A woman with dark hair, wearing a light blue button-down shirt, is looking down at a tablet computer she is holding. She is in a clothing store, with racks of clothes and wooden shelves in the background. The image is framed by a white border with a dotted blue line. There are teal decorative elements at the top and bottom of the page.

**Three ways to modify
your allocation strategies
to optimize inventory**
as the role of the store
continues to expand

Now is the time to seriously consider how to better manage store inventory allocation and replenishment. Why? Because in the not-too-distant future, as many as 50% of all online sales will be **fulfilled** by stores and up to 50% of all online sales will also be **returned** to stores.

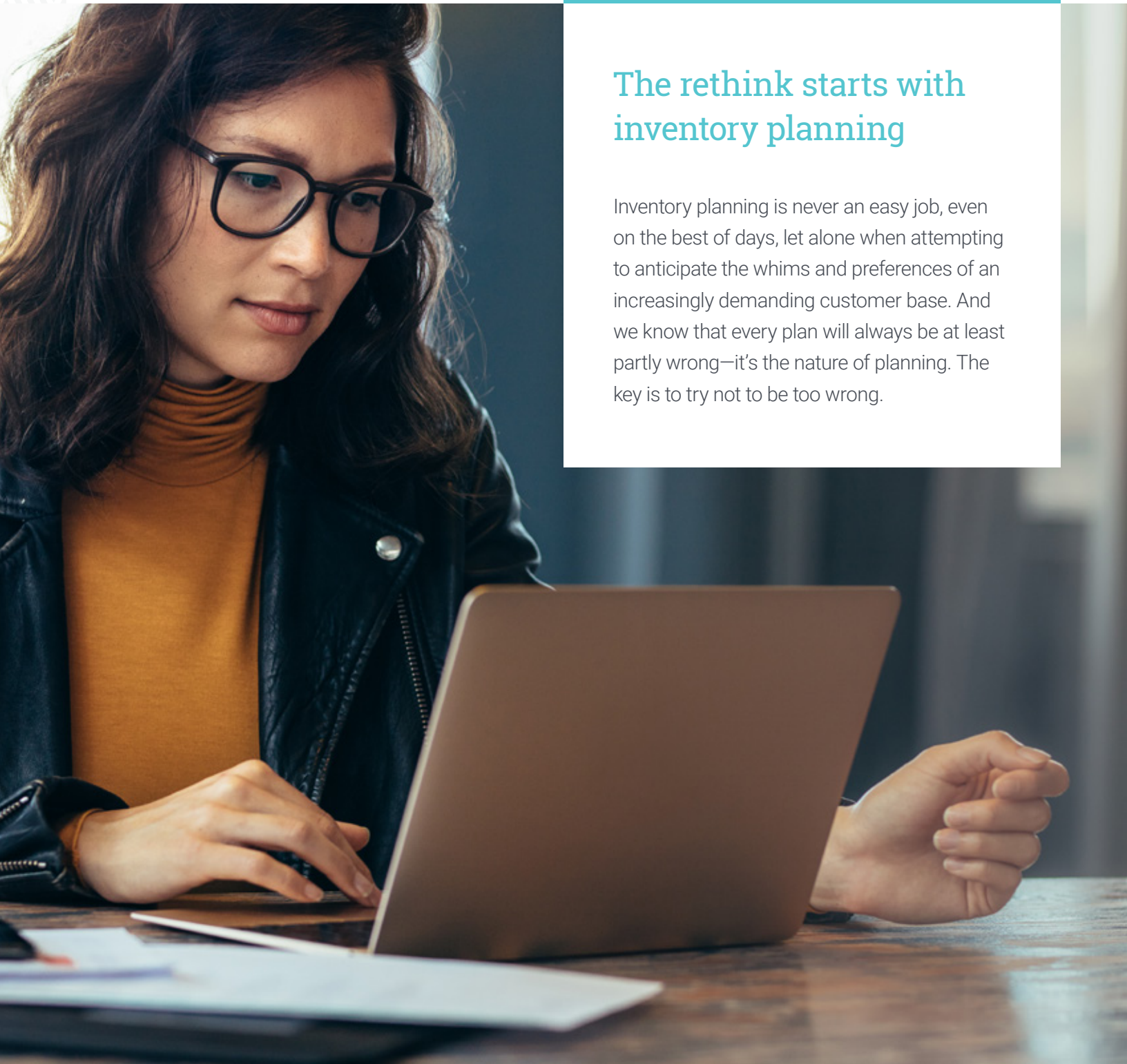
Which puts us in a bit of a Gordian Knot

Customers already have very high expectations for flexibility and choice across channels. And they consistently want ever more “seamless” experiences no matter when, where or how they interact. They expect to have accurate visibility into available inventory from every corner of the brand, and their expectations extend to more choices for when, where and how they will purchase and receive their merchandise.

But...delivering seamless experiences across channels and touchpoints dramatically increases complexity, which makes it harder to keep pace with those shifting expectations.

All this complexity requires a rethink of how we approach inventory optimization, particularly in stores.





The rethink starts with inventory planning

Inventory planning is never an easy job, even on the best of days, let alone when attempting to anticipate the whims and preferences of an increasingly demanding customer base. And we know that every plan will always be at least partly wrong—it's the nature of planning. The key is to try not to be too wrong.

The good news

While omnichannel demand patterns are typically difficult to predict, store walk-in patterns tend to be fairly consistent. Better-performing stores are more likely to remain so. As a result, year-over-year walk-in comparisons still work reasonably well as a basis for initial allocations.

And in a somewhat ironic twist, the omnichannel store — the source of so many inventory optimization challenges — can also help stores succeed, even when under-inventoried due to unpredictable omnichannel demand. That's because many potential sales previously lost to inventory shortages can be saved when stores also function as fulfillment centers.



The not-so-good news

As previously discussed, it can be very difficult to predict where inventory will be needed on any given day. Omnichannel allocation needs vary from moment to moment and from store to store.

Compounding the challenge, omnichannel allocations must be based — for the most part — on several factors that don't take demand into account:

- ▶ Ability to fill complete
- ▶ Supplier capacity and priority
- ▶ Customer proximity
- ▶ Inventory levels
- ▶ Minimum presentation levels





As a result, allocation can get *tricky*

When orders are allocated based on so many factors beyond just demand, it is almost impossible to closely align inventory to where it will be required from period to period.

Just because a product was fulfilled from a store once, we can't anticipate that the same omnichannel factors will combine to cause

that item to be pulled from the same store again next season. That just won't happen.

Therefore, we should always use caution when pre-planning omnichannel sales and inventory by store location based exclusively on historical demand.

Three steps to take to overcome these omnichannel inventory challenges

1.

Plan initial allocations based on typical walk-in customer demand patterns since you don't know what will be pulled for omnichannel orders. Thus, initial allocation processes remain very much the same, with one very important caveat:

It is critical to account for the ultimate *destination* for all orders fulfilled by stores. Crediting the shipping store with a sale that originated elsewhere only perpetuates the

omnichannel challenge. Doing so will very likely lead to the shipping store being over-inventoried and the originating store under-inventoried when next season rolls around.

Look to your allocation technology to ensure that you allocate to the *destination* of your demand, not the *fulfillment* of your demand to ensure initial allocations are as closely aligned to historic demand patterns as possible.



2.

Reduce safety inventory stock in stores.

Modern order management platforms will find the inventory in the best available location and ensure every possible sale is saved. Even if we factor in higher fulfillment costs, if your order management and fulfillment processes are optimized, making this one change to your strategy can result in significant inventory investment savings.

Successfully reducing safety stock requires some finesse, however, as minimum presentation levels and collection preservation rules must be accounted for in safety stock/ allocation decisions.

Modern allocation systems support the development of user-defined rules that incorporate specific instructions based on things like location attributes, minimum presentation levels, product attributes and multiple time dimensions. These rules are then combined with many mathematical functions that can help minimize safety stock levels while still adhering to merchandising policies and best practices.

3.

Designate some stores as mini-distribution centers

in your allocation strategy. Selecting a subset of strategically located stores with suitable storeroom capacity that can be optimized for efficient pick, pack and ship processes can preserve margins while still meeting the unpredictable demand patterns of omnichannel orders. This mini distribution center approach can be much more efficient – and effective – than attempting to optimize the transfer and fulfillment capabilities of every store in the estate.

Once designated as distribution centers, your allocation and order management systems should work in sync to ensure these stores have the inventory they need to support ship from store, endless aisle and BOPIS orders, and that those order types are sourced from these locations as demand warrants.

In challenge lies opportunity

Optimizing inventory allocation in today's highly complex and challenging omnichannel environment is certainly tough. However, updated omnichannel strategies — when empowered by modern allocation technology — can help turn these challenges into opportunities for competitive advantage.

Aptos Allocation, Forecasting and Replenishment is an agile, real-time merchandising solution that helps leading retail brands get the right products to the right places, at the right time. The allocation module features user-defined processes that empower clients to shape the technology to suit their strategies. Built-in algorithms combine with user-defined rules to deliver flexibility to suit every omnichannel use case. Easy integration to both planning and core merchandising systems makes it an easy fit within the merchandising technology stack at any retailer.





Aptos Allocation, Forecasting and Replenishment is one of five core components of Aptos Merchandising. Our comprehensive solution also delivers advanced functionality for:

- Product Management
- Purchase Order Management
- Pricing and Promotions
- Stock Ledger
- Enterprise Data Management
- End-to-end Inventory Management

And because Aptos Allocation, Forecasting and Replenishment is native to our Merchandising solution, you can easily execute your strategy in true real time.

Download our brochure to learn more about how Aptos Allocation, Forecasting and Replenishment can help you overcome the challenges inherent in today's complex omnichannel world.

[Download brochure](#)



About Aptos

Aptos is the leader in Unified Commerce solutions for retail. Our cloud-native POS platform empowers the modern store with agile, mobile and omnichannel experiences. Integrated order management, merchandising, allocation & replenishment, CRM, sales audit and analytics unify both the experience and the enterprise.

Aptos helps hundreds of retailers around the world elevate their brand experiences, optimize their operations and prepare for whatever comes next.

Learn more at aptos.com.