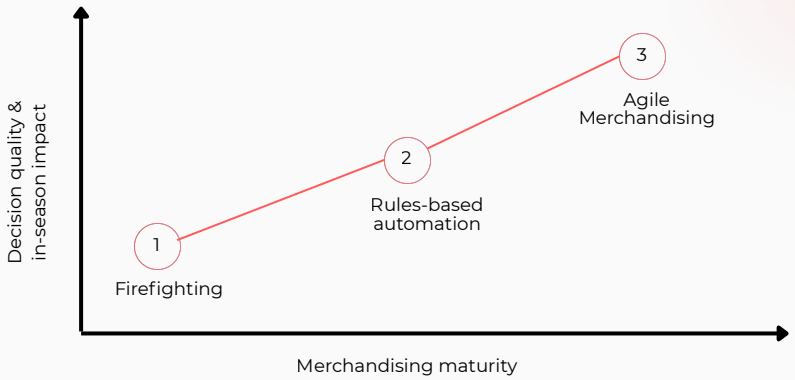
Stockout rate
The proportion of SKU–store–day combinations where demand cannot be fulfilled due to lack of available stock, often used as a measure of availability and service level.

Store-to-store (stock) transfers
Physical movement of inventory between stores, often used once warehouse stock is depleted, to improve availability and sell-through across the network.

Warehouse holdback
The practice of intentionally retaining a portion of inventory centrally at season launch to preserve flexibility for in-season replenishment and reallocation based on early demand signals.

The Merchandising maturity curve

The Merchandising Maturity Curve describes **the progression from reactive, manual inventory management toward a fully agile operating model**. As retailers move along the curve, decision-making shifts from sporadic, plan-driven interventions to continuous, data-driven optimization, with increasing impact on availability, margin, scalability, and organizational effectiveness.



MATURITY LEVEL	CHARACTERISTICS	DECISION CADANCE	DATA & TOOLS	TYPICAL OUTCOMES	MINDSET
1 **FIREFIGHTING** MANUAL, REACTIVE, FRAGMENTED	• Decisions driven by exceptions, escalations, store feedback • Heavy reliance on Excel and manual overrides • High initial allocation and early warehouse depletion • Transfers and markdowns used late, reactively	Irregular, crisis-driven	• Manually-managed spreadsheets • Basic (often inconsistent and partial) historic sales data • Gut-feel, intuition	• Chronic stock imbalances • High markdown dependency	*"We are busy, but not in control."*
2 **RULES-BASED AUTOMATION** STRUCTURED, SCALABLE, RIGID	• Introduction of rules, heuristics, and basic automation • Fixed store clusters and min/max logic • Replenishment calendars and standardized processes • More consistency, but limited adaptability	Regular but infrequent (weekly/monthly)	• Better data availability • Static forecasts • Limited or no optimization	• Improved operational efficiency • Some scalability gains • Persistent allocation when demand shifts • Increasing manual overrides over time	*"The system executes the plan even when reality changes."*
3 **AGILE MERCHANDISING** OPTIMIZED, ADAPTED, CONTINUOUS	• Plans are treated as hypotheses • Continuous in-season decision loops • Demand-driven allocation, replenishment, transfers, pricing • Inventory managed as a single, flexible pool	Continuous (daily/ weekly steering)	• SKU-store-day data • Continuous forecasting • Optimization as the decision engine • Inventory Control Tower for governance	• Higher full-price sell-through • Lower average stock with stable availability • Reduced markdown dependency • Scalable growth without linear resource increase	*"We steer the season while it is still alive."*

Traditional vs. Agile Merchandising comparison table

This table summarizes the structural differences between traditional and agile approaches, focusing on decision logic, cadence, and outcomes rather than tools.

DIMENSION	TRADITIONAL MERCHANDISING	AGILE MERCHANDISING
PLANNING PHILOSOPHY	Plan-driven, pre-season decisions treated as commitments	Plans treated as hypotheses, continuously adjusted in-season
DECISION CADENCE	Infrequent, calendar-based (monthly/seasonal)	Continuous, weekly or daily optimization loops
INITIAL ALLOCATION	High upfront push into stores	Lower initial allocation with warehouse holdback
REPLENISHMENT LOGIC	Static rules (min/max, sell-one-send-one)	Demand-driven, optimized by SKU–store–day
REORDERING	Rare, opportunistic, often reactive	Planned capability enabled by reserved budget
INVENTORY REBALANCING	Manual, complex, used as last resort	Systematic, optimized, used proactively
PRICE MANAGEMENT	Fixed sales periods and blanket markdowns	Continuous price optimization by category and product
STOCK OWNERSHIP MINDSET	Inventory “belongs” to stores or channels	Inventory managed as a single, flexible pool
DATA USAGE	Historical reporting and variance explanation	Real-time signals used for action and learning
FORECASTING ROLE	Long-range prediction focus	Short-term demand sensing and guidance
OPTIMIZATION	Limited or absent; human prioritization	Core decision engine balancing objectives and constraints
GOVERNANCE	Exception-driven escalation	Structured steering via control tower
TEAM FOCUS	Firefighting and manual execution	Decision-making, trade-offs, and learning
SCALABILITY	Complexity grows linearly with network size	Growth supported without proportional resource increase
OUTCOME FOCUS	Plan adherence	Availability, sell-through, margin, and adaptability

Nextail is an AI-powered in-season execution platform that enables fashion retailers to continuously align supply with real customer demand, store by store, week by week. Working with leading global brands like Guess, Gina Tricot and Flying Tiger Copenhagen, Nextail helps retailers increase sales, reduce excess inventory, and operate more sustainably by turning real-time data into automated merchandising decisions at scale.

To assess where your organization sits on the merchandising maturity curve, contact Nextail.

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