



Making Planning Real: How Merchandise Plans Drive Enterprise Success

Prospective View

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October 2018

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Overview

What ‘Should’ Be

Merchandise plans matter. And not just to get the right product in front of consumers.

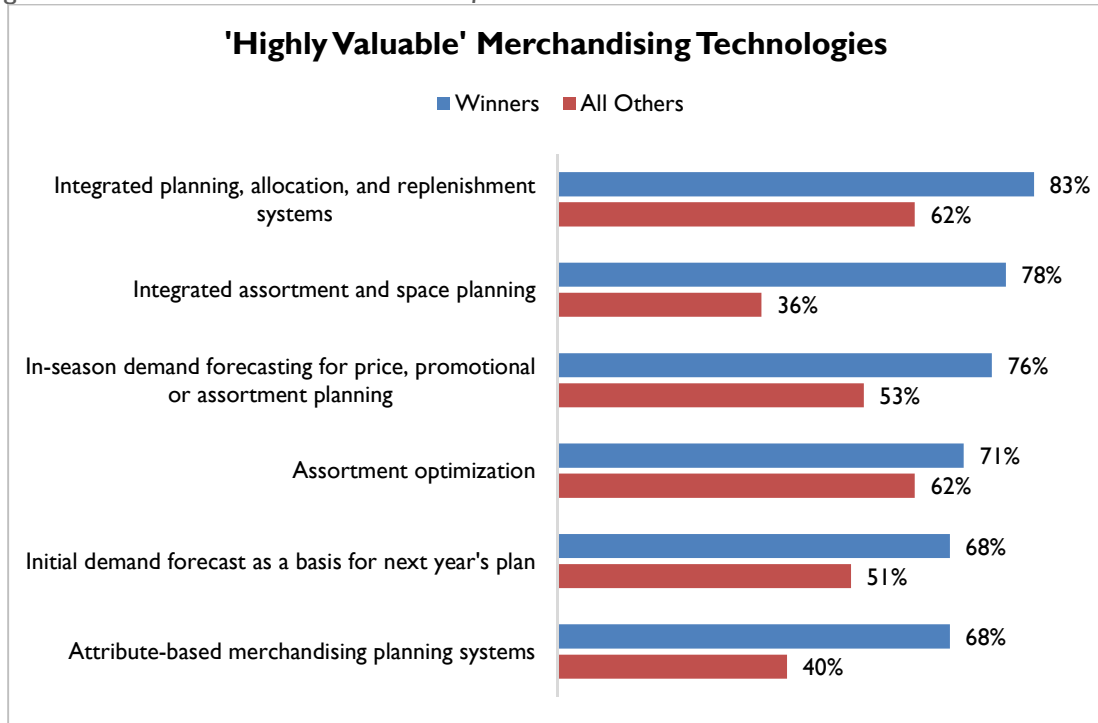
The right assortment dictates what size a store *should* be. It determines what the work force to staff that store *should* be like, what those employees need to know and how they need to be trained. It helps influence how many of those associates need to be in stores in the first place. It helps establish where inventory needs to be – and in what quantities. And, in an ideal world, assortment *should* determine what a store looks and feels like in even the most nuanced ways: what should the floor layout look like? Do “stores within a store” make sense? Even decisions about which hardware and digital assets need to be folded into the store to drive customer engagement – all of these enterprise-level decisions should be made in careful consideration to what the product assortment warrants. And that’s more than a one-time decision. A smart retailer continues to re-evaluate assortment, and the look and feel of a store. And merchandise planning should be at the center of that evaluation.

Unfortunately, today, merchandise planning is a pastiche of old and new technologies. Old and new planning processes. And in many retailers’ cases, old and new ideas on who should be involved in that planning, itself. However, regardless of a retailer’s size, geography, or the product it sells, one thing is for certain: the decision about what consumers will buy is no longer dictated. The merchant prince is dead. In his wake, however, is a tremendous gap. Without this tastemaker overseeing product and brand-based decisions, the need for a comprehensive algorithm-based planning strategy – one that addresses all of the facets that merchandise planning *should* address in a way that reflects an overall brand vision – only becomes that much more important.

And consumers can spend a day spent shopping at their favorite brands and still find a gap between what they want and what’s being sold. Products selections are haphazard or boring, stores remain mainly as they were at the turn of the century, and the disparity between the online and physical shopping experience only grows.

This begs the question: without a tastemaker to determine how to execute on all of these “should” scenarios, (and while trust in Artificial Intelligence to provide the same level of vision that common sense once did gradually grows), what can be done to fill the gap? For the best performing retailers (who RSR calls Retail Winners) it turns out the answer is “a little bit of everything.”

Figure 1: Winners See A Future Of 'More'

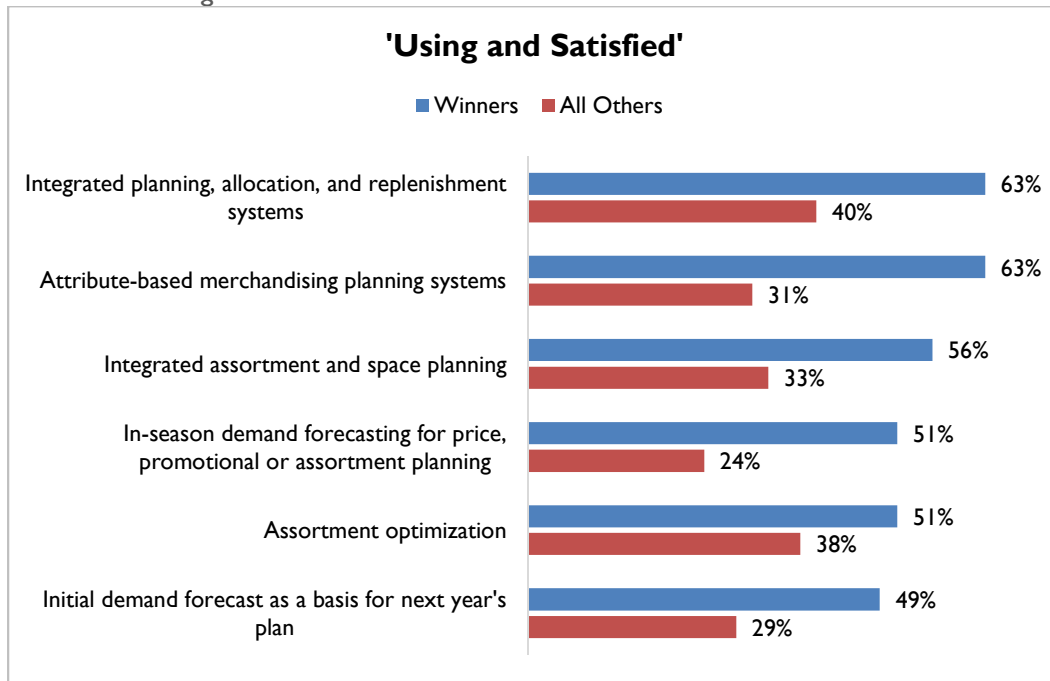


Source: RSR Research, April 2018

What 'Is'

Retail Winners – those whose year over year sales comparable sales are outperforming the average – aren't doing better than their peers by accident. They place a higher value on virtually every technology that can help them fill in the gaps left by the loss of the merchant price. From planning and allocation to optimization and forecasting – they see technology as the way forward to delighting customers once more. What's even more interesting, they aren't just talking in the hypothetical: Winners are using – and satisfied – with these technologies at a much greater rate than their underperforming peers (Figure 2).

Figure 2: Walking The Walk



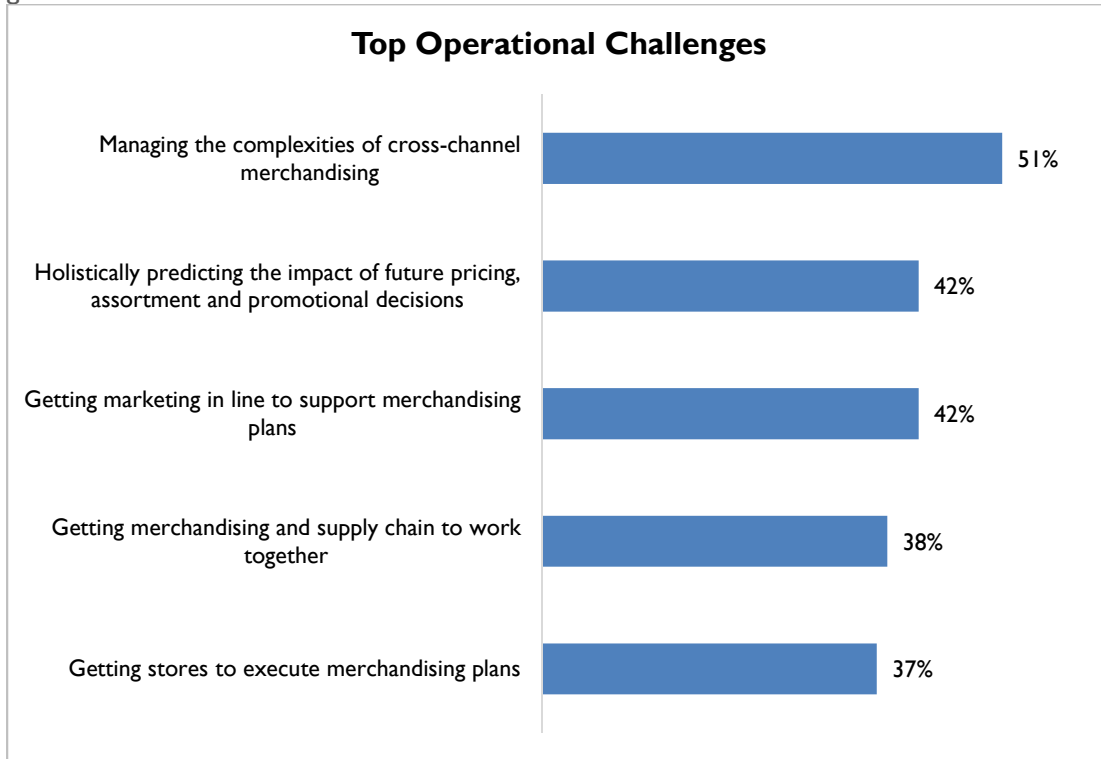
Source: RSR Research, April 2018

The story this data tells is compelling. We already know these Winners' are doing better than their peers. The technologies they've employed to fill in these gaps are a key part of that success. No, they may not have the visionary of days-gone-by when retail was both smaller and simpler, but they are counteracting for that scale and complexity with next generation tech. They trust it, they like it, and by all accounts – it is helping them get a head start on what will be a undoubtedly be very long road. That said, every bit helps.

What's Next?

From an operational standpoint, retailers really do have a long way to go to make this all "real". And the things that top their to-do list are nothing short of daunting (Figure 3).

Figure 3: Meanwhile...

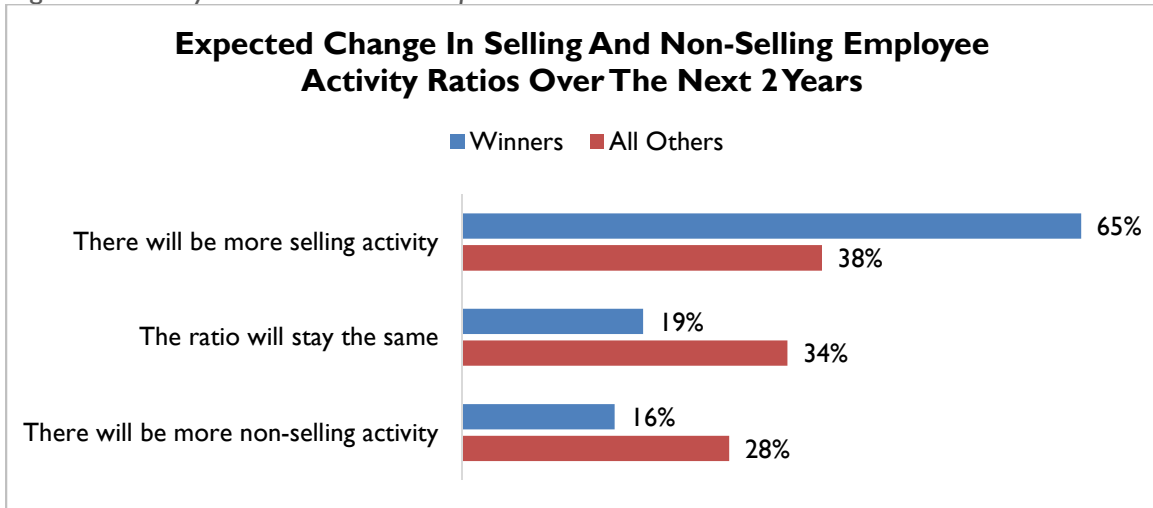


Source: RSR Research, April 2018

Selecting the appropriate products, having them available in whatever “channel” consumer demand is coming from, getting marketing, merchandising, and supply chain people to work harmoniously to make this all reality – these are not overnight solutions. To say nothing of the magic required to get store personnel to execute were these best-laid plans to come to fruition. And that brings to light one of the most important aspects of our research here today:

Despite the buzz in our industry about a retail renaissance, about the need for brands that want to compete with Amazon to evolve – and quickly – all of this planning doesn’t matter if employees can’t execute on the plan. Because it’s not like the role of employees is dwindling in the digital age. On the contrary, Retail Winners already know that if they want to compete in an increasingly digital world, helpful associates only become that much more important (Figure 4).

Figure 4: Why This Is All So Important



Source: RSR Research, September 2018

Are your employees prepared for this reality? Are your stores?

What's Real

There is no soft way to summarize the situation at hand. If retailers want to survive, if they wish to prove to Amazon that they, on a one-by-one basis, have reason to exist in the market and not be overrun, it is going to take some money. Cost-cutting was never a recommended approach to success, but with organizations running as lean as they have been for years, now each cut reaches bone. All at the peril of the brand.

Instead, we wholly suggest that brands hoping to stick around look at what they've lost. What function did the merchant prince used to perform for your brand, beyond just picking out your products? What did that death do to stores? To the culture of your employees? And what can technology do to fill in those blank spaces? The more real you can be in your assessment of these questions, the better the chance that the plans you make – and the product mix that comes from it – will help drive success across the enterprise.

This is going to require investment. There is no way around that. But time has long been at hand to accept that for what it is: reality.

Appendix A: About Our Sponsor



With more than 1,300 customers worldwide, Logility is a leading provider of advanced retail planning and collaborative supply chain optimization solutions that help companies realize substantial bottom-line results in record time. Logility Voyager Solutions™ is a complete retail optimization and supply chain management solution featuring advanced analytics and provides supply chain visibility; demand, inventory and replenishment planning; Sales and Operations Planning (S&OP); Integrated Business Planning (IBP); supply and inventory optimization; manufacturing planning and scheduling; retail merchandise, assortment, allocation and replenishment planning. Logility customers include Big Lots, Fender Musical Instruments, Husqvarna Group, Verizon Wireless, and VF Corporation. For more information about Logility visit <https://www.logility.com>.

Appendix B: About RSR Research



Retail Systems Research (“RSR”) is the only research company run by retailers for the retail industry. RSR provides insight into business and technology challenges facing the extended retail industry, providing thought leadership and advice on navigating these challenges for specific companies and the industry at large. We do this by:

- **Identifying information** that helps retailers and their trading partners to build more efficient and profitable businesses;
- **Identifying industry issues** that solutions providers must address to be relevant in the extended retail industry;
- **Providing insight and analysis** about a broad spectrum of issues and trends in the Extended Retail Industry.

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