



Doing more with less

Forecasting for success

WGSN



OC&C
Strategy consultants

uncommon sense™



Overproduction is widespread in the apparel sector, ranging from **10-40%** every year and fuelling a significant waste problem. Even with rising costs due to inflation, processes have not evolved, and it continues to be an obstacle to bottom-line growth and a burden to the planet.

Concerns about stock-outs and the risk on topline growth mean planning and buying models to date tend to overbuy. The issue has only been made worse by supply chain disruptions, most notably from Covid-19, which further challenged brands' forecasting abilities.

Stock and supply are, however, improving, with a gradual shift towards more demand-led and data-informed buying processes. By implementing easy-to-use, AI-informed models, brands are refining their ranges in line with consumer demand, and therefore driving significant value and operating more efficiently.

Our findings reveal how data can be used to build confidence in decision-making, reduce wastage, and weave commercial and sustainability goals together.

IMPROVING BUYING PROCESSES CAN LEAD TO SIGNIFICANT ADVANTAGES FOR BRANDS:



1 Contribution Margin Improvement

... by **1-3%** for a product category



2 Overproduction Reduction

... by **5-15%** for a product category



3 Carbon Emission Reduction

... by **~3%** for a product category

In this report:

We've analysed the benefits of using forecasting tools to get the right stock, in collaboration with demand forecasting data tool WGSN TrendCurve+. This study uses data from WGSN TrendCurve+, which combines multiple data sources, including e-commerce shelf, social media and catwalk shows, to model the potential for seamless buying and merchandising improvements across key business metrics.

Contribution Margin Improvement



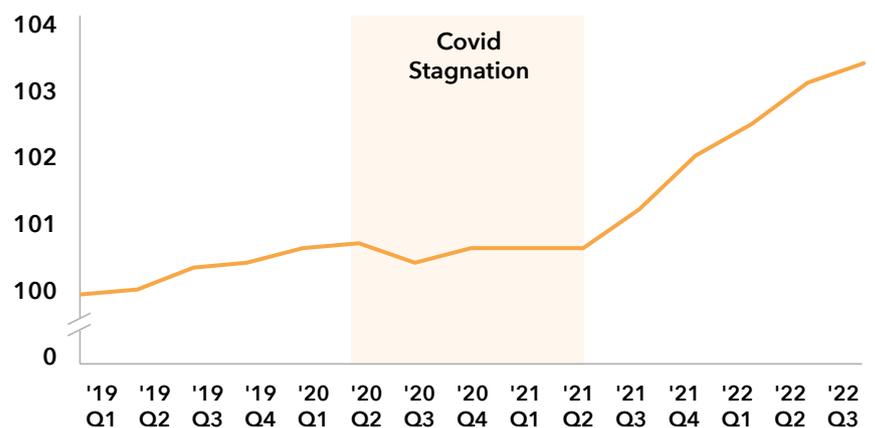
It's more important than ever for brands to evolve buying processes, with pressure continuing to mount on margins and stock in the current economic climate.

Reducing overbuy and avoiding unnecessary spend can increase total contribution by 1-3% ppts by product category, enabling brands to re-deploy this into other areas. This stems from a range of factors, including:

- Improved sell-through rates
- A higher proportion of goods sold at full price
- More strategic discounts, with optimised markdowns

Using demand forecasting data also enables brands to make bolder decisions in adjusting the numbers of any given product line, providing them with the confidence to buy at the market appropriate level - whatever that may be.

UK PRODUCER PRICE INFLATION - WEARING APPAREL¹, Q1 2019 TO Q3 2022, (INDEXED Q1 2019 = 100)



1. For domestic market
Source: ONS, OECD, OC&C RPI UK, Desk Research, OC&C analysis

Sustainability

Overproduction is not just commercially ineffective; it also has major consequences for a brand's sustainability agenda.

Pressure is piling up on brands to prove their commitment to ESG. If the fashion industry is to uphold the UN Paris Agreement it must decrease emissions by 45% from 2019 levels.

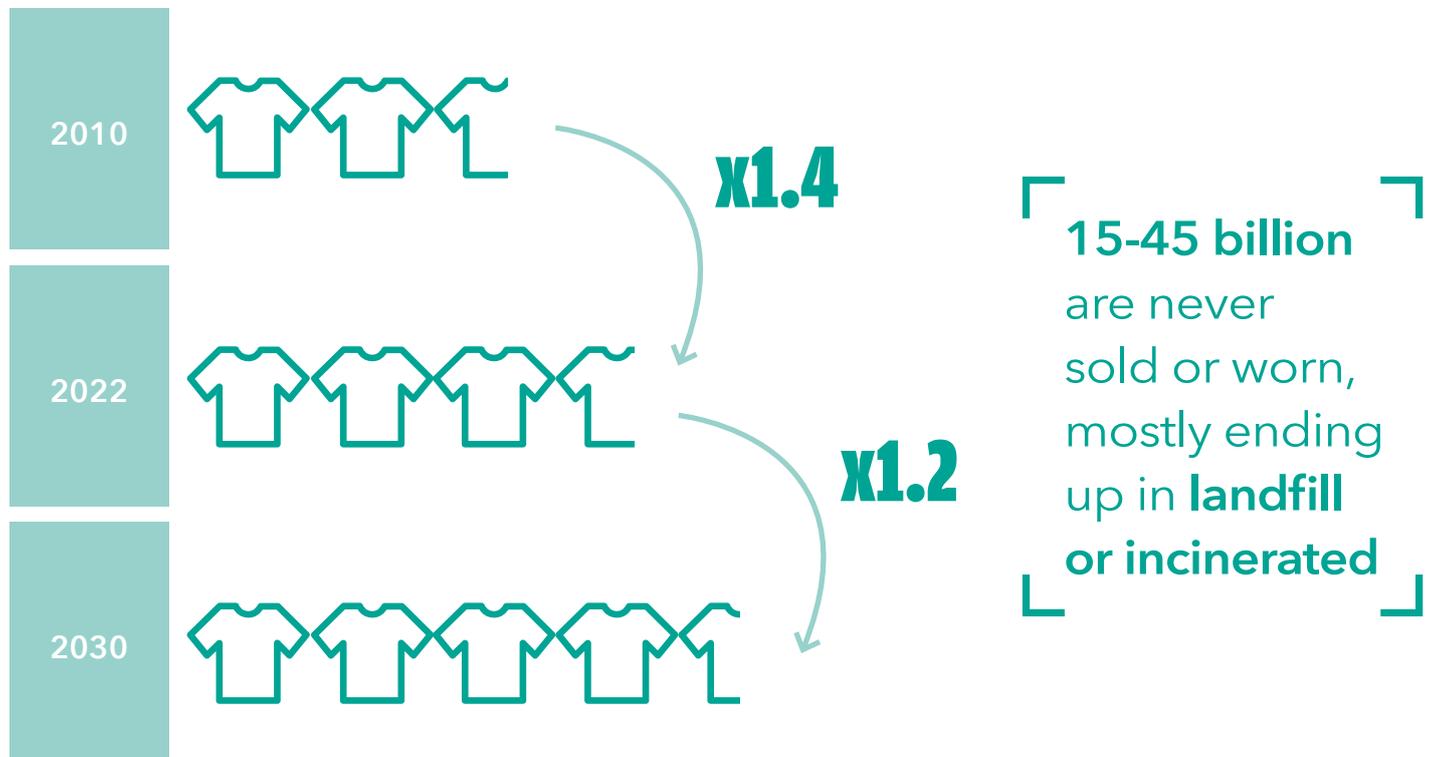
Despite this, 15-45 bn garments (of the c.150 bn produced per year) are never sold or worn, mostly ending up in landfill or incinerated. This has a substantial environmental impact; the waste for each clothing category is the equivalent of taking c.500 million flights every year.

Shifting to a planning and buying model based on demand and data can decrease overproduction by 5-15%, removing one of the primary sources of unnecessary waste. This represents a c3% reduction in carbon emissions.

Evolving the buying model is therefore a key step to improve a brand's sustainability outlook as well as drive profitable growth.

PRODUCTION VOLUMES HAVE INCREASED SIGNIFICANTLY SINCE 2010

Apparel Sales Volume, 2010-30F²



2. Includes childrenswear, excludes footwear; 2022-26 forecast is a Euromonitor projection; 2026-30 based on outer-year growth in Euromonitor forecast
Source: Ellen McArthur Foundation, World Resources Institute and Apparel Impact Institute, Worldbank, Euromonitor, Klarna, OC&C analysis

CASE STUDY

WOMEN'S SKINNY JEANS - OVERBUY CASE (2022)

OC&C collaboration with WGSN TrendCurve+

Our research demonstrates how a mass-market retailer could have improved margin by **£1m-1.5m** in its Women's Skinny Jeans line if more accurate forecasting data was used.

Buying in line with the decline in market demand in 2021 would have resulted in 10-40k fewer units of terminal stock.

In buying fewer units, the brand would have gained back £260k-600k in its Open-to-Buy plan, enabling it to invest more wisely in other categories based on the latest trend predictions, and therefore deliver further topline growth.

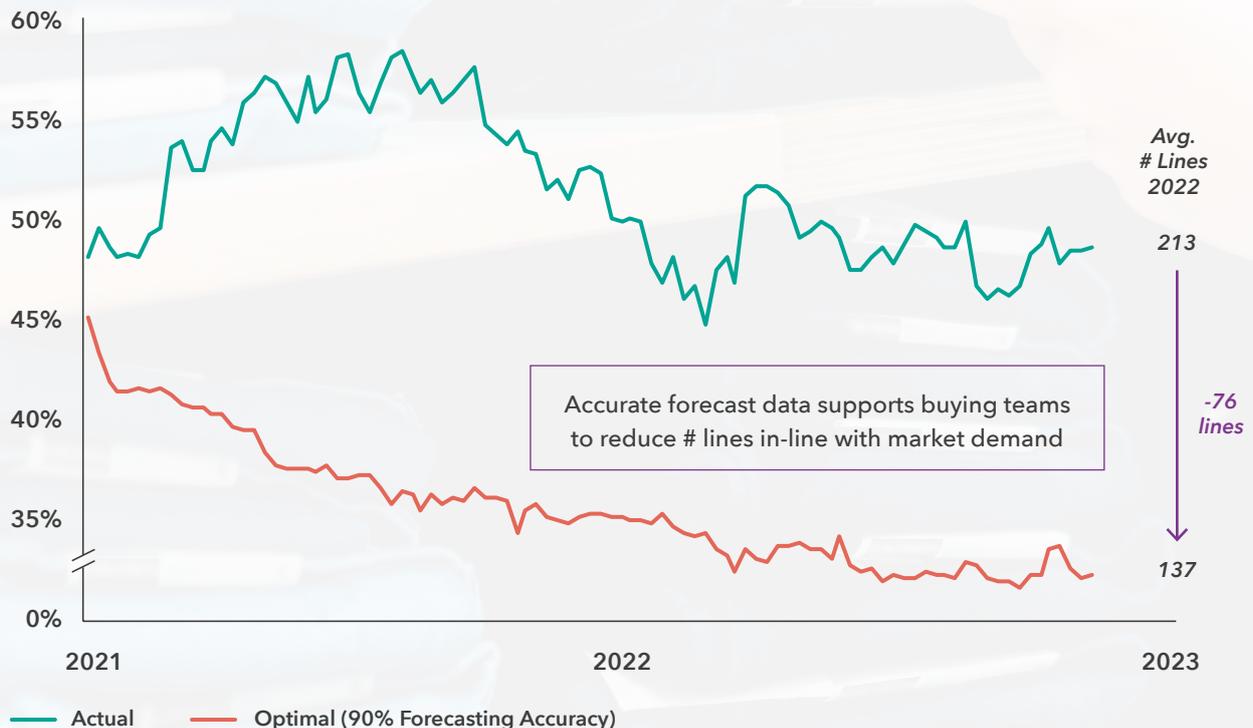
The environmental benefits would also be significant. Producing even just 10,000 fewer skinny jeans is the equivalent to a reduction of 500kg of CO₂, or 600 flights from London to New York.

Using forecast data could have significant benefits for margin, terminal stock, Open-to-Buy and carbon reduction.

Integrating forecast data could have seen:

- Improved margin by **£1-1.5m**
- **10-40k** fewer units of terminal stock
- **£260-600k** gained back for alternative investment
- A reduction of **500+** tonnes of CO₂

WOMEN'S SKINNY JEANS LINES (#) BOUGHT AS % OF ALL WOMEN'S JEANS LINES



Source: OC&C analysis, WGSN TrendCurve+

How to optimise your operating model?

In order to unlock these benefits, traditional buying and merchandising operating models require optimisation. Here are some of the primary ways you can achieve this:



The trends landscape is increasingly complex

Consumers engage and transact across multiple channels from physical to digital to social (e.g. TikTok) and beyond. Understanding consumer influences in a more holistic way is crucial to ensuring stock aligns with customer demand.

Better forecasting has the most **significant impact** in high volume, high demand brands



Circularity, rental, resale are disrupting

Completely different operating models are gaining traction as brands and consumers lean in to sustainability. Resale represents c.7% of market value and significant innovation in circularity taking place. Brands need to consider range requirements for resale in their planning.

This modernised operating model helps merchandisers to reinforce their gut instincts with data, enabling them to procure sign-off on bolder product choices.

Tech supports efficiency + decision making

Inflating costs and complexity are driving the need for greater efficiency in operations from design / planning through to depot / supply chain. Technology is critical to unlocking 'doing more with less'.



Planning needs to be real-time

Shifting to shorter, more frequent buys more directly linked to demand allows better reaction to trend, management of waste, protection of cash flow and reduction in markdowns. Consumers are moving from fast to slow(er) fashion and so backing the right trend is more important than ever.

Shorter supply chains + stock aggregation enable flexibility

Greater flexibility to allocate stock in line with demand is becoming increasingly important to drive efficiencies across channels and markets.



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For the full data and more insights from our apparel report, please get in touch:

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About WGSN TrendCurve+:

WGSN TrendCurve+ is the only fashion planning product that combines unrivalled data sources across social, search, shelf, shows and sentiment, with advanced machine-learning to tell you which trends to invest in, how deeply and when. With 90%+ forecasting accuracy on thousands of key items, silhouettes, prints, colours and design details, we empower brands to accurately invest for future consumer demand.

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