

NEW LOOK //

CASE STUDY



Q forecasting and replenishment solutions help New Look increase gross margin by reducing stock levels and optimising fulfillment.

QUANTUM RETAIL TECHNOLOGY



NEW LOOK IMPLEMENTS Q FORECASTING AND REPLENISHMENT //

New Look is a leading UK fast fashion retailer and the largest UK seller of women's dresses, jeans and shoes.

“Q enables us to synchronise our supply chain with the unique demands of each of our stores.”

PHIL WRIGLEY Chief Executive,
New Look

New Look is all about fast fashion; it is a store young women visit for the latest interpretations of the season's fashion trends at low prices.

With over 850 outlets across the continent, the chain is one of Europe's leading clothing retailers.

In the highly competitive UK market, New Look has created a winning formula for customers. In the past twelve months, the retailer has expanded into new territories, increasing its

retail floor space by 35%. The company has also extended its offer to e-business and franchise channels.

That means managing a huge number of SKUs and adapting and responding to localised preferences. Given New Look's recent growth, Thompson felt it was time to enhance and improve the company's stock replenishment system.

A major area of concern was the need to balance out of stocks and overstocks; while an item would quickly sell out in one store, it would lie dormant at another location, suggesting that stock allocation could be more efficient. The presence of overstocks also meant that inventory was being unnecessarily sold at markdowns, thus sacrificing margin. And, like all international retailers, there were cross-border differences to be accounted for.



INITIAL RESULTS »

QUICK FACTS // ABOUT NEW LOOK

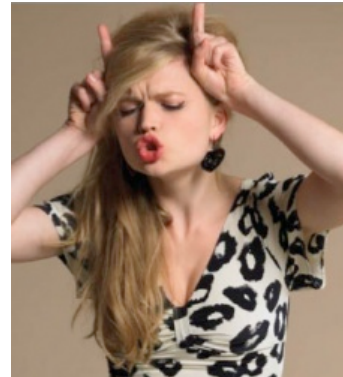
- New Look has 590 stores in the UK and Ireland, and 263 stores in France trading under the name Mim
- Franchise stores in Dubai, Kuwait and Saudi Arabia.
- The market share in the UK is up 0.7pts to 5.4%.
- 37% of British female population purchased an item of women's wear in '08-'09.
- New Look has extended ranges in Men's and Kids.
- www.newlook.co.uk



MAXIMISE FULL PRICE. MINIMISE MARKDOWNS //

New Look's IT team were looking for a solution that would maximise full price sales across New Look's store estate.

Adrian Thompson, Director of IT and E-Commerce says, "We discovered Quantum Retail's Q would enable us to take account of customer preferences in stock allocation processes. Q simplifies the stock replenishment process by allocating less stock, thus creating a pool of inventory that can be used to react quickly to actual store demand. This means full price sales can be maximised, while markdowns are minimised."



Another advantage of Q is the relatively small amount of time required for implementation, a major point of difference with traditional solutions. Quantum began working on a detailed proof of concept for New Look in January 2007. The aim was to illustrate the potential benefits over the incumbent replenishment solution. Q demonstrated a 2.5% uplift in full price sales in addition to immediate, valuable learnings for buying decisions, such as size ratios, allocation and buy quantities.

New Look began a roll-out across its estate in October 2007, focusing on four key product groups. This was followed by a phased roll-out to the remaining product groups, which was completed in early November. "Q enables us to synchronise our supply chain with the unique demands of each of our stores." Phil Wrigley: Chief Executive, New Look.

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ADRIAN THOMPSON Director of IT & E-Commerce, New Look

Q reacts on every level

One of the features that impressed New Look about Q was its reactivity: Q is able to understand the way in which products are selling all the way down the SKU, or size/color level. This a huge plus in fashion retailing where the belief tends to be that products do not live long enough for replenishment to be effective. And, given the efficacy of traditional inventory fulfillment systems, this view is not unfounded.

Where a store like New Look might normally push the entire quantity from a one-time buy to stores, holding back on say 10%, Q helped New Look to identify what their hold-back from that one-time should be. This enabled a more calculated approach to the placement of the product they held back; not only using it to fill gaps but working out which stores required more stock and pushing out more or less if necessary than they'd originally done.

In short, Q put New Look in a far better position to maximise life-cycle profitability for the product. Q also enabled New Look to replenish packs and singles at the same time. Optimising the use of inventory would suggest that everything is in singles rather than packs. In practice, however, this is expensive to execute in the

supply chain: Packs are inflexible and their usage will often lead to markdowns since they contain sizes that won't sell.



“Q actually paid for itself in five months.”

ADRIAN THOMPSON
Director of IT & E-Commerce, New Look

Q allows the retailer to deal with both packs and singles simultaneously, thus enabling localisation of sizing and further elimination of markdowns. By better leveraging and positioning the inventory available in the full-price period of a product's life, Q can increase full-price sales and reduce markdowns, impacting both the top and bottom line for fashion.

New Look's store managers were used to the comfort of high inventory levels so their initial nervousness at working with lower stock levels was understandable. This soon disappeared as they realised that lower stock levels would result in cleaner displays, reducing the requirement for messy markdown racks and freeing up stockroom space. Improvements have been experienced across the New Look supply chain.

New Look was happy to experience the immediate value that Q provided. “Q actually paid for itself in five months,” stated Thompson.

Q: A better way

Customer service levels have significantly improved through enhanced size availability and reducing in-store markdowns. Q alerts the New Look stock optimisation team to individual product or market-driven exceptions and allows them to focus on managing those exceptions while Q manages day-to-day store replenishment.

Finally, improved size level availability means New Look's international stores have seen a 30% uplift in sales against 8% stock reduction in some product areas. After six months of operation, the results have exceeded expectations with an increase of 2% in full price sales across the estate with 4% less stock. The reduction in markdowns has also contributed to an increase of 4% in gross margin. New Look were also impressed with Q's ability to integrate seamlessly with its current system, comprising Oracle RMS and home-grown applications. Future planned phases include multi channel life-cycle management, initial allocation and re-order planning.

Spencer Maynard, Head of Stock Optimisation at New Look said, Q has enabled us to actively manage products by exception, with the system taking care of day-to-day decisions. Now we have the right tools to support our ambition, we're able to concentrate on expanding the business and exploring new routes to market. New Look is now utilising insights into consumer demand, generated by Q, to shape future planning and buying activities.



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ADRIAN THOMPSON Director of IT & E-Commerce, New Look



QUICK FACTS // INITIAL RESULTS

- Annual Group sales grew by 14.9% to £1,322.6 million (\$2.2 billion US) from 2008-09, after implementing Q for forecasting and allocation, with 30% uplift in sales and 8% reduction in stock in some product areas
- Cross-chain: 2.5% uplift in full price sales, 4% less stock, 4% gross margin increase
- Increased floor space by 35%
- Enabled a more calculated approach to the placement of the product they held back
- **Won the European Retail Solution Award** For Supply Chain Excellence with Q in 2008
- **Won the Retail Systems Award** Supply Chain Solution of the Year: Q - 2008
- New Look Fashions 10% Profit Hike
"It's been a good recession for New Look: the fashion retailer has seen both sales and profits rise."
<http://www.managementtoday.co.uk/news/910822//>
- A New Look at Stock Control
"A new stock control system called Q, made by IT company Quantum Retail, allows it to track exactly which items are flying off which shelves, when"
<http://www.managementtoday.co.uk/news/869207>
- Gives visibility to lost sales

QUICK FACTS // ABOUT QUANTUM RETAIL



Quantum Retail has created a dynamic engine, called Q, that optimises and automates retail processes related to localised [forecasting and advanced order planning](#), [allocation and replenishment](#), and [assortment and range planning](#). Through a deep understanding of item behavior and merchandise roles, goals, and strategies, Q is driving unprecedented value for retailers of all types.

CONSUMER-DRIVEN: Q addresses the rapidly shifting patterns of today's sophisticated consumer by translating demand insight into increased market share.

GLOBAL STRATEGY, LOCAL ACTION: Q provides a competitive advantage by understanding the evolving nuances of localisation, channels and retail formats.

HYPER-RESPONSIVE: Q allows retailers to continuously maintain pace with market shifts, competitive pressure and emerging threats to strategic goals.

PROFIT SEEKING: Q is proven to unlock unprecedented value for retailers contributing at least a 2% sales lift, 5% reduction in inventory and 2% margin contribution in only a few months.

EFFICIENT: Q helps retailers do more with less to scale their people, processes and systems, translating data into actionable knowledge and automatically aligning execution to strategic goals.

Every Quantum Retail customer has achieved 100% return on investment in less than 6 months of implementation. For more information visit <http://www.quantumretail.com>. Follow Quantum Retail on Twitter at <http://twitter.com/quantumretail>.