HIGHER SALES AND LOWER MARKDOWNS USING SOLVOYO

DeFacto's Challenge: High Markdowns = Low Margins

Since opening its first store in 2004, DeFacto has experienced phenomenal growth expanding its geographic footprint to over 11 countries in and around Eastern Europe, Middle-East and North Africa. Anchored by its cutting edge design studio in Barcelona, Spain, DeFacto churns out innovative and trendy clothing/ accessories for men, women, teenagers and children that are high quality and affordable.

Although the company was built around good product design and smart merchandising, DeFacto's demand and inventory planning functions were entirely managed by the merchandising team through an internally developed replenishment algorithm with data coming from internal legacy systems. With poor support on demand and inventory planning, the merchandising team often relied on Excel and blunt statistical averages to plan inventory, perform pre-season deployments, and replenish stores. They performed allocation decisions without the ability to see the revenue potential across their entire network leading to stock-outs. Rising stocks due to excess ordering or mis-deployed inventory meant store managers increasingly had to adopt aggressive markdowns to clear inventory, resulting in significant gross margin erosions for the company.

The Hunt for the Perfect Pair of Shoes

As a fast-fashion retailer but with product lead times up to 6 months, DeFacto was well aware of the inherent contradictions in its business model. Yet the company sought a solution that would help it deliver profitable customer experience by injecting just the right technology that would add much needed analytics and real-time planning capabilities without ripping-apart existing IT assets. Key solution criteria thus included:

- ✓ Advanced demand forecasting, including the ability to parse forecasts down to different attribute clusters (colors, size, fit etc.)

- ✓ Pre-season life-cycle analysis to forecast demand for new product lines and market territories

- ✓ Integration with existing ERP and POS tools to get SKU-level inventory data for automated replenishment planning

- ✓ Allocation decisions based on maximizing revenue for the entire network of stores

- ✓ End-to-end solution which includes store-to-store transfers while minimizing stock-outs at the stores

- ✓ Support for omni-channel fulfillment to handle growing online orders

- ✓ Automated KPI tracking and reporting

Prescriptive Analytics and Daily Planning for DeFacto

Solvoyo helped DeFacto take a portfolio view of its supply chain. As an apparel retailer, Solvoyo segmented DeFacto's products into: (i) Fast-fashion & (ii) Fashion-basics. For Fast-fashion, Solvoyo estimates the seasonal product life-cycle based on similar attribute clusters (sub-category+option+color, etc.) from multiple years of years of POS-level sales data and promotions history, and replenishes the stores based on maximum revenue potential. For Fashion-basics, functional products with longer shelf life and predictable demand, Solvoyo forecasts demand, plans vendor orders, and store replenishments across the entire network.

Within 5 months of the start of the project, Solvoyo's cloud-based multi-tenant platform went live with full integration to DeFacto's legacy "on-prem" suite of systems. The platform allows merchandising teams to view and edit replenishment recommendations based on exceptions. Periodically (currently every fortnight), Solvoyo generates a plan to re-deploy Fast-fashion inventory among the stores based on maximizing the revenue potential or minimizing revenue loss from future markdowns.

Rewarding Results

Since go-live over six months ago, DeFacto has seen the following results:

"*Solvoyo has helped our business improve accuracy of inventory placement to support forward sales and better serve our customers. In our environment of continual technical advancement it has proved to be a great advantage*" said Lois Baile, Merchandising and Planning Director at DeFacto.

About Solvoyo

Solvoyo is the next generation planning and optimization platform built for the digital revolution in supply chain. Solvoyo helps companies close the gap between planning and execution. Our all-in-one platform forecasts demand, optimizes inventory, plans production, replenishes networks and concurrently optimizes transportation plans. Solvoyo is the only planning platform that allows companies to plan strategic, tactical and operational supply chain actions in one tool. The scalability, analytical capabilities and short implementation cycles of our true cloud platform help our clients achieve dramatic improvements in performance. We are headquartered in Boston, MA with our R&D center in Istanbul, Turkey. For more information, please visit **www.solvoyo.com**.

---

[i] DeFacto is on schedule to deploy Solvoyo's markdown optimization capabilities by early July 2016.