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JustFab Finds Managing Fashion Inventories Is Both Science and Art

Companies have more analytics about consumer behavior, but clothing sellers say there is judgment behind the numbers

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Is figuring out what products consumers will want an art or a science?

This is increasingly up for debate as the ability of companies to see into consumer trends based on a wide range of indicators, from the weather to social media chatter, is growing. With ever-expanding data available to buyers about consumer behavior, gauging what consumers want and how to plan inventory is becoming easier even without years of experience or carefully honed taste, executives say.

“There’s definitely a community out there that thinks this is all art, that there’s no way you can use analytics to help,” said Molham Aref, CEO of analytics firm Predictix LLC. But “we’ve seen retailers get exasperated with that” view.

Adam Goldenberg, co-founder of online fashion retailer JustFab Inc., says the answer isn't so simple. The El Segundo, Calif., company considers itself to be in the technology business as well as the fashion business, an industry where expertise and discerning taste are held at a premium. The company believes it can use the vast information it has about its customers to plan styles and inventory more precisely than its brick-and-mortar rivals. But while JustFab’s key competitive advantage lies in its technology, “in fashion it’s always going to be incredibly important to have very talented designers and merchandisers.”

Using data from customer activity on its website, JustFab can score customers on their likelihood to make purchases within the next month based on how frequently they visit the site, the number of items they have on their wish list, household income and other attributes, Mr. Goldenberg said. That helps inform the company of how many items it needs to stock in each size, and can even help JustFab keep hot items in stock.

Through real-time data analysis, the company identified a hot-selling camouflage pant on its Fabletics website within 12 hours, sent orders to its factories in Asia, and had the product restocked within two months. The challenges of inventory are “buying the wrong sizing, or too much quantity, or not buying enough,” Mr. Goldenberg said.

The company, which is privately held, has estimated it will surpass \$500 million in revenue this year, up from about \$400 million last year.

Although data helps the company keep closer tabs on its customers, it hasn't drastically changed the structure of the company, which owns 40 factories around the world. JustFab does 30% to 40% of its manufacturing in its U.S. and Mexico facilities so it can react quickly to demand fluctuations, and the rest in Asia. “We have a similar supply to other fashion companies. Everything we sell is our own designers,” Mr. Goldenberg said. “We still have a design team working year round, placing orders far in advance in Asia.”

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—Molham Aref, Predictix

Success also depends on how companies use data, he said. “In a traditional retail company, it's more normal to have a monthly or quarterly review of how things are performing—that information might be at the head of design, but it doesn't get filtered down to the designers,” he said. Pure e-commerce companies have “complete data transparency and a very, very fast turnaround.”

Mr. Aref doesn't believe e-commerce retailers have an edge over traditional retailers, because both have access to increasing amounts of data. Although retailers with physical stores don't have a complete profile on every customer walking in, they have more information on consumer behavior across multiple channels, he said.

Even with all the advances in data, Mr. Aref said, the companies that best align their procurement to demand will probably have a mix of both science and art. But when it comes to the artist, it may boil down to those willing to embrace technology and those who don't.

“I think what we've seen is, companies are replacing older, gut-feel type of buyers with younger, [less] experienced ones who are more open to using this kind of technology,” he said.

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