

How a Specialty Fashion Brand Achieved 27% Markdown Rate Improvement and 1.4x Inventory Turns Improvement with Demand-Aligned Order Management

Order Management → Replenishment Planning & EOL Inventory Management

At a Glance

The Problem

- 34% of seasonal inventory required markdown clearance
- Buying quantities based on history, not forward demand signals
- Dead stock tying up \$8–15M in working capital each season
- No early warning when SKUs fell below sell-through target

The Solution

- Weekly overstock risk scoring across all active SKUs
- Demand-aligned replenishment with cross-channel inventory pooling
- Automated EOL markdown trigger with optimal depth and timing
- Read-and-react reallocation between stores and e-commerce

The Result

- 27% markdown rate improvement vs prior season
- 1.4x inventory turns improvement
- \$6.8M working capital released
- Clearance rate improved to 89% (from 64%)

Business Context

A specialty fashion brand operating 62 stores plus a growing e-commerce channel was facing a challenge familiar to most mid-market apparel operators: too much of the wrong inventory, in the wrong places, at the wrong point of the season. Each buying cycle, approximately 34% of seasonal inventory — across 28,000+ SKUs spanning clothing, footwear, and accessories — required end-of-season markdown clearance.

Markdowns were not just eroding margin; they were signaling a structural disconnect between buying quantities and actual demand. With \$8–15M in dead stock tying up working capital every season, the CFO's patience was wearing thin. But buyers had no reliable way to identify which SKUs were trending below plan until it was week 12 of a 16-week season — far too late for any meaningful corrective action.

Client Profile

Industry:

Fashion Retail

Geography:

North America — Multi-Brand, Omnichannel

Scale:

62 stores + e-commerce channel

Revenue:

\$200–380M annual revenue range

SKUs:

28,000+ seasonal SKUs, 4 buying cycles per year

The Challenge In Depth

The buying process ran 9–12 months ahead of season to start using historical sell-through rates and category intuition. Once product was committed and distributed to stores, there was no systematic mechanism to redistribute, react, or act on early sell-through signals until the damage was already done.

- **Markdown Spend:** 34% of seasonal inventory requiring clearance at markdown, representing \$8–12M in markdown spend per season — a direct 4–6 point drags on gross margin.
- **No Forward Signal:** Buying quantities were locked 9–12 months before season starts with no in-season read-and-react mechanism — the first indication of an overstock problem typically arrived at week 12 of 16.
- **Dead Stock Write-Offs:** Inventory that failed to clear even at markdown was written off at \$2–4M per season, consuming working capital that could have been deployed in faster-turning categories.
- **Static Allocation Rules:** Initial stock distributions used historical allocation rules with no connection to current demand — popular sizes stocked out in top-performing stores while slower stores accumulated excess on the same SKUs.

Our Approach

1. Early Warning: Identifying Overstock Risk Before It Becomes Dead Stock

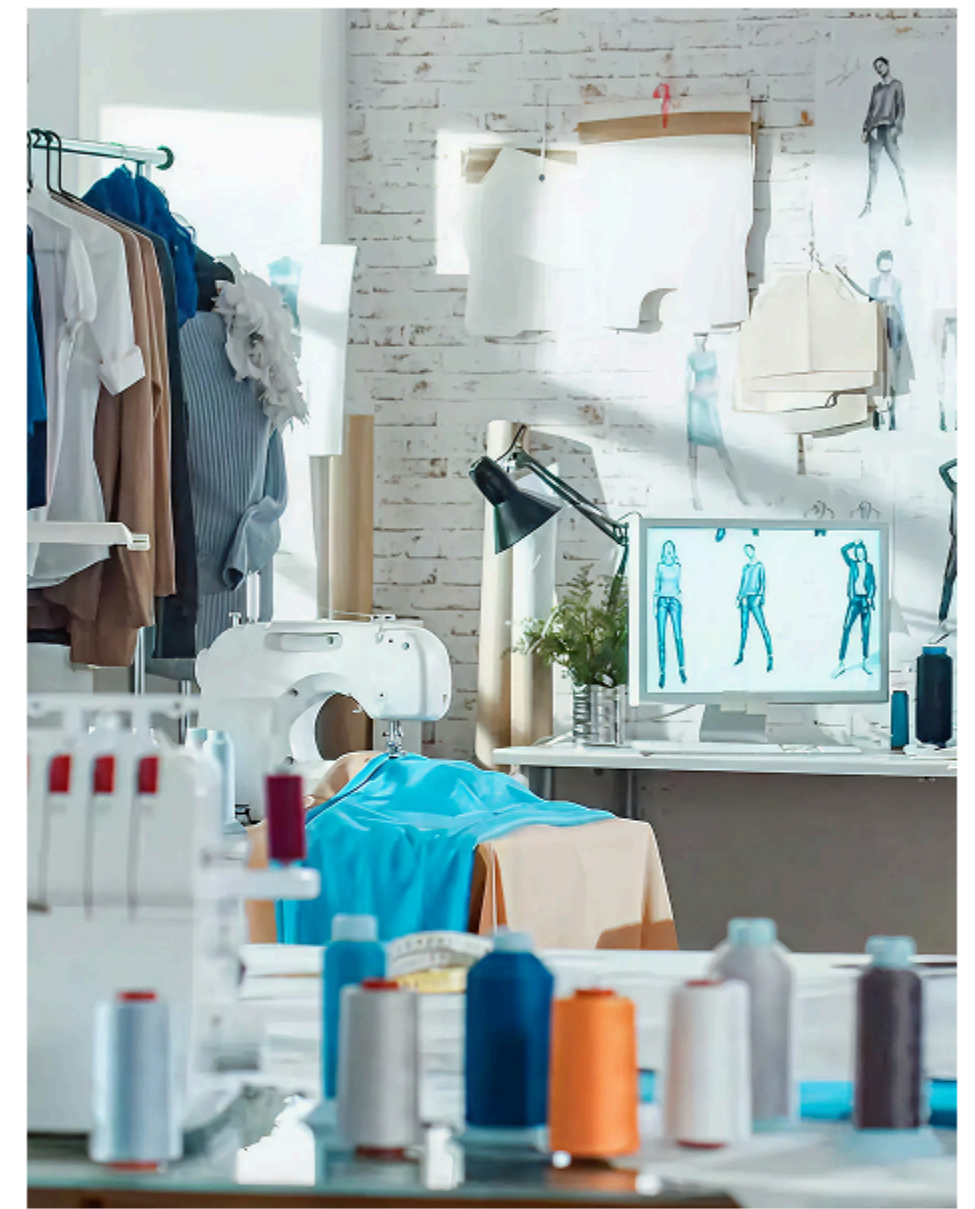
Techverx deployed a weekly inventory risk scoring model evaluating every active SKU against its projected sell-through trajectory. SKUs trending below seasonal target by week 4 were flagged automatically — giving buying and merchandising teams 8–10 weeks to act (transfer, promotional push, or early markdown) rather than discovering the problem in week 14 when options had largely disappeared.

2. Read-and-React Replenishment That Follows Demand, Not History

The replenishment engine continuously re-evaluated demand signals and redistributed inventory between stores and the e-commerce fulfilment channel. Fast-turning stores received top-up allocations before stocking out; slow-moving stores had excess recalled to the DC for reallocation. This cross-channel pooling alone delivered a 16% full-price sell-through improvement in the first season.

3. EOL Inventory Management with Automated Markdown Triggers

For SKUs entering the final six weeks of their seasonal lifecycle, the EOL module automatically calculated optimal markdown depth and timing to maximise sell-through while protecting margin. Markdown decisions that previously required manual buyer intervention were systematised, improving clearance outcomes from 64% to 89%.



Replenishment on demand, delivered timely using our platform



Results and Impact

In the first full season of deployment, markdown rate improved 27% compared to the prior season — the largest single improvement the brand had recorded. Inventory turns improved 1.4x, releasing \$6.8M in working capital for redeployment into faster-turning categories. End-of-season clearance improved from 64% to 89%, cutting dead stock write-offs significantly. The buying team redirected meaningful capacity from reactive markdown management toward pre-season range planning.

What Happened Next

- **Season 1:** Overstock risk scoring deployed for top-150 revenue SKUs; markdown rate improved 27% vs prior season.
- **Season 2:** Full rollout to all 28,000 SKUs across all categories and channels; e-commerce inventory pooling activated.
- **Season 3:** Automated EOL markdown trigger module live — manual buyer interventions on clearance decisions reduced 70%.
- **Currently:** Piloting AI-driven demand signal integration to compress buying lead time from 9 months to 6 months with in-season top-up capability.

27%

Markdown Rate
Improvement (vs Prior)

1.4x

Inventory Turns
Improvement

\$6.8M

Working Capital
Released

89%

End-of-Season
Clearance Rate

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