

Maximize Sales with Perfect Supply Chain Visibility



Overview

Retail sales are tough enough. But when retailers face a declining general economy and downward pressure on consumer spending, they need to squeeze as much efficiency as possible out of their vital supply chains.

For American Apparel, an US clothing brand that produces some 1.5 million pieces of clothing a week with 260 retail outlets around the world, that meant finding more efficient, automated methods to quickly and reliably replenish merchandise on store shelves.

American Apparel tested and deployed an item level RFID-based system that allowed store managers to track the movement of clothing items from ASN receiving, to back room put away, through restock staging and retail sales floor cycle counts and on to the point-of-sale execution. By leveraging this advanced RFID solution from SML IIS, a member of the SML Group, American Apparel reduced both labor costs and out-of-stocks, while driving improved sales and same-store performance.

Business Challenge

American Apparel utilizes a vertically-integrated business model that minimizes the use of sub-contractors and off-shore labor, relying heavily on a very efficient, repeatable and scalable store item-level inventory management approach. Under that demanding inventory model, each company store stocks an average of 12,000 SKUs, keeping only a single copy of each item on the retail sales floor and replenishing those products from a backroom stock of 26,000 items once the item is sold.

The company had previously used a barcode scanning system at the point of sale to trigger the transfer of inventory from the stock room. However, this manual, paper-based system required store personnel to perform twice-weekly physical counts for confirmation of overall store inventories. Those manual counts were time-consuming and costly, typically requiring 240 man-hours a month. The system was also prone to errors and miscounts, revealing anywhere from 100 to 300 missing inventory items during each count cycle.

To compete and succeed in today's demanding retail environment, American Apparel needed a better business solution. The company needed a replenishment system that would streamline the process of moving merchandise through backroom storage to staging, store shelves and sales—reducing the time and cost of those critical inventory functions.

Our Solution

American Apparel chose to evaluate SML IIS's RFID-based system to track and manage in-store inventory, address the cost and inefficiency of its in-store replenishment and reduce potential lost sales due to out of stocks.

The company began with a pilot program testing UHF Gen 2 RFID technology in a single New York area retail outlet. The test involved the manual tagging of all store inventories, and the use of fixed RFID readers in the storeroom, on the retail floor and at the point-of-sale. As a vertically integrated manufacturer, American Apparel had the option of tagging and commissioning to associate each item of merchandise with a tag at the factory, or tagging manually at the store.

Clarity™, SML IIS's proprietary RFID item-level inventory management solution, gives retailers a broader, more granular and up-to-the-minute perspective on the flow of merchandise through their operations. That

information enables retail managers to make smarter and more effective decisions, allowing them to spot, understand and respond to developing trends in consumer behavior. RFID technology can be the catalyst that drives lower costs, enhanced supply chain productivity and greater customer satisfaction.

Utilizing this RFID-based technology, American Apparel now receives an alert from the POS the moment an item has been sold. Storeroom employees then pick the item from inventory and then read the item's RFID tag to confirm the movement of merchandise from backroom to staging area. Once a sufficient number of items have been staged, they are moved to the retail sales floor where another RFID reader gathers the data needed to confirm that movement. The system then automatically updates the retail sales floor and backroom inventory counts.

The initial deployment included factory box packing and ASN generation, in-store tagging, as well as fixed readers in the receiving area, back room, portal between the back room and retail sales floor, and POS locations.

The company made several adjustments for implementation, including changes in inventory processes, training of retail employees, and the positioning of RFID readers at key locations within each store. Because the company operated multiple stores in various geographical locations with unique sizes, traffic patterns and assortments of merchandise, the company wanted to test the RFID system in a number of locations.

American Apparel worked with SML IIS to implement this RFID solution, including hardware installation, centralized software provisioning and updates, staff training and the handling of early-stage support calls.

The Results

This RFID-based approach has given American Apparel a more efficient and cost-effective method for replenishing store shelves.

Following the rollout of this RFID-based inventory system to eight stores, American Apparel analyzed the performance of this deployment, measuring a sales-per-store increase of 14%, thanks mainly to a reduction in out-of-stocks and increased availability of store personnel to assist consumers. The sales lift ranged from 3% to over 10% after RFID was fully implemented.

Each store saved over 188 hours a month in labor and an estimated \$27,072 per month, due primarily to reduced cycle counting and storeroom searches. Shrink also reduced by over 50% with the presence of RFID, without integration of existing EAS or loss prevention systems.

With inventory accuracy above 98% and technology enabling complete store cycle counts as often as desired, American Apparel avoided paying a 3rd party thousands of dollars per store once or twice a year to count garments by hand at lower accuracy. American Apparel also noted the higher level of confidence in inventory enhanced their ability to leverage more attractive financial facilities with banking partners.

With RFID, American Apparel better balances the costs of maintaining appropriate inventory levels to maximize sales without use of excessive safety stocks. In several cases, American Apparel stores were able to reduce their back stock and increase sales floor space by as much as 10%, further allowing them to repurpose their real estate and increase SKU mix on the sales floor for driving incremental sales.

A statistical evaluation revealed an average payback of about 4.5 months per store for this RFID inventory system investment.

AboutSML IIS (A member of the SML Group)

SML Intelligent Inventory Solutions (previously Xterprise) is a developer of market-leading integrated RFID solutions focused on apparel brand owners and specialty retailers. SML IIS's Clarity™ application platform is built around best-in-class features and functionalities combined with a deep understanding of the processes required to execute RFID inventory management in the retail supply chain, giving apparel retailers and brand owners a powerful solution while minimizing the complexity of deployment. Clarity™ is used by the world's largest and finest retailers around the world, and supported by SML IIS's global team of highly trained support personnel. As a member of SML Group, SML IIS can deliver any part of a complete RFID solution, including software, hardware, RFID-enabled woven labels, printed fabric labels, EAS, trim, printed paper tags, and more. SML IIS also manages encoding, serialization and tag management.

Visit the SML IIS website at <http://www.SML-IIS.com>.