

5 Building Blocks For Retail Consumer- Centric Success

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Lack of visibility across the supply chain can stop even the most innovative omnichannel retailers from getting the right merchandise to the right customer in the right place at the right time.

An integrated approach to merchandise planning, assortment, allocation and replenishment enables retailers to achieve these goals by eliminating the blind spots that drive up inefficiencies and costs associated with disconnected legacy systems. This visibility into comprehensive retail planning data enables forecasting down to the SKU and individual store level, making omnichannel merchandising activities more efficient, increasing customer satisfaction and improving margins.

The fact is, retailers that implement cross-channel demand planning enjoy an average 102% increase in sales compared to those that don't, according to IHL in the *Unified Commerce Landscape Report*.

The most successful retail “winners” have gained a significant advantage over those who do not use the latest merchandising technology to improve visibility and omnichannel decision-making, according to *RSR Research's Merchandising 2017: The Real and the Unreal*. “The intel

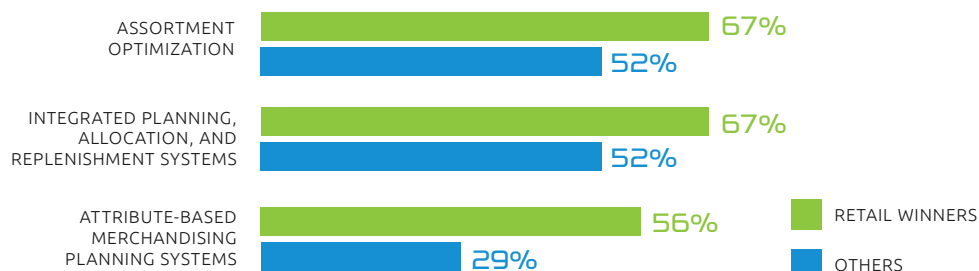
they've gleaned about what products customers are buying and what assortments are working has enabled them to move on to trying to better predict which assortments they will want in the future — and how those products can best be promoted.”

Retail winners have a clear planning advantage. They have adopted solutions that transform their integrated retail planning function from an operational discipline into a strategy engine that drives growth.

The following five steps will help retailers become more agile and responsive to fast-changing customer trends through more effective merchandise planning, assortment, allocation and replenishment:

- 1 **Enable Collaborative, Cross-Channel Planning**
- 2 **Implement an Integrated Planning Platform**
- 3 **Automate Allocation and Replenishment**
- 4 **Improve Assortments with Better Omnichannel Planning**
- 5 **Analyze Results to Improve Forecasting and Create Efficiencies**

Merchandising Technologies: Perceived Value



Source: RSR Merchandising 2017: The Real and the Unreal



Enable Collaborative, Cross-Channel Planning

Consumers see a retail brand as a single entity they can engage with in stores, online, on their phones, or on a phone call — using whichever channel suits their needs at that moment.

However, retailers typically aren't organized that way. So, when consumers cross channels during their shopping journeys, retailers have limited, silo-based visibility of available inventory. While the store might be out-of-stock, the e-Commerce distribution center may be in stock and able to ship that day. Avoiding out-of-stocks, backorders or delays in delivery requires both visibility and synchronization across all inventories to allow each channel the opportunity to meet demand and its financial targets. One channel is unable to meet demand for certain products, while excess inventory languishes in a separate, disconnected supply chain. The fact is, **as many as 38% of retailers still plan their brick-and-mortar locations as an individual channel**, according to BRP's *Merchandise Planning Survey 2016*.

Often, lack of visibility across the entire supply chain prevents quick transfer of inventory, eventually leading to costly markdowns of merchandise that would easily have sold if it were available in the right retail location or online channel when consumer demand was there.

Legacy organizational structures and outdated technology are at the root of this problem. Retailers have traditionally separated merchandising departments by channel and region. Each group has its own minimums, merchandise budgets and even IT systems, as well as rewards for hitting revenue goals set for the group, so they compete for "credit" for the sale, and therefore for inventory and resources.

By implementing a collaborative, cross-channel planning solution, retailers can gain greater precision, in-stock performance and margin contribution for the business. For example, automating allocation has been shown to drive

an additional 1% to 3% margin contribution, which has an enormous bottom-line impact. Equally important, a retailer is better able to deliver the omnichannel experience that keeps customers coming back.

A collaborative, cross-channel planning solution is essential to enable retailers to look at inventory investments in aggregate, as well as in granular detail. This offers better buying leverage and ensures there is one version of the truth, one plan for a business that can be served through multiple channels or across multiple regions. However, the BRP report found **71% of retailers currently lack such formal omnichannel demand processes**.

In one example, **Nebraska Furniture Mart (NFM)** decided to eliminate such silos and transform its planning organization and technologies to accommodate growth and gain visibility. The retailer's online sales were growing, and it had doubled its number of stores after entering Kansas City, Kansas, in 2013 and Dallas, Texas, in 2015. Merchants were managing more than 650,000 SKUs, with 25% of that portfolio turning over every year, and procurement lead times were lengthening as more product was sourced from outside the United States.

NFM implemented Logility Voyager Solutions™, which "helped bring all departments together onto a single platform to communicate in a common language," according to Scott Hansen, General Manager-Supply Chain/Logistics for Nebraska Furniture Mart. "The bottom line, we have achieved more effective inventory investments and better customer service."

In addition to having greater visibility into its own supply chain, NFM was able to view the status of merchandise with partners, vendors and worldwide freight operations through Logility's solution. The retailer supported its omnichannel capabilities by making organizational shifts to support internal collaboration rather than competition internally.



Implement an Integrated Planning Platform

Retailers' siloed approach frequently leads to stranded inventory. Each order is pre-allocated and distributed to separate channels and regions upon receipt. Goods move to stores or forward locations on a set schedule, regardless of demand. So, channels seeing higher-than-expected demand must wait for replenishment from their own stock or risk losing the sale.

When retailers gain an enterprise-wide view of inventory and can see where demand is occurring at a granular level, they're able to move products to the specific store location, region or DC where the merchandise is most likely to sell.

By reducing initial allocation levels and holding inventory back, planners can monitor developing demand patterns via the planning platform and quickly move inventory to where demand is occurring regardless of channel. Automation and flexibility built into an enterprise-grade, integrated planning solution enables retailers to quickly sense demand and pull inventory to the optimal location, reducing transfers and cross shipments. For example, pooled inventory can be reserved in a virtual warehouse for a set period of time to support a promotion. Then, after a defined period, such as two or three weeks, reserved inventory can be released automatically.

A world-class solution also will include a robust **demand forecasting engine**. This enables planners to see on a weekly basis what the expected demand is by location, by channel and even by specific location within the channel. Now, planners can constantly fine-tune decisions according to the most up-to-the-minute demand data.

Flexibility and the ability to respond quickly to consumer trends are particularly critical in the fashion world. The ALDO Group is focused on the trend-dependent categories of footwear and accessories. The company is vertically integrated and global — designing, manufacturing, distributing and retailing multiple brands via company-owned and franchised stores, a wholesale business, and direct-to-consumer operations.

To support long-term business growth, **The ALDO Group** "needed a flexible solution geared to handle fashion footwear and accessories planning," explained one executive. "Our ability to deliver the highest quality products to the right location at the right time hinges on gaining accurate visibility across our global operations."

Before implementing Logility Voyager Solutions, The ALDO Group lacked the visibility, coordination and automation it needed to support growth plans. The retailer was limited by spreadsheet-based sales and operations planning (S&OP) processes, siloed inventory and manual processes that led to inventory distortion.

After the Logility implementation, The ALDO Group was able to aggregate demand and unify its processes, **eliminating 95% of aged inventory**, reducing lead times and buffer stock, and synchronizing demand and supply to optimize its vertically integrated supply chain network.



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3

Automate Allocation and Replenishment

Allocation and replenishment can be a time-consuming and painstaking process when managed with homegrown solutions or spreadsheets. This often causes delays moving inventory to meet demand, as well as stress on personnel leading to high turnover among the replenishment team.

An enterprise-grade, integrated planning solution addresses both these issues while also bringing consistency to the planning process; when allocation and replenishment are automated, the system applies best practices across inventory, channels and locations.

Automation also frees planners from routine, repetitive tasks. Instead, they can focus on issues that produce greater value, including planning a new collection, maximizing the productivity of a promotion or resolving issues with a particular inventory location. Varied, compelling work transforms the allocation and replenishment planning position into a richer, skills-developing launch point for retail planning career development, which results in lower turnover.

Automation also speeds orders to distribution. Most planners arrive at work, spend the morning creating allocation and replenishment plans, and then release them to the warehouse in the afternoon. With automation performing routine tasks overnight, instead the planner can arrive at work, review recommendations generated by the system, make any needed tweaks, and send plans quickly to the warehouse for accelerated distribution and optimal movement. Everything moves faster.

When fast fashion retailer **Groupe Dynamite** increased its automated replenishment to 80% of orders via Logility Voyager Solutions, they not only reduced weeks' worth of stock, but also

freed up merchandisers to leverage more granular data to predict trends and replenish inventory based on individual store needs and new promotions.

In another example, planners at e-Commerce retailer **Vitalize** leveraged Logility Voyager Solutions' advanced analytics to flag replenishment exceptions, so most orders flow through automatically without delay. This reduced backorders by 45%, cut overstocks by 10% and decreased overall inventory levels by more than 10%.

A more rapid flow of allocations to the warehouse also helps the retailer satisfy consumers' intensifying demand for faster deliveries. According to BRP's Digital Commerce Survey 2017, the number of retailers offering same-day delivery has more than tripled over the past year, from 16% to 51%; and within two years, 65% plan to offer this service.

By the time merchandise hits the planning and allocation stage, it's already been selected, ordered and delivered. When retailers operate siloed systems, each of those events occurs in a vacuum, and it's easy for the buyer's original vision for that item to go off track.

When a retailer replaces this fractured approach with an enterprise-grade, integrated planning solution, all merchandise financial planning, assortments, allocations and replenishment occurs on one platform, with decisions made in context of all of the other activities, channels and locations. This one plan for the omnichannel business is key to maximizing inventory performance and customer satisfaction.

Top Tips For Organizational Buy-In

Successfully transitioning from decentralized, fragmented retail planning processes to an omnichannel approach requires buy-in at all levels of the organization. Here are top tips for gaining top-down and bottom-up support.



Scope the issue.

Researchers at Michigan State University found many organizations start implementing organizational change without first thoroughly diagnosing the problem. An assessment drives accuracy, buy-in and collaboration.



Do your prep.

Middle managers are in the best position to identify the need for change. But senior leaders tend to dismiss ideas from below because they don't see the relevance, according to Harvard Business Review. Team members who are able to initiate positive change look for the best ways, venues, and times to voice their ideas and concerns — using rhetorical skill, political sensitivity and interpersonal connections to move the right leaders to action.



Co-create.

Harvard Business School Professor John Kotter says people tend to **describe and defend**: They create an idea, sell it to themselves, then establish an air-tight defense for every objection they can anticipate. Instead, consider your concept as a draft and incorporate others' input and suggestions.

4

Improve Assortments with Better Omnichannel Planning

Just 11% of retailers have integrated their planning teams across channels in a way that's working for them, and only 9% are satisfied with their approach to integrated assortments, according to the BRP study. When retailers plan their businesses separately by channel, they confuse the customer and introduce inefficiency into planning, assortments and inventory.

Consumer demand changes constantly. Even the best buyers and merchandisers are still making educated guesses about how demand will look across locations and channels. Once the retailer commits to investing in particular items, it is important to follow through at every step of the supply chain to ensure those initial buys or designs are leveraged in the most effective way across the business. Internally, different units are probably buying the same item multiple times without taking advantage of the economies of scale that would trim costs and increase margins.

To the customer, each channel can feel like a different retailer, with different items, sizes and prices. A shopper may see a product on the web, come into the store and be unable to find it, and discover that store employees may be unaware of what the web site offers. The differences from one channel to the next don't make sense to the customer and often confuse the brand identity.

Omnichannel planning brings commonality and efficiency to the process. When buyers and merchandisers have visibility across channels, they can tailor assortments in a way that recognizes the unique properties of each channel and location — extended sizes on a web site, for example — while maintaining a cohesive statement about what defines the brand to the customer.

For ALDO Group, Logility's integrated platform enabled it to provide better service to consumers and to continue to build brand loyalty. With end-to-end supply chain visibility, the retailer could anticipate, plan for and respond to changing consumer preferences based on such key attributes as size, color, style and material.



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5

Analyze Results to Improve Forecasting and Create Efficiencies

Customers constantly are changing and evolving in the ways they interact with a retailer. This requires a merchandise planning system that continually analyzes where demand is occurring so it can recommend the best plan for the business. An enterprise-grade planning solution enables retailers to leverage history to continually improve the accuracy of forecasts and combine this with real-time data to recommend the most effective decisions. Robust analytics is an essential capability in any planning platform.

Equally important is to ensure the platform is agile and adaptable to wherever those consumer patterns may go. The way a retailer uses an omnichannel planning platform on day one and the way they will use it in five years could be completely different. This requires an enterprise-grade planning platform that provides robust analytics, coupled with a technology partner that brings best practices, coaching and skills growth to the table as a part of the solution portfolio.

One large retailer, for example, relied heavily on its integrated planning solution as it dramatically shifted its business from being a discount retailer specializing in closeouts to one with an expansive assortment of replenishable (or never-out) products to complement its opportunistic buys. The teams

responsible for buying, planning, allocation, replenishment and in-store execution now had to manage both one-time product assortments with inconsistent flows — the closeout merchandise — with planned assortments that continuously flow to stores.

The retailer empowered its planning team to make the most strategic and profitable buys by leveraging Logility's integrated retail optimization solution. And by aligning inventory levels with sales demand for both closeout and never-out merchandise across channels and locations, the retailer significantly improved inventory turnover.



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Conclusion: Integrated Planning is a Retail Fundamental

Merchandise planning, assortment, allocation and replenishment requires the marrying of art and science. Merchants develop innovative designs that tap constantly evolving consumer tastes, then apply science to procure the right quantity and mix of goods. Effective planning and supply chain management tools ensure that products flow into the multi-channel marketplace to satisfy consumers in the most cost-effective way possible. As RSR Research has determined, retailers that embrace this blended approach, along with the tools that enable it, see better results at the bottom line.

By enabling cross-channel planning, adopting an integrated planning platform, automating allocation and replenishment, improving assortments with better omnichannel planning, and analyzing results to improve forecasting and create efficiencies, retailers gain the greater precision, inventory efficiency and margin contribution. All of these elements are essential to embrace the customer-centric formula that is needed to win in today's highly competitive retail marketplace.



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With more than 1,250 customers worldwide, Logility is a leading provider of collaborative supply chain optimization and advanced retail planning solutions that help small, medium, large, and Fortune 500 companies realize substantial bottom-line results in record time. Logility Voyager Solutions is a complete supply chain management and retail optimization solution that features a performance monitoring architecture 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 planning, assortment and allocation; and transportation planning and management.



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