



Mind the (Inventory) Gap

Reimagining how UK fashion retailers plan, buy
and manage stock

August 2026

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Summary

- We read 315,389 sets of accounts filed by 189,178 UK fashion companies. Among those filing full accounts, 56% grew inventory faster than reported revenue (n = 432). Of the companies whose stock-to-sales ratio rose, 2.9% subsequently failed, against 1.7% where it held or fell — directional, on eleven failure events, not a prediction.
- Slow stock is a margin problem before it is a failure problem. Among emerging brands, the fastest inventory turnover quartile ran a median operating margin of +1.5%; the slowest ran -16.3% — an 18-point gap.
- The context makes mistakes dearer. The discounted share of the market rose five percentage points in 2024,¹ England and Wales recorded 1,961 retail insolvencies in 2025,⁴ and Ted Baker, Seraphine, Quiz and River Island all carried documented inventory imbalance in a £67.8bn market.^{3 5 6}
- The retail-wide backdrop agrees. The CBI stocks balance, covering retail beyond fashion, sat above its +17% long-run average for most of two years before easing to +19% in June 2026, and ONS series FBYN shows retail swinging from +£3.7bn of stock building in 2021 to -£6.2bn of destocking in 2022 and 2023.
- Our conclusion: after a decade of investment in reporting and analytics, this is no longer a data problem. It is a decision problem — systems describe what has occurred, not the forward commitments on which inventory outcomes depend.
- The gap is closable with decision intelligence, earlier demand signals and disciplined buying and markdown process. McKinsey's fashion research associates AI-supported forecasting with inventory reductions of 5 to 15% and stock-out improvements of 15 to 25%.⁷

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1. 'The State of Fashion 2025', McKinsey & Company and BoF Insights, December 2024. The 2023 estimate of 2.5 to 5 billion surplus items worth \$70bn to \$140bn is from that edition; 'Tackling Fashion's Excess Inventory Problem', The Business of Fashion, January 2025, is the companion article to the same report rather than a separate source.

businessoffashion.com/articles/retail/the-state-of-fashion-2025-report-inventory-excess-stock-supply-chain

2. Not used.

3. 'UK Clothing Retailing Market Report 2025', Mintel — UK clothing market estimated at £67.8bn in 2025.

store.mintel.com/report/uk-clothing-retailing-market-report 4. Insolvency Service data for England and Wales, 2025.

5. AccountingWEB; City A.M. (Ted Baker). 6. Seraphine, Quiz and River Island: see footnotes 19 to 22 for administrators, dates and sources. 7. 'The State of Fashion 2025', McKinsey & Company and BoF Insights, December 2024, which reports the 5–15% inventory reduction and 15–25% stock-out improvement ranges.

mckinsey.com/~media/mckinsey/industries/retail/our%20insights/state%20of%20fashion/2025/the-state-of-fashion-2025-v2.pdf

Excess stock in UK fashion: discounting, costs and regulation raise the price of mistakes

Most UK fashion retailers face squeezed margins and rising operational complexity: value-conscious consumers, cost inflation, wider assortments across more channels, shorter trend cycles and price competition from online entrants.⁸

The UK clothing market reached an estimated £67.8bn in 2025 after a muted 2024, and spend is forecast to grow 11% between 2025 and 2030, modest by historical standards.⁹ Shein and TikTok Shop have reset consumer expectations of value and speed.¹⁰

£67.8bn

UK clothing market value, 2025⁹

1,961

Retail insolvencies in England and Wales, 2025⁴

48%

Share of UK clothing spend now online¹⁰

\$70–140bn

Estimated annual global overproduction in fashion¹



8. 'UK Clothing Retailing Market Report 2025', Mintel; 'Retail Trends', Deloitte UK. 9. 'UK Clothing Retailing Market Report 2025', Mintel. store.mintel.com/report/uk-clothing-retailing-market-report 10. 'UK Clothing Retailing Market Report 2025', Mintel, as above.

Against this backdrop, three developments over the past year have increased the financial consequences of inventory decisions:

- 1 **Discounting is running hard.** The discounted share of the market rose five percentage points in 2024, and even Nike marked down nearly half its products.¹² Retailers reported weak sales volumes through 2026 in the CBI's retail-wide survey; we have not found a source that measures UK fashion discount timing or depth in 2026, so we make no claim on it.¹¹
- 2 **A rising cost base.** Higher employer National Insurance and minimum wage rises land straight on fixed costs. Business rates changed shape rather than simply rising: the previous retail, hospitality and leisure relief ended, and permanently lower multipliers were introduced for eligible English properties below the qualifying threshold, so the effect varies by property, and rates are devolved across the UK.¹³ Every point of cost inflation shrinks the margin left to absorb markdowns.
- 3 **Regulatory change.** Regulation is increasing the cost and scrutiny attached to unsold product and end-of-life textiles. In the EU, a ban on destroying unsold apparel begins applying to large companies in July 2026. California is introducing a textile producer-responsibility regime, with phased obligations covering collection, reuse, repair and recycling. Digital product-passport requirements will add further traceability expectations in Europe.¹⁴

The penalty for a poor inventory decision is higher than at any point in recent years, and the growth available to trade out of it is limited.

This report asks why, after that decade of investment, imbalance persists. Our view, set out below: the industry's challenge is no longer a data problem. It has become a decision problem.

11. CBI, Distributive Trades Survey, monthly releases June 2025 to June 2026, including 'Retail sales slump deepens in June 2026' (cbi.org.uk/media-centre/articles/retail-sales-slump-deepens-in-june-2026-cbi-distributive-trades-survey). The stocks-adequacy balance covers retail industries as a whole, not fashion alone, and does not measure discount timing or depth. 12. 'The State of Fashion 2025', McKinsey & Company.

13. HM Treasury, Autumn Budget 2024: employer Class 1 National Insurance rose from 13.8% to 15% and the secondary threshold fell, effective April 2025; National Living Wage increases from April 2025 and April 2026. Business rates: GOV.UK, 'Business rates relief: retail, hospitality and leisure' (gov.uk/business-rates-relief/retail-discount) and 'Business rates multipliers for qualifying retail, hospitality or leisure properties' (gov.uk/guidance/business-rates-multipliers-qualifying-retail-hospitality-or-leisure). The 2025/26 relief ended and lower multipliers apply to eligible English properties below the qualifying rateable value threshold; business rates are devolved, so Scotland, Wales and Northern Ireland differ. 14. European Commission, 'New EU rules to stop the destruction of unsold clothes and shoes', 9 February 2026 (environment.ec.europa.eu/news/new-eu-rules-stop-destruction-unsold-clothes-and-shoes-2026-02-09); the prohibition applies to large companies from 19 July 2026, with medium-sized companies exempt until 2030 and small companies exempt. CalRecycle, textile Extended Producer Responsibility programme, California SB 707 (calrecycle.ca.gov/epr/textiles), phased from 2026 with a producer responsibility organisation plan due 2028 and collection obligations following. Digital Product Passport requirements sit under the EU Ecodesign for Sustainable Products Regulation; textile-specific delegated acts are not yet adopted. Photograph: Regent Street, London, by Colin Smith, geograph.org.uk, licensed CC BY-SA 2.0.

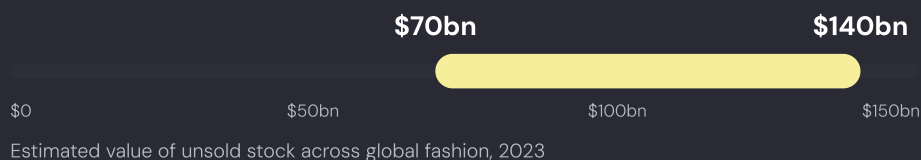
UK fashion is carrying more stock than demand justifies, and it is costing margin

QUANTIFYING THE GAP

COORD analysed 315,389 sets of accounts filed at Companies House by 189,178 UK fashion companies, including 5,018 insolvency cases. Companies House provides broad coverage of incorporated businesses in our defined fashion cohort, including registration, filing, dissolution and insolvency records; it does not cover every sole trader or partnership, and company classifications and filings have known limitations. The financial detail needed to read inventory against revenue, however, exists only for the minority that file full accounts, since roughly 97% of fashion filings are balance-sheet-only micro or abridged accounts that legally omit a profit and loss. Findings that read the financials are therefore reported as full account filers rather than as a sector-wide rate. One pattern is already clear. Among fashion companies that file full accounts, 56% grew their inventory faster than their revenue across the period (n = 432), a majority whose inventory growth outpaced reported revenue growth. Public company figures cited in this report are drawn from published annual reports and results statements.

Inventory is one of the largest uses of capital on a fashion balance sheet. Excess stock ties up working capital and erodes gross margin through markdown; shortages cost revenue. The global scale is documented: for 2023, McKinsey and BoF estimated 2.5 to 5 billion excess garments worth \$70bn to \$140bn.¹⁵

FIGURE 1 — THE GLOBAL COST OF OVERSTOCK



2.5–5bn

excess items held by brands in a single year

▲ 5pp

rise in the share of discounted items across fashion, 2024

Estimates for 2023, not a recurring annual figure. Source: McKinsey & Company and BoF Insights, The State of Fashion 2025 (December 2024).

15. 'The State of Fashion 2025', McKinsey & Company and BoF Insights, December 2024.

The margin impact of markdown activity

The margin mechanics are unforgiving. At a 60% gross margin, a 30% markdown cuts unit gross profit by 50%, about 1.7 times the percentage fall in price:

£60

gross profit at full price (£100 garment, 60% margin)

£30

at a 30% markdown: a 50% fall in gross profit

£10

at a 50% markdown: an 83% fall in gross profit

With sector operating margins in the low single digits, a small shift in the share of stock sold on markdown is enough to erase operating profit, consistent with the extended promotional periods that preceded recent UK insolvencies.¹⁶

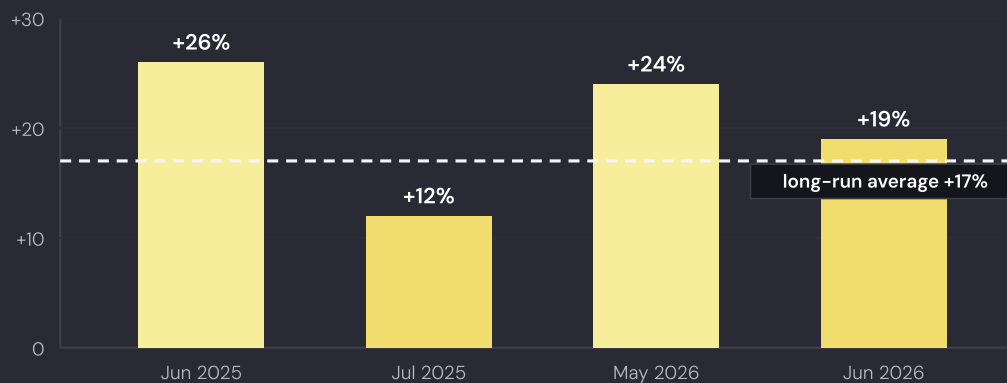
Our analysis of full account filers shows the mechanism at work. Among emerging brands under £5m turnover, the fastest inventory turnover quartile ran a median operating margin of +1.5%, against -16.3% for the slowest (n = 382). In the £5m to £50m band the gap narrows but holds: 6.4% against 5.4% (n = 186). Slow stock and thin margins travel together, and the penalty lands hardest where there is least balance sheet to absorb it.

What published UK data shows

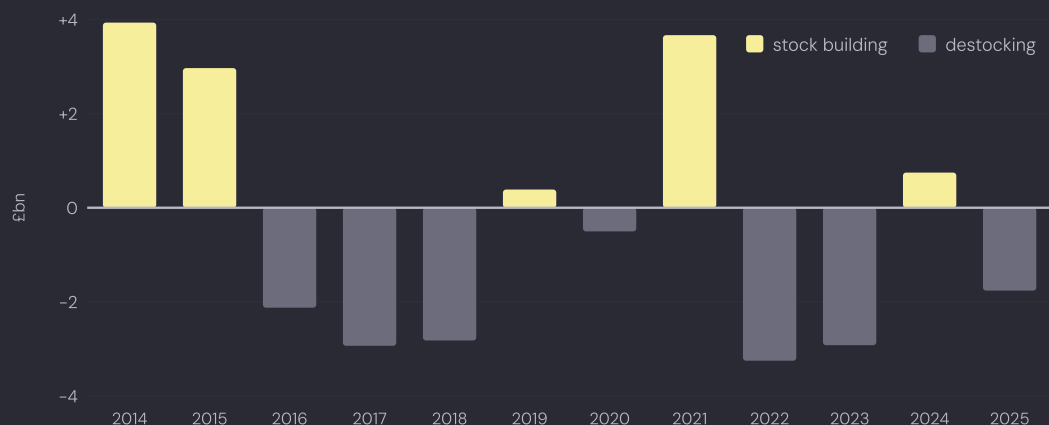
The wider retail backdrop is consistent with this picture. Both series below cover retail beyond fashion, so they frame the fashion-specific register analysis rather than proving it:

- **Retailers across retail report holding too much stock.** The CBI's monthly survey balance, which covers retail industries as a whole rather than fashion alone, ran above its +17% long-run average for most of two years, reaching +26% in June 2025 and +24% in May 2026, before easing to +19% in June 2026.¹¹ Month after month, more UK retailers judged themselves overstocked than understocked.
- **Official statistics track the same behaviour, retail-wide.** ONS series FBYN records the swings in retail inventories: +£3.7bn of stock building in 2021, -£6.2bn of destocking across 2022 and 2023. It is an all-retail series, not a fashion one. Figure 3 is drawn from the published data.
- **Search demand has moved to the clearance end.** In our sweep of UK Google search demand across 12,000 fashion terms, retrieved 5 August 2026, off-price was the fifth largest search area at 1.03m searches a month, up 83% quarter on quarter. TK Maxx rose 82% year on year, and Vinted grew 123% while Shein fell 33%. The pattern is consistent with stronger consumer interest in off-price and resale channels.

11. CBI, Distributive Trades Survey, monthly releases June 2025 to June 2026, including 'Retail sales slump deepens in June 2026' (cbi.org.uk/media-centre/articles/retail-sales-slump-deepens-in-june-2026-cbi-distributive-trades-survey). The stocks-adequacy balance covers retail industries as a whole, not fashion alone, and does not measure discount timing or depth. 16. Reporting on Joules, Seraphine and comparable cases, 2022 to 2025. Search demand: COORD analysis of UK Google search volumes via DataForSEO, 12,000 fashion keywords, two-pass unseeded sweep, retrieved 5 August 2026; Vinted and Shein compared at roughly 1m monthly searches each. Growth rates are search interest, not sales.

FIGURE 2 — RETAILERS REPORTING STOCKS HIGH RELATIVE TO EXPECTED SALES

Balance of UK retailers reporting stock volumes high relative to expected sales, selected published readings. Source: CBI Distributive Trades Survey, monthly releases.

FIGURE 3 — CHANGE IN RETAIL INVENTORIES, UK

Annual change in retail inventories, £bn, chained volume measure, seasonally adjusted, 2014 to 2025. The swings between heavy stock building (2021: +£3.7bn) and forced destocking (2022 to 2023: -£6.2bn combined) illustrate the sector's difficulty calibrating stock to demand. Source: ONS, series FBYN, United Kingdom Economic Accounts, June 2026 release.

The retail-wide series set the backdrop; the fashion-specific evidence is ours. Read together with the register analysis above, the picture is of a sector carrying more stock than demand justifies, where the companies on the wrong side of the trend are less profitable and more likely to fail.

Inventory imbalance preceded failures, restructurings and one turnaround

Recent UK cases document the link between inventory imbalance and financial distress. Three ended in insolvency or restructuring; ASOS is included as a counterexample, a company that carried the same imbalance and corrected it. All draw on published accounts, results statements and contemporaneous reporting.

TED BAKER £117m → £216m stock build · £58m write down

Ted Baker's finished-goods inventory rose from £117m in January 2016 to £216m in 2019, a £99m increase. Analysis at the time estimated that roughly £51m of the 2019 balance sat above the level implied by sales growth. Ted Baker subsequently disclosed a £58m inventory overstatement, first estimated at £25m.¹⁷ Four profit warnings followed; administration came later. Two risks show here: stock accumulating ahead of demand, and stock becoming harder to value once it has. Superdry later reported similar inventory accounting issues.¹⁸

SERAPHINE administration July 2025 · heavy discounting to the end

Seraphine, the maternity brand worn by the Princess of Wales, entered administration in July 2025 after failing to secure new investment; most of its 95 staff were made redundant. The company cited trading challenges and fragile consumer confidence, and in its final months discounted hard to turn unsold stock into cash while it sought a buyer that never came.¹⁹ No primary source attributes the administration to inventory alone; what the record shows is heavy end-stage discounting alongside the failure.

17. AccountingWEB; City A.M.; 'What went wrong at Ted Baker', The Big Issue. 18. AccountingWEB, on comparable inventory accounting issues at Superdry. 19. Seraphine: administrators from Interpath Advisory appointed 7 July 2025; most of 95 staff made redundant. Listed on the LSE from July 2021 as 'BUMP', taken private in 2023 by Mayfair Equity Partners. Retail Gazette, 'Maternity brand Seraphine collapses into administration', July 2025. retailgazette.co.uk/blog/2025/07/seraphine-files-for-administration 20. 'Final results for the 52 weeks to 31 August 2025', ASOS plc, November 2025; ASOS plc Annual Report and Accounts 2025; CIPS Supply Management.

ASOS — THE COUNTEREXAMPLE FY25: inventory £402.3m, down 23% · gross margin +370bps

ASOS did not fail. It is here because it shows the exposure reaches the largest and most data-rich operators, and the margin available from correcting it. After pandemic era over buying it announced a stock write off of up to £130m, then a further write down of around £100m. In the 52 weeks to 31 August 2025 it cut inventory a further 23% to just over £400m, down more than 60% from the FY22 peak. Adjusted gross margin rose 370 basis points to 47.1%, and adjusted EBITDA improved £51.5m to £131.6m even as revenue fell 15% to £2,478m.²⁰ The scale of the miss, and the profit recovered when discipline returned.

RIVER ISLAND & THE 2025 RESTRUCTURINGS £65.3m operating loss · 33 store closures

The pressure is current. River Island's operating loss nearly doubled to £65.3m in the 52 weeks to 28 December 2024; in August 2025 it secured court approval for a restructuring of 33 store closures and rent cuts across a further 71 sites, backed by £40m of shareholder funding.²¹ The Quiz business entered administration in February 2025 and again in February 2026, through different legal entities, the third such event since 2020.²² The combination recurs: sales below plan, stock and promotion above it, and no cost base slack left.

LEADING LABELS liquidation May 2026 · all 15 stores closing

Off-price is not a safety net. Leading Labels, an outlet chain founded in 1993 selling surplus branded stock at discount prices, entered liquidation in May 2026, with all 15 remaining stores closing and accounts overdue since 2024. The reading is ours rather than a stated cause: a business built to clear other brands' excess could not sustain itself doing so, and at clearance prices there is little margin left to absorb a buying mistake.

21. River Island accounts, 52 weeks to 28 December 2024; Drapers; TheIndustry.fashion. 22. The Quiz brand has traded through more than one legal entity. Orion Retail Limited entered administration in February 2025 (administrator Teneo; c.200 redundancies, 23 stores closed); a further administration of a separate group entity followed on 5 February 2026 (administrator Interpath; 109 redundancies). Entity numbers should be confirmed against Companies House before republication. Reported in Drapers, Insider Media and Consultancy.uk. Leading Labels: liquidator XL Business Solutions appointed 26 May 2026; all 15 stores closing; accounts overdue since 2024. Retail Gazette, June 2026. retailgazette.co.uk/blog/2026/06/leading-labels-to-close-all-15-stores-after-falling-into-liquidation

The wider insolvency record. England and Wales recorded 1,961 retail insolvencies in 2025, with monthly failures at points 20% ahead of the prior year. Fashion casualties included Claire's, Select Fashion, which closed 35 stores with 300 redundancies, and the online retailer Missy Empire.²³

In each documented case the deterioration was visible in filed accounts before failure: inventory ahead of revenue, days inventory extending, margin eroding, working capital tightening.

We measured that interval for three of the 2025 failures, and the distinction between two dates matters. For Claire's, Select Fashion and Missy Empire, deterioration was visible in accounting periods ending 18 to 27 months before the insolvency event. Because of filing lags, the accounts themselves were publicly available for approximately 8 to 13 months beforehand: Claire's filed on 25 October 2024 and entered administration on 13 August 2025; Select filed on 18 July 2024 against a winding-up event on 28 March 2025; Uggbugg Fashion, trading as Missy Empire, filed on 2 July 2024 and entered administration in late July 2025.²³ That is still a useful monitoring window, but it is materially shorter than the accounting-period interval.

The information existed. The question, addressed below, is why it did not become corrective decisions.

23. Insolvency Service data; FashionUnited insolvency coverage, 2025 to 2026. Case interval analysis: COORD calculation using annual accounts and insolvency filings for Claire's Accessories UK Limited (company no. 03115188), Select Fashion Limited (company no. 11788458) and Ugghugg Fashion Limited (company no. 08918157, the entity behind Missy Empire), accessed through Companies House, Find and Update Company Information. Intervals measured from the relevant accounting period end to the recorded administration or liquidation date; for Claire's, from the 53 weeks ended 3 February 2024 to the administration appointment reported on 13 August 2025.

Inventory risk changes with scale and channel

Aggregate figures conceal where inventory risk concentrates. Three dimensions stand out.

By company size

Structural factors concentrate inventory risk in smaller businesses: minimum order quantities, longer lead times, limited demand data and weaker negotiating positions with suppliers. A large retailer that overbuys a line has clearance channels, outlets and balance sheet capacity to absorb the error; an emerging brand making the same proportional error has committed much of a season's working capital.

Official insolvency data adds a nuance: the relationship between size and failure is not linear. In England and Wales in 2025, medium sized businesses recorded 220 insolvencies per 10,000, 93% above micro businesses (114 per 10,000), and the highest rate of all sat with businesses employing 20 to 49 people, at 269 per 10,000. Failure risk peaks in the scaling phase, where stock commitments grow faster than the balance sheet capacity and demand visibility supporting them.

Those figures are economy wide, so COORD matched Companies House accounts to insolvency records directly; no published UK dataset jointly reports company size, inventory days and insolvency outcomes. Among fashion companies filing enough detail to read, days inventory is flat across the bands: around 116 days for emerging brands, 106 for the mid market and 117 for large. The difference between a small brand and a large one is not how much stock it holds, but how much room it has to be wrong.

Size band insolvency rates: The Insolvency Service, 'Commentary: Business Insolvency Demography 2015 to 2025', Official Statistics, 19 June 2026; COORD calculation, $220/114 = 1.93$. Rates cover all industries and do not control for inventory efficiency.

24. Retail Economics and ZigZag, 'The Cost of Serial Returners in 2024' ([mail.retaileconomics.co.uk/retail-insights/thought-leadership-reports/the-cost-of-serial-returners-in-2024-zigzag-retail-economics](mailto:retaileconomics.co.uk/retail-insights/thought-leadership-reports/the-cost-of-serial-returners-in-2024-zigzag-retail-economics)): £27bn forecast for total UK online returns in 2024. 25. Royal College of Art, 'Solving Fashion's Product Returns', March 2023 (researchonline.rca.ac.uk/6743/1/Report---Solving-fashion_s-product-returns-March-2023.pdf): UK fashion returns estimated at approximately £7bn for 2022, with online returns around 30% of orders against about 10% in store. The two figures cover different years and scopes and should not be added.

By channel

Online retail adds returns to the problem, though the available figures come from different years and sources. Retail Economics and ZigZag forecast UK online returns of £27bn for 2024; a separate Royal College of Art study estimated UK fashion returns at around £7bn for 2022.²⁴ That RCA work puts online clothing returns at roughly 30% of orders against about 10% in store, at an estimated £10 to £20 of processing cost per returned item.²⁵ With online at 48% of UK clothing spend, a material share of sector inventory is at any moment in transit, in processing or unassessed, muddying both stock visibility and the demand signals buying relies on.

By trajectory

Sustained divergence between inventory growth and revenue growth is the clearest published indicator of later distress, and our own data puts a fashion-specific number on it. In this matched cohort, six of 207 companies with a rising stock-to-sales ratio subsequently failed, against five of 288 whose ratio was stable or falling: 2.9% versus 1.7%. The direction is consistent with inventory pressure acting as a warning signal, but with only eleven failure events the estimate is uncertain and should not be read as a standalone prediction.²⁶ A rising stock-to-sales ratio, visible in ordinary filed accounts, is one of the earliest signals you can act on.

Academic research agrees that filed accounts carry early warning. Agarwal and Taffler examined 232 UK listed non-financial companies that failed between 1979 and 2003, using the Taffler z-score, a distress model built on accounting ratios. The final accounting period before failure produced a negative z-score in 223 of the 232 cases, 96.1%. The median interval from that accounting date to failure was 13 months; the public monitoring window would be shorter once filing lag is allowed for, as our own three cases show. The research is not fashion-specific and does not isolate inventory growth as an independent predictor.

The same study reports the converse: firms classified as distressed failed at a conditional rate of 3.04%, against a 0.85% base rate, 3.6 times higher, for the composite model rather than inventory measures alone.

The breadth of the pattern is the point. We see imbalance at every size, including businesses with serious analytics capability. The cause is unlikely to be a shortage of information.

Vineet Agarwal and Richard J. Taffler, 'Twenty-five Years of the Taffler Z-score Model: Does It Really Have Predictive Ability?', working paper version 8.0, 14 June 2007. Of 232 failures among UK listed non-financial firms between 1979 and 2003, 223 (96.1%) had negative Taffler z-scores in their final published accounts; the median interval between the accounting date and failure was 13.0 months, measured from the accounting date rather than from the date the accounts became publicly available. The same study reports the converse, which matters for how the figure is read: 27% of all firm years carried a negative score, so the probability of failure given a negative score is 3.04% (223 of 7,325). The measure is highly sensitive and weakly precise. It prioritises attention rather than predicting outcomes. cer.business-school.ed.ac.uk/wp-content/uploads/sites/55/2017/02/workingpaper07-5-1.pdf

Reporting describes the past, but buying commits capital six to nine months ahead

Fashion does not lack data. You already run sales reporting, stock dashboards, forecasting and customer analytics, and those investments have paid off in marketing, ecommerce and merchandising.²⁶

But these systems explain what has already happened. The decisions that determine inventory outcomes are different in kind: forward commitments, made under uncertainty, before demand information exists.

A typical buying cycle commits capital six to nine months ahead of the season. At the point of commitment there is no sales data for the products concerned; buy quantities, mix, allocation and markdown depth rest on judgement.²⁷ Judgement is not the problem. The problem is that your systems give it least support at the moment it matters:

- **Timing.** Reporting matures after the decision it should have informed. By the time weakness is confirmed, reorder and cancellation windows have closed; markdown is the lever you have left.
- **Direction.** Dashboards flag anomalies; they do not weigh trade offs or recommend actions. Knowing stock is accumulating does not tell you whether to reallocate, discount or hold.
- **Feedback.** Few retailers compare buying decisions against outcomes on a structured basis, so forecasting and buying errors recur season after season.

Ted Baker and Superdry show a further failure mode: as stock ages, valuing it becomes judgement too, and the reporting itself degrades.²⁸

Reporting investment has not been wasted; it answers a different question. Describing the business and supporting its decisions are different jobs. That distinction is the inventory decision gap.

26. 'UK Fashion Technology and Innovation Market Report', Mintel; 'The State of Fashion', McKinsey & Company. 27. Six-to-nine-month apparel buying cycle: McKinsey, 'New Periscope analytics help apparel retailers manage inventory', mckinsey.com/about-us/new-at-mckinsey-blog/new-periscope-analytics-help-apparel-retailers-manage-inventory-during-the-pandemic. 28. AccountingWEB; Superdry plc annual reports.

The gap can be closed with decision intelligence, earlier demand signals and process discipline

If the diagnosis is a decision gap rather than a data gap, the response is unlikely to be a further layer of reporting. Industry evidence points to three complementary levers.

1 Decision intelligence technology

Decision intelligence systems identify actions, weigh trade offs and support faster commercial decisions, rather than extending reporting. The effects are material but narrower than usually quoted. McKinsey's fashion-specific work associates AI-supported forecasting with inventory reductions of 5% to 15% and a 15% to 25% improvement in stock-outs. Wider operations research, outside fashion, reports forecast error down 20% to 50%.²⁹ Given the markdown economics set out earlier, improvements of this order reach the profit line.

2 Alternative demand signals

The biggest inventory decisions happen before transactional data exists. Forward signals, social trend, search behaviour, competitor pricing and assortment, resale performance, can be read into buying and allocation before you commit. Vertically integrated operators proved the principle by compressing the interval between signal and commitment; current technology extends it to retailers that do not control their supply chains.

3 Process discipline

Technology returns arrive only inside a supporting process: markdown triggers codified in advance, structured post-season review of buys against outcomes, and one view of stock across channels. ASOS's rebuild, described above, shows the scale available from discipline alone.³⁰

The first process improvements can begin with data most retailers already hold. External demand and market signals then extend the decision window before transactional evidence arrives. What changes is where the investment goes: from describing the business to supporting its decisions.

The implication is simple: in a market growing at modest rates, share goes to whoever decides best. Our view, and the reason COORD exists, is that advantage now comes not from holding the most data, but from making the best decisions with it.

29. 'The State of Fashion 2025', McKinsey & Company and BoF Insights, December 2024, for the fashion-specific 5–15% inventory and 15–25% stock-out ranges; separate McKinsey operations research, outside fashion, for the 20–50% forecast-error range. The ranges are drawn from different studies and are not additive.

30. 'Final results for the 52 weeks to 31 August 2025', ASOS plc, 20 November 2025 (asosplc.com/media/ikxfhqeu/asos-fy25-results-rns-final-20251120.pdf): inventory £402.3m against £520.3m, down approximately 23%; adjusted gross margin 47.1%, up 370 basis points; adjusted EBITDA £131.6m; statutory revenue down 15%.

26. Uncertainty on the trajectory comparison: six failures among 207 rising-ratio companies against five among 288 stable or falling. Relative risk approximately 1.67, approximate 95% confidence interval 0.52 to 5.40, two-sided Fisher exact test $p \approx 0.54$. Directional only.

What to do about it

The same decisions, sequenced as a programme rather than a list. Each phase funds the next: the markdown fix protects this season's margin, the buying fix prevents the next imbalance, and the operating rhythm keeps both fixed.

PHASE 1 · THIS TRADING PERIOD

Stop margin leaking through markdown

- **Fix markdown timing in advance.** Decide the trigger — age, cover or sell-through — before the season, so ageing stock clears earlier and shallower instead of in a panic discount.
- **Build one view of stock.** A single read across channels, including returns in transit, is the precondition for every decision that follows.

PHASE 2 · THE NEXT BUY

Commit less, later, with more evidence

- **Buy depth before breadth.** Range width is the easiest thing to add and the hardest to clear: 56% of full-account filers grew stock faster than sales justified (n = 432).
- **Hold open-to-buy back.** Committing the full budget pre-season removes the only lever that responds to demand.

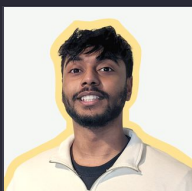
PHASE 3 · THE OPERATING RHYTHM

Close the loop, every week

- **Know your reporting lag.** Buying commits six to nine months ahead of the report that judges it. In the three 2025 failures we measured, the deteriorating accounts were on the public record for 8 to 13 months before the insolvency event.
- **Review buys against outcomes.** A structured post-season read, with external demand signals in the weekly trade meeting, stops forecasting errors recurring season after season.

What good looks like. ASOS cut inventory a further 23% in FY25 and rebuilt adjusted gross margin by 370 basis points; among emerging brands, the fastest-turning quartile runs operating margins almost 18 points ahead of the slowest.

About the author



Sasi Aaruvan

Co-founder and CEO, COORD

Sasi Aaruvan is the co-founder and CEO of COORD, a decision operating system for fashion, and author of the 189,178-company Companies House register analysis behind this report. Before COORD, he was a strategy consultant at EY-Parthenon — part of the Macro Strategy team under Mats Persson, and of the M&A team, working across retail and technology. A member of the ASBCI, he publishes regularly on the economics of UK fashion retail.

About the research

This report draws on 315,389 sets of accounts filed at Companies House by 189,178 UK fashion companies, including 5,018 insolvency cases matched at company level. Registration, dissolution and Companies House gives broad coverage of incorporated businesses in this cohort, though not of sole traders or partnerships. The financial detail needed to read inventory against revenue, however, exists only for the minority that file full accounts — roughly 97% of fashion filings are balance-sheet-only micro or abridged accounts — so every financial finding is reported on the population of full-account filers, with the sample size stated alongside each figure. Companies with insufficient or missing filings were excluded from financial calculations rather than estimated. The detailed methodology appears at the back of this report.

CONTRIBUTIONS

Co-authored by Sasi Aaruvan and Natalie Wu. Natalie Wu supported the research and analysis and co-drafted the report; Sasi Aaruvan built the data pipelines and engineering behind the analysis.

About COORD

This section describes our product rather than the research above. COORD is a decision operating system built only for fashion. It reads the live market from the outside — catalogues, prices, markdowns, search demand, social, resale and the company register — benchmarks every brand against its real peers, and turns that reading into recommended actions. Every number carries its source and the date it was read, and it starts with nothing needed from you.

Peer benchmarking

Price position, markdown depth and breadth, stock efficiency and financial trajectory, ranked against a cohort of real peers — drawn from live catalogue reads across the UK market and our 189,178-company UK fashion cohort, not from a generic industry average.

Competitor intelligence

Garment-level comparison against your named competitors: where matched products are priced, who is discounting, how deep and how broad, and which colours and silhouettes your range under-carries against the season around it.

Demand signals before the buy

Search demand, social trend, runway and resale signals read before the season is committed — narrowing the uncertainty in the forward commitments this report describes, rather than reporting on them afterwards.

Distress and supplier watch

A register-based distress watchlist across competitors, stockists and suppliers, monitoring filed accounts from the day they become public — the 8-to-13-month window documented in this report — so a stockist or supplier failure is anticipated, not discovered.

Decisions, not dashboards

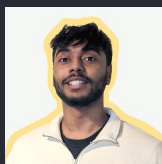
Questions asked in plain English come back as a verdict with the thresholds behind it shown on screen, alongside deterministic calculators for order quantities, markdown ladders, open-to-buy and cashflow. The pricing verdict is rule-based, so the same inputs and thresholds produce the same answer.

A weekly market read

Signal, exposure and recommended action, delivered into the Monday trade meeting each week. Connecting your own systems later unlocks margin, funnel and customer views on the same evidence.

One model, fashion only, built by a team drawn from EY-Parthenon, EDITED, ASOS and On. Decisions, not just data.

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Related insights

ALSO FROM COORD

Counting Fashion's Failures

What the Companies House register reveals about failure, survival and risk across UK fashion

ALSO FROM COORD

The Cost of Making It Here

The economics squeezing UK garment manufacturing, and where the opportunity actually sits



Full methodology, cohort definition, coverage and uncertainty measures follow on the next page. © COORD 2026. All rights reserved.

Methodology

Every proprietary figure in this report comes from the analysis described here. Where a finding rests on a small sample, the sample size and its uncertainty are stated alongside it.

Cohort and sources

Definition. A UK fashion company is an incorporated company on the Companies House register carrying at least one fashion SIC 2007 code: divisions 13 to 15 (textiles, apparel and leather manufacture) together with the fashion wholesale and retail classes 46160, 46410, 46420, 47710, 47721, 47722, 47820 and 47910. The cohort is 189,178 companies, live and dissolved.

Snapshot and retrieval. Register and bulk data product, Open Government Licence v3.0. The company snapshot runs to incorporations of 30 April 2026; the accounts panel was parsed between 29 May and 7 June 2026, and the inventory line was re-parsed from the bulk iXBRL filings in July 2026. Companies House gives broad coverage of incorporated businesses in this cohort, but does not cover sole traders or partnerships, and company classifications and filings carry known limitations.

Accounts panel. 315,389 sets of accounts across 75,945 companies, with accounting periods ending between 31 December 2001 and 30 April 2026. A set of accounts is one filing as parsed; group structures are not consolidated, so a parent and its subsidiaries appear separately.

Status treatment. Live and dissolved companies are both retained. The cohort contains 122,815 dissolved companies and 5,018 recorded insolvency cases; of those, 4,275 are genuine failures once 518 members' voluntary liquidations, which are solvent wind-ups, are removed and cases are de-duplicated to companies.

Coverage, and what it constrains

Approximately 97% of fashion filings are micro-entity or abridged accounts that legally omit a profit and loss. Turnover is present on 2.9% of company-years and the inventory line on 1.2%; 9,558 filings carry a full profit and loss. A **full-account filer** is therefore a company whose filing discloses the lines needed for the calculation in question. Every finding that reads inventory against revenue is reported on that minority and never as a sector-wide rate. The usable inventory panel is around 4,400 companies with inventory disclosed and 830 with a multi-year series.

Methodology, continued

Measures

Inventory versus revenue growth: inventory CAGR against revenue CAGR across a company's series, FY2016 to latest; $n = 432$ companies with at least two years of both lines. **Stock-to-sales ratio:** inventory divided by turnover, compared across consecutive filings. **Days inventory** and **operating margin** are medians within turnover bands: emerging under £5m, mid-market £5m to £50m, large above £50m. **Failure** is a recorded insolvency event matched to the company on the register.

Uncertainty

The trajectory finding rests on eleven failure events: six failures among 207 companies with a rising stock-to-sales ratio, five among 288 stable or falling. The relative risk is approximately 1.67, with an approximate 95% confidence interval of 0.52 to 5.40 and a two-sided Fisher exact test giving $p \approx 0.54$. It is directional, not conclusive. The structural reason it cannot yet be stronger is that only 64 insolvent fashion companies have ever filed a full profit and loss: failed micro-companies file balance sheets only, so the link between inventory and insolvency is under-observed by construction. Companies with insufficient or missing filings were excluded rather than estimated.

Search demand

UK Google search volumes via DataForSEO, 12,000 fashion keywords in a two-pass unseeded sweep, retrieved 5 August 2026. Categories were built by grouping keywords to themes; figures are search interest and not sales.

External series

The CBI Distributive Trades Survey and ONS series FBYN both cover retail industries as a whole rather than fashion alone, and are used in this report as backdrop rather than as fashion-specific evidence. Company figures for named businesses are taken from published annual reports, results statements and filings.