

AI driven Digital Transformation for the Apparel Industry



The application of **AI** in the **apparel industry**,
focusing on two key aspects: **Demand
forecasting** and **Top-flop analysis**

For more information contact
info@direction.biz, 91 (22) 6152 5000, www.direction.biz



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Executive Summary

The retail industry is developing rapidly and year after year manufacturers are introducing more and more solutions based on new technologies, machine learning, and AI. We work closely with some of the known names in retail using these technologies.

This white paper explores the application of AI in the apparel industry, focusing on a few key areas: **Demand forecasting, Top-flop analysis Product-similarity detection and Multi-language translations.** It analyses the challenges faced by the industry, the benefits of AI, and best practices for implementation.

The following pages cover some of the key engagements we undertook in this endeavour.

Demand-forecast solution:

For our customer based in Germany, the AI-based demand forecasting solution utilizes historical transactional data, product attributes, and historical planning data to predict future product demands. This strategic approach enables key stakeholders, including departments such as Procurement, Control, and Logistics, to efficiently manage inventories. Moreover, it directly enhances product availability to consumers precisely when they need it, reducing overstock and minimizing less popular inventory items.

Business Challenges

A client needed to improve its yearly-horizon demand forecasting solution for determining the demand potential of products across 11 regions. The company's current solution was manual and inefficient, and it did not adequately account for the dynamic nature of the apparel industry.

Solution

Direction Software LLP implemented a suite of artificial neural network (ANN)-based models to supplant the company's legacy algorithmic approach. The ANN models were trained on a massive dataset of historical sales data, external factors, and unstructured data, including social media trends and customer reviews.

Benefits

The AI-powered demand forecasting solution delivered significant benefits to the company, including:

- Improved accuracy in predicting consumer demand, resulting in reduced inventory costs and increased sales and revenue
- Increased agility to respond to changing market conditions
- Reduced workload on forecasting and supply chain teams

Summary

In summary, the demand forecasting solution not only streamlines inventory management but also directly contributes to achieving business objectives and enhancing customer satisfaction. Embracing this solution empowers your organization to stay ahead in a competitive marketplace while optimizing resource allocation and minimizing unnecessary costs.



Top-flop predictions:

Our European customer has outsourced product manufacturing to external vendors and the whole process is managed by dedicated buyer department.

Our AI solution provides the department personnel with advanced insights about potential product launches. By leveraging data-driven methodologies, we empower the team to anticipate the success probability of new products before they are ordered for manufacturing. This foresight equips us to efficiently categorize these products as top performers or potential underperformers.

Solution

Direction Software LLP developed a customized iteration of its ANN-based demand-potential forecast solution to pin point top-performing and low-performing products across diverse product lines for an internationally successful fashion company with over 35 million customers in 30 countries. The solution uses a variety of machine learning techniques to analyse historical sales data, external factors, and even unstructured data to generate accurate forecasts of product performance.

Benefits

The AI-powered top-flop analysis solution has delivered significant benefits to the company, including:

- Optimized allocation of budgets for corresponding products and categories
- Timely and efficient identification of top products for each region, improving the company's decision-making process
- Improved inventory efficiency and reduced storage costs by determining the optimal inventory for each product
- Optimized reorder points and stock levels to minimize costs and avoid inventory shortages
- Maximize profitability and efficiency

These insights go a long way in enhancing decision-making processes. By identifying potential top-performing products and recognizing items with lower success potential it arms our decision-makers with the knowledge required to make strategic choices about introducing new items into our online store. This approach minimizes the risks associated with stocking underperforming products, directly impacting profitability.



Product-similarity detection for a retailer:

For this use case, we employ advanced AI-algorithms to assess the similarities between the products using early product working images i.e. Images obtained during the product creation phase. By identifying duplicates or closely resembling products/styles within the collections during early stages of our processes, we proactively prevent unnecessary orders from our suppliers.

Additionally, it significantly improves the overall appeal of the collections, mitigating the cannibalization effects that can impact our product lines. Beyond cost savings, this approach enhances customer perception. By avoiding the proliferation of redundant choices, we streamline our offerings, making it easier for customers to navigate and make decisions. This directly addresses the "paradox of choice," reducing the confusion caused by an overwhelming array of very similar products.

Multi-language translations:

We implemented an automated GenAI based-solution for a customer in Europe to translate product description texts. This automation significantly reduces the manual effort and associated translation costs across 13 languages by seamlessly translating product texts and contents. The translated content would still undergo a proofreading process, ensuring linguistic precision and adherence to brand/fashion conventions. However, the use of automation expedites the overall translation process, allowing us to deliver multilingual content to our global audience across the regions we operate.

Our approach incorporates the power of Generative AI, utilizing a Large Language Model from OpenAI, Palm2 (historical translations examples included in prompts), and NNLB (fine-tuned with our historical translations). This advanced technology not only accelerates translations but also maintains a high level of quality and consistency across all languages.



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Unlocking the Power of AI in other areas of retail

AI is of great importance in the retail industry due to its potential to transform and enhance various aspects of retail operations. Here are some key reasons why AI is crucial in the retail industry:

Targeted Marketing and Customer Segmentation using AI

AI streamlines customer data for precise marketing, personalized messaging, and better customer acquisition and retention. Customized marketing to specific segments enhances effectiveness and boosts engagement. AI categorizes customers based on demographics, purchase history, and behaviour for precise campaigns and messaging.

AI Induced Analysis can help the industry with:

1. **Increased ROI:** Targeted marketing reduces advertising waste by focusing on profitable segments.
2. **Enhanced Data Analysis:** Targeted marketing requires data collection, yielding insights into customer behaviour and preferences.
3. **Target oriented Messaging:** Customized marketing messages resonate with specific customer groups.
4. **Increased Sales:** Targeting high-value segments drives sales.
5. **Enhanced Customer Experience & Engagement:** AI offers personalized experiences through data analysis, personal recommendations, and targeted promotions, boosting satisfaction, engagement, loyalty and increasing purchase likelihood.
6. **Chatbots and Virtual Assistants:** AI-powered chatbots provide instant customer support, improving satisfaction and reducing support workload.



Unlocking the Power of AI in other areas of retail

AI-Based Inventory Optimization

1. **Demand Forecasting:** AI predicts future demand using historical data and factors.
2. **Replenishment Planning:** AI generates replenishment plans based on forecasts and constraints.
3. **Seasonal Demand Planning:** AI adjusts inventory for seasonal patterns.
4. **Supply Chain Optimization:** AI optimizes inventory across the supply chain. Enhances Efficiency and Performance.
5. **Just-in-Time Management:** AI triggers automatic replenishment based on current demand.
6. **Risk Analysis:** AI identifies and mitigates inventory risks.

Other benefits

1. **Enhanced Fraud Detection and Security:** AI detects and prevents fraudulent activities, safeguarding businesses and customers in real-time.
2. **Fraud Detection:** AI identifies fraudulent patterns in customer behaviour.
3. **Data-Driven Decision-Making:** AI provides insights for pricing, product assortment, marketing, and operations, enabling agile responses to market changes.



Conclusion

In a rapidly changing industry like apparel, artificial intelligence (AI) is a game-changer and is poised to play an increasingly important role in all aspects of the apparel industry.

In the future, we can expect to see AI used to:

- Promote sustainability by optimizing production, reducing waste, and promoting eco-friendly practices.
- Enhance the customer shopping experience with AI-driven personalization, such as recommendation engines.
- Further streamline supply chains by predicting demand fluctuations, optimizing logistics, and enhancing supplier relationships.

As the apparel industry continues to evolve, embracing AI will be essential for driving profitability, sustainability, and resilience in a fast-paced, competitive market.

Overall, AI in the retail sector enhances operational efficiency, customer experiences, and data-driven decision-making, with the potential to transform the industry and foster innovation. Its applications in retail are constantly evolving, allowing businesses to gain a competitive advantage, improve customer experiences, and make informed decisions.

About Direction Software LLP

Direction Software LLP is a leading software services firm specializing in internet strategy and premium software solutions. Our goal is to be your trusted IT partner, offering simple, integrated, and innovative solutions for maximum customer satisfaction.

We specialize in AI and provide solutions to enhance your retail business, including customer engagement, operational efficiency, and decision-making. Our experienced AI specialists customize solutions to meet the unique needs of the retail industry, using insights into customer behavior, market trends, and emerging technologies to align AI with your business goals.

Whether you need AI-powered customer support, personalized experiences, supply chain optimization, or demand forecasting, we have the expertise to deliver results. We can confidently add value to your business. Partnering with us provides access to cutting-edge AI solutions that streamline operations, improve customer experiences, and increase profitability.