

BEAUTY IN EFFICIENCY



Elevating Cosmetics Inventory Management with Increff Merchandising Software

In the dynamic world of cosmetics, where trends ebb and flow faster than ever, merchandising agility is the ultimate power play. The cosmetics industry thrives on consumer trends, changing preferences, and evolving market demands.

In 2024, the cosmetics industry in India is estimated to reach \$6.45 billion (Rs 53,502.5 crores), and 82% of total sales is expected to come from non-luxury low-ticket items, which indicates a high order volume.

The wide range of products, diverse consumer demographics, and new product introductions make it essential for cosmetics businesses to swiftly to market changes. For example, in India, the demand for natural and Ayurvedic cosmetics is on the rise, so to meet growing consumer demands, it's essential to ensure sufficient inventory.





Primary Challenges

The cosmetics industry, while glamorous, presents unique micro-segmentation for granular merchandising within niches. Here's a deep dive into its challenges:

- 1. SKU Proliferation & Shade Management:** Brands often have a vast array of shades, finishes, and textures across foundations, lipsticks, and eyeshadows that might lead to SKU explosion. At the same time, the cosmetics industry is characterized by frequent product launches and ever-changing trends. Managing this huge product base while ensuring core products are always in stock requires efficient variant-level analytics.
- 2. Trend Forecasting & Short Product Lifecycles:** Beauty trends evolve dynamically, requiring agile forecasting and demand planning. It also becomes crucial to manage limited-edition collections & flash sales by optimizing inventory allocation and promotional pricing for short-lived product lines. This involves analyzing historical sales data, considering market trends, and adjusting for seasonal variations (during festive or wedding seasons) to estimate future demand.
- 3. Personalization & Omnichannel Consistency:** Catering to diverse beauty needs in micro niches demands personalized product recommendations. At the same time, ensuring product availability, consistent pricing, and personalized offers across physical stores, online marketplaces, and social channels requires robust omnichannel inventory management and unified data platforms.



- 4. Store assortment planning:** Unable to optimize the right store mix and identify category heatmaps based on demand to ensure that the right amount of inventory is present at the store.
- 5. Replenishment Strategies:** It is challenging to implement effective replenishment strategies that involve determining reorder points, order quantities, and lead times. At the same time, balancing the costs of holding inventory against potential stockouts is crucial for optimizing inventory levels





Proposed Solution

Inventory planning, reordering, distribution, and discounting of core and new products with Increff Merchandising Software

- 1. Potential demand identification:** By staying attuned to changing customer preferences and emerging trends, businesses can proactively adjust their inventory planning to capture new opportunities. They can identify potential demand for core products and bestsellers by utilizing data analytics and understanding the market for a style in a location, comparing it with the sales trend of the stores in that location.
- 2. Store sale targets:** Aligning inventory planning with store-specific sales targets ensures that each location contributes effectively to overall business goals. This requires understanding the demand of each store, correcting the deviations in demand, and projecting the forward demand as a quantum of sales needed in each attribute group in a store.
- 3. Regional distribution:** Using in-built algorithms, the merchandising software analyzes true customer demand at a pin code level and suggests intelligent inventory split across the brand's network of managed warehouses to reduce delivery time and logistics costs.
- 4. Actual live days:** Considering the actual operational days of a product at a store helps identify the true potential of a style, leading to optimized inventory levels. The merchandising solution captures this and ensures that businesses factor in variables like holidays, special events, and store-specific factors to avoid understocking or overstocking during specific periods.
- 5. Maintaining minimum display quantity:** Balancing the need for an attractive product display with maintaining sufficient stock on hand can be challenging. The merchandising software does this while ensuring the unique characteristics of every group of products at every store are captured effectively and enforced as a unit of style.
- 6. Markdown optimization:** It helps you utilize real-time style performance and stock data for precise discount suggestions, boosting sales and maximizing margins.
- 7. Planning for new stores:** Businesses need to anticipate the needs of new stores by considering factors like the location's demographics, local market conditions, the store's size, its display constraints, and its potential demand. This ensures that the inventory is tailored to meet the specific demands of each new location.





We Ran Customer Data on Your Systems and Witnessed

1. **21.5%** reduction in inventory quantity for a targeted increase in revenue
2. **9%** discount reduction
3. **30%** additional sales from the same set of styles
4. **70%** saving in working hours spent on stock allocation with end-to-end automation
5. **2x** jump in ROS for tool-recommended discounted styles



Conclusion

Implementing Increff Merchandising Software presents a comprehensive solution to the intricate challenges faced by the cosmetics industry in inventory management.

By addressing issues such as product shelf life, new product launches, e-commerce challenges, replenishment strategies, and more, it offers a robust framework for businesses to thrive in the fast-paced and dynamic cosmetics market.



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