RESEARCH

Allocation issues costing retailers up to 6pc of sales annually: Coresight

June 23, 2023

The research firm alleges that data sharing slowdowns may be to blame, offering solutions and studies to make the case for standardization between supplier and store. Image courtesy of Balmain

By ZACH JAMES

Global retail, as well as brands, could be losing billions of dollars in sales annually to an avoidable problem, according to a new report.

Titled "How Data Sharing and Collaboration Can Accelerate Decision-Making and Enhance Sustainability," its findings detail how retailers could be losing out on large swaths of cash due to allocation issues brought about by a lack of communicative data sharing. The research firm suspects that data sharing slowdowns may be to blame, offering solutions and studies in making the case for standardization between supplier and store.

"Retailers can get aggregated data on total demand by product type, and brands can see where their product is selling and not selling," said John Harmon, author of the report and managing director of technology research at Coresight Research, New York

"Our report is sponsored by Skypad, which provides just this type of tool," he continued. "This collaboration on a common data framework provides up-to-date data and puts an end to delays from having to download data from portals and having to convert data from other formats."

The Coresight Research report, created in collaboration with web-based sales performance reporting suite Skypad, surveyed the latter company's clientele of more than 200 retailers, 2,000 brands and a total of 30,000 storefronts, from across all industries and the globe, on data usage and consumer behavior. It also features a series of provided case studies

Loss by dissociation

As time has drawn on, internal and customer data is, arguably, becoming a far more valuable currency than paper money could ever provide; naturally, companies want to hold on to their data for themselves, but it may be costing them, potentially dearly and in the long term.

Findings show that 57 percent of surveyed retailers are losing anywhere from 3 to 6 percent of total sales due to

allocation issues brought about between the storefront and suppliers' lack of data sharing, leading to product allocation issues. Of the stores questioned, 43 percent said that following a selling period, an excess of product over 5 percent but less than 10 percent was left over, unsold.

If applied to the 2023 American fashion industry, a total of lost sales reaching 6 percent would equal around $28.5 billion in absent revenue. The majority of Skypad's client base is within the apparel and accessories business.


Just under a quarter of those surveyed observed sales losses above 6 percent. Image credit: Coresight Research

Coresight suggests that brands and suppliers gaining access to real-time sales and inventory data could minimize further sales loss going forward. Shared data could also help minimize returns on items by identifying widespread quality or sizing issues quickly.

Returns have always been a thorn in the sides of retail, with another recent Coresight report showing that online apparel returns have cost U.S. retailers upwards of $38 billion in 2023 (see story). In curtailing returns, as well as excess stock delivery, businesses' sustainability efforts would improve, drawing in more customers, especially in the luxury sector.
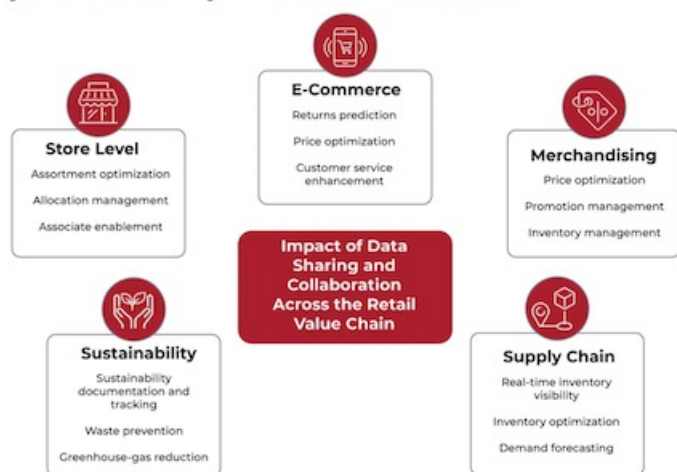
On top of more environmentally conscious effects, data sharing helps different aspects of merchandising and ecommerce as well. Image credit: Coresight Research

Labels' respective climate consciousness has quickly become one of the top concerns among luxury consumers, with a recent report by the Vestiaire Collective showcasing that a majority of its users buy and sell on the resale platform because it is more environmentally friendly (see story).

According to the company, a fear of giving up industry secrets or potentially valuable customer data should be sacrificed in order to benefit the customer and the marketplaces they purchase goods through.

"Retailers and brands have to trust the platform and that their data will not fall into competitors' hands," said Mr. Harmon.

"The retailers see aggregated brand data across all retailers and will have to trust the brands not to share their information."

Luxury adoption

A number of luxury labels have already committed to sharing internal sales data with storefronts in a push for

efficiency and transparency, helping each business along the way.

Skypad, in particular, has existing partnerships with Bergdorf Goodman, Cos Bar, Neiman Marcus, Saks Fifth Avenue and Saks Off 5th.

French fashion label Balmain partnered with the sales performance reporting suite in 2018, utilizing its services across operations in the U.S. and EMEA. Since 2020, the brand has actively shared data with 12 partners from around the globe.

In a 2023 study by ecommerce platform Lightspeed, it was noted that 70 percent of brands benefitted from the established practices of using data and technology in business decision-making, with 82% of those surveyed actively using B2B software, like that shown to be effective in Coresight's report.

It's possible even more luxury maisons make use of data-sharing tech, but it wouldn't be Skypad's platform. The findings showed that another hurdle impacting sales loss is different companies utilizing different data tools from each other, slowing collaboration.

Luxury Daily is published each business day. Thank you for reading us. Your feedback is welcome.