

# Zebra Workcloud Inventory Planning™

## Allocation



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“We’re doing a good job at assortment planning overall, but we take such a margin hit from too much inventory in some stores—causing excessive markdowns—and overly expensive fulfillment from the wrong locations to meet demand in others. We just can’t monitor every product at every store every week.”

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### The Key to Profitable In-season Execution

Retailers today are grappling with variable cost of goods, as well as labor and other fulfillment constraints. There is also growing complexity for retailers due to the percentage of shopping online now exceeding 15%. With this shift expected to grow further, retailers must address the margin degradation erosion and fulfillment capacity issues that can result.

A significant path towards solving these issues is to place inventory in the best location to satisfy both the store and the online demand best fulfilled from that location.

Key questions to be answered include:

1. **Location**—what channel to fulfill from and to where?
2. **Timing**—will there be adequate capacity at that location now and in the future when it is needed?
3. **Staffing**—will the stores and/or distribution centers be adequately staffed to handle fulfillment?

### Allocation Optimization—Nailing the Right Inventory, Right Place, and Right Time

With an omnichannel aware allocation system, retailers can place inventory where the demand is best fulfilled rather than where it originated. As a result, it will help pre-empt downstream DC capacity issues and lower overall shipping costs by minimizing split shipments and order fulfillment from non-ideal locations.

To achieve this, in-season demand signals from customers must be mapped and aligned to the fulfillment strategy. In addition, when fulfillment paths do crisscross, business rules about which channel gets credit for the sale, which alternate location can best benefit from fulfilling the order, and how the demand signal get assigned for future planning must also be resolved.

### Size Profiling Can Exacerbate the Problem

Optimizing allocation for size is a particularly hot spot in the increasing world of omnichannel consumers. Traditional practices of guiding allocation by assigning size profiles to store clusters will no longer be effective when alternative fulfillment options like curbside pickup and ship from store are now possible. A more disaggregate view of demand and the drivers at play, by location, will be required.

### Inventory Allocation Optimization Tunes In-season Execution to the Omnichannel World

The objective of Zebra Workcloud Inventory Planning solution for Allocation Optimization is to minimize the time required to allocate product and maximize the achievement of profit margin goals by placing the right amount of Inventory in the right location at the right time—and if the merchandise is sized—in the right size.

The guiding principle for the Allocation module is to make this as simple as possible, no matter the number of SKUs or stores, via an easy-to-use workflow that helps the allocator pick the inventory available to allocate, assign stores and finally pick an optimization method. This simple workflow is powered by sophisticated and intelligent, AI/ML-driven, forward-looking granular forecast which drives an optimization engine under the hood.

Allocators can choose from a range of optimization methods:

1. **Demand**—Targets the allocation to the exact units identified by the demand forecast and size profile output
2. **Profit Optimal** (aka “Need” based)—Determines the allocation quantities based on what’s optimal to send to which store considering the economic benefit of each unit of inventory available for shipping
3. **Allocate 100%**—In conjunction with the Demand method, forces 100% of the available quantity to be allocated.
4. **User Entry Quantity**—Allows the allocator to overrule an optimization based on total available in cases where the allocator has a specific quantity in mind that is less than the total available to allocate



2x

Increase in  
Ship Completes



2-5%

Margin  
Improvement





## Restoring Margin and Planner Productivity for Major Fashion Retailers

### Improving Planner Productivity and Reining in Fulfillment Costs

For one \$120M Fashion Retailer, allocation was a manual and labor-intensive process consuming a major portion of planners' time that could have been otherwise producing better allocation strategies. Zebra's Workcloud Inventory Planning Allocation Optimization solution helped them centralize key workflows and better align buying decisions with multiple variables—seasonality, localization, and other anticipated shifts in customer demand. In addition, the solution optimized long-term assortment planning and efficiently distributed inventory across more than 80 store locations in the U.S. and Puerto Rico, alongside a sizeable e-commerce presence.

### Addressing a Multi-Branded Fashion Retailer's Digital Disruption

A multi-billion, multi-branded, multi-channel Fashion Retailer with approximately 40% online revenue was experiencing a massive disruption to their business. In their words: "Our consolidated sales are running negative by low-double digits, with online demand up 300%; though our adjusted gross margin decreased 990 basis points from 36.7% to 26.8%. The gross margin decrease was a result of higher fulfillment costs." The retailer's goal was to improve margins and lower their overall shipping costs by improving their inventory positioning, even though their volume was expected to increase. After an initial pilot, they worked with Zebra's solution to replace their existing, manually intensive tool with an omnichannel aware Allocation module.



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"Our continued success depends on keeping one step ahead of customer demand, ensuring each store offers the right products and experience to shoppers. AI and machine learning are offering important advantages in retail business operations, and Zebra Workcloud stood out as an excellent choice for us."

*Randall Blumenthal, Chairman & CEO,  
Everything But Water*

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## Our Solutions are Built Upon Zebra Workcloud's World-class AI Demand Forecasting

### Unified Demand Signal

Adjust for the differences between regions, stores, online, and even the fulfillment type, and serve as the connective tissue across financial, assortment, allocation, size, and pricing decisions.

### Dynamic Forecasting Libraries

An analytic methodology to address data sparsity, avoid the impact of fringe sizes, handle new items, and protect unit minimums.

### Omnichannel Profiling

Delivering demand profiles that consider store and online sales, predicting down to SKU and location.

### Seamless Integration

Delivers pricing and forecasting results through simplified solution integration, feeding either Zebra Workcloud Inventory Optimization Suite or existing ERP solutions.

### Scalable Data

AI models capable of digesting data that accounts for every demand driver—including seasonality, price, product lifecycle, trends, and local events.

### Cloud Native

Built natively in the cloud with scalable distributed processing.



Contact your Zebra Partner or visit [zebra.com/contact](https://zebra.com/contact) to request a meeting with our sales team to learn more about Workcloud Allocation.



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