VIEWPOINTS
ON INNOVATION

INNOVATION IN **MERCHANDISE PLANNING**

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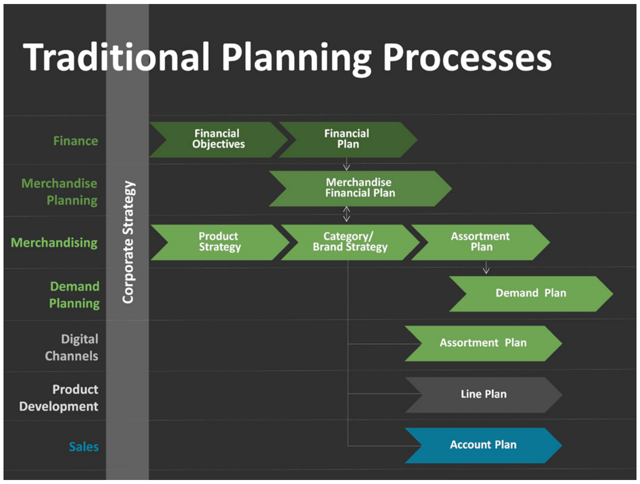
Your Planning Approach is Broken: Five Factors for Integrated Planning Success

by Sonia Parekh, Hala Hassoun and Kelley Graham

The traditional approach to planning, one that is linear and functionally-driven, is broken.

For most retail, footwear and apparel companies, planning is managed by multiple functions - Finance, Merchandise Planning, Merchandising, Retail, Digital Channels, Sales, and Demand Planning - that are all responsible for one part of the plan. These functions operate independently and at various times along the go-to-market calendar, from initial corporate strategy to product development to execution. They are separate groups with their own processes which might be, at best, loosely tied together. They create different plans with different KPIs, sometimes using different systems and data sources. As a result, there is no single and centralized source of data. When multiple versions of the truth exist, no one speaks the same language, hours are spent reconciling numbers and everyone marches in their own direction.



As the retail environment gets more complex, with multiple selling channels, increasing competition, and shorter product lifecycles, a broken planning system becomes a bigger and bigger problem. With Finance teams creating high-level budgets, Planning teams distilling that information into specific product assortments, Design teams following new trends, and Sales teams trying to meet the evolving needs of the retailers and distributors, it is a challenge to ensure everyone is aligned and knows how to coordinate execution. Instead companies often end up with information in siloes, growth targets that are merely assumed, and new opportunities and potential risks that are not identified early enough.

Integrated planning requires good upfront direction, clear roles and responsibilities, and a coordinated calendar to ensure all functions are aligned in their efforts and can work as quickly and efficiently as possible. It simply can't be done if you don't have a defined process that is integrated across all planning streams, because it's hard to move forward if you don't have agreement on where you are going. Integrated planning ensures alignment on key business objectives such as:

- What are the planned growth categories? And channels? Or Regions?
- What products do we continue to stand behind? And which will retire?
- Where are we trying to drive innovation?
- How are we leveraging the digital channels?
- How should we source in order to achieve our margin targets?
- What's our liquidation strategy?

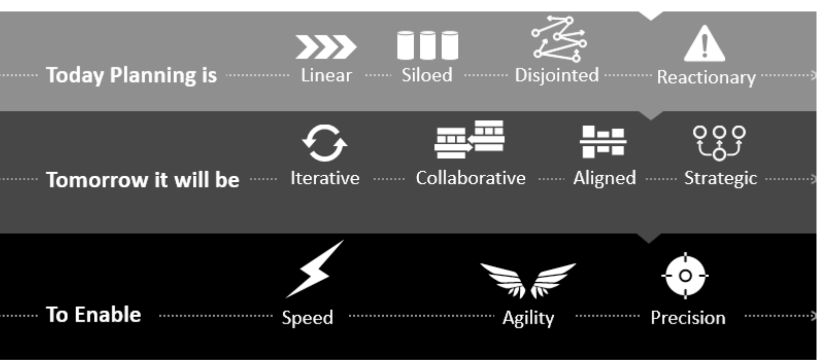
Benefits of an Integrated Planning Approach

The time is now to integrate planning. Integrated Planning is an iterative cross-functional process that ensures all stakeholders are involved at the right times, creating better alignment across the organization and improved financial performance.

Unlike traditional planning, Integrated Planning is:

- **Iterative vs. Linear**. Instead of waiting for handoffs between teams, cross-functional partners work together to continuously develop and refine the plan.
- **Collaborative vs. Siloed.** Instead of having separate players who own different pieces of the plan, cross functional groups come together to share information and make key decisions.
- **Aligned vs. Disjointed.** Key metrics and goals, rooted in common definitions and sharing a common data source, are aligned across all planning groups, eliminating the need to translate numbers provided by one group to another.
- **Strategic vs. Reactionary.** Decisions and plans are constructed based on the bigger picture and support the long-term company strategy, incorporating information from across the enterprise.

Integrated Planning brings multiple functions together



in the planning process, creating a harmonized process with one language, and enabling people to work towards one strategy that aligns around the long-term business strategy and short-term objectives.

Five Factors for Integrated Planning Success

Implementing Integrated Planning is a large undertaking, and often involves significant change across people, process and technology. As you begin the journey, keep the following five factors in mind to make certain that you are set up for success:

1. **Share the strategic vision**. Ensure that there is a well-documented long-term strategic plan with very clear financial objectives and that it is communicated and socialized across the organization. This strategic plan must have meaningful financial objectives tied to the growth plan.
   It's not enough to say "we should grow 5% next year." The strategy must clearly define how we plan to get there, which product categories to focus on, which customer segments are most important, what new markets are being targeted, etc. Providing the Planning team with the high-level direction and financial targets earlier will enable them to incorporate the strategy into their merchandise and assortment plans.

2. **Get the right people at the table.** Good planning decisions are made by incorporating the best available information, so getting cross functional input is key. Line Planning, Digital Channel Planning and Global Merchandise Planning teams need to work closely together throughout the entire go-to-market process to ensure enough products, and the right products, are being developed to meet financial goals. Regional merchants and planners should provide input on what they need and identify gaps early on so that the global design and merchandising teams can develop product in time. Incorporating Sales and/or Retail Merchants into line discussions earlier helps to identify key account needs and incorporate customer and consumer feedback.

3. **Timing is everything.** Bringing products to market quickly and efficiently requires some planning decisions to be made sooner rather than later. Procuring materials, reserving factory capacity and managing transportation need to be done well in advance to ensure on time delivery – but all of these rely on accurate planning and forecasting.

Progressive lock down on product decisions combined with early involvement of both Demand and Sales Planning will help streamline execution and maintain margins throughout the entire process and prevent costly re-work.

4. **Make sure everyone is speaking the same language**. Establish common KPIs that are used across teams. Ensure that there is alignment and understanding of the definitions of those KPIs. Good governance enables alignment around shared goals, improves trust in the information, and facilitates communication. Having one version of the truth is essential in ensuring smooth execution in today's planning environment.

5. **Support the process with robust tools.** Planning today requires a set of reliable and integrated planning tools that can support the key steps of the process and ensure that accurate and trustworthy information is always available. One system which can be leveraged by multiple functions simplifies communication and encourages collaboration.

Traditional planning in most retail, footwear and apparel organizations does not enable a fully integrated view across markets and functions and cannot support the rapidly evolving needs of the current market. Today's increasingly demanding customer expects to find the right product at the best price, when they want it, regardless of what channel they are shopping. Companies must be both thoughtful and precise in their execution – and that requires having a solid plan, from start to finish. Don't continue to rely on outdated tools and linear, duplicative planning processes. Move forward and embrace Integrated Planning.

How to Succeed in Retail When Consumers Hold All the Power
Four Foundational Steps to Integrate Merchandise Planning and Product Development

by Sonia Parekh and Hala Hassoun

Rapid innovation in the retail industry has created a market where consumers have more information, more choices, and more influence than ever before. As power shifts towards the consumer, retailers struggle to keep up with evolving expectations. Earlier this year, we published a piece on the importance of an Integrated Planning Approach. Now, we'd like to focus on how critical it is for merchandise planning and product development teams to work together to ensure that the right product gets to the right channel at the right time.

The Importance of the Merchandise Financial Plan

Everything begins with a solid Merchandise Financial Plan, initiated from senior management and then strategized by the planning teams. This plan becomes the framework for all decisions, from cash flow to factory selection. The plan must be approved in the timeframe dictated by the corporate planning calendar so that the merchandising, design and product development teams can begin their own processes with the planning team's input. Approving and sharing the Merchandise Financial Plan too late in the calendar can lead to inaccurate cash flow projections, inefficient design processes where product categories are over or underdeveloped, and ineffective sourcing decisions that impact minimum order requirements and production capacity. This constant volatility leads to low adoption rates, over-sampling, increased production costs, and a host of other issues that ultimately impact the bottom line.

Leading Practices for Integrating Planning and Product Development

Capabilities and Processes

To address these issues, leading companies work to improve capabilities in both product development and merchandise planning, and try to close the gap between the two. On the planning side, they invest in advanced analytics to arm planners with better information to make decisions. They refine their planning processes to ensure integrations across all planning functions and they implement new software to support these processes. On the product development side, they redefine processes to ensure there is close integration between design, development, sourcing and other teams while new Product Lifecycle Management (PLM) technologies support the end-to-end processes. Despite these numerous investments across the organization, companies can still find it challenging to align the work being done by multiple and distinct groups.

Systems

In order to bridge the gap between the different functions and truly integrate planning and product development processes, companies need to leverage a merchandise planning system that is integrated to systems used by other functions, such as PLM. Connecting the merchandise planning and product development systems ensures that changes or modifications are automatically captured, decreasing the time spent accumulating data and increasing the time spent analyzing it. This leads to approvals and sign-offs that are more in line with the corporate planning calendar, allowing the design and product development teams to begin their work armed with accurate planning data.

Four Foundational Steps for Continuous Improvement

The integration between planning and product development shouldn't just stop with the systems. Based on both the market pressures and the complexity of merchandise planning process, cross-functional partners need to work together to continuously develop and refine the plan.

Here are four foundational steps that enable continuous integration between planning and product development:

1. Make sure that the merchandise planning and product development/design teams are both working from the same information. This begins with a Conceptual Assortment Plan (CAP). By creating a CAP early enough in the process, planning can provide the design team with high-level direction before any product development begins. It also ensures that design is creating product to meet the business needs while still giving them enough freedom to create trend-right products. With a CAP as a starting point, both teams are moving in the same direction and towards the same strategic goals.

2. Plan a separate CAP for each channel to ensure different product strategies and business needs are addressed. By breaking out the product needs for retail, wholesale, and e-commerce, planners can identify the right assortment breadth and depth that will maximize each channel's sales. Design can then focus its efforts on creating the right mix of product to address each channel's unique needs.

3. Incorporate market feedback into the assortment plan as early as possible. This can be through early product testing, customer feedback, or product previews with key accounts (if you are a wholesaler). Share this feedback with design and product development to allow them to refine and change their product designs based on customer input. Incorporating customer and market feedback early on helps reduce the need for re-work and products adds later on in the process.

4. Strategically plan for chase product. There will always be unexpected changes or late adds to an assortment. This can come from anywhere, such as a specific request from a key wholesale account or a new product trend that the design team feels strongly about. Keeping a percentage of the assortment open as chase will give teams the flexibility to add late products to the line without disrupting the rest of the development. Planning ahead will enable the planning team to remain nimble when new requests arise.

Integrating the planning and product development/design teams, processes, data, and systems can drive significant business benefits, both strategically and in quantifiable terms. Strategically, companies attain tangible competitive advantage by working faster and reducing time to market. Their designs and products do a better job of meeting consumer needs because decisions are made closer to market. This capability has a direct correlation to improved customer service and relationships. Companies can also achieve significant reductions in material costs due to more effective cost management in PLM, better order accuracy due to data-driven demand planning, and improved inventory management due to increased visibility to products across all channels and regions.

As omnichannel commerce continues to put pressure on manufacturers and retailers to continuously innovate and improve, we expect to see greater integration between merchandise planning, product development and sourcing activities. Aligning planning, merchandising, product development and design will enable organizations to better anticipate and meet customer needs. And in an ever-evolving marketplace where the customer has all of the power, staying in step with them is essential to remaining strategically relevant.

Making the Case for a Customer-Centric Transformation in Merchandise Planning

Putting customers' desires at the forefront of merchandise planning decisions

by Sonia Parekh

The trend towards customer-centric thinking within organizations has been underway for nearly a decade, but the emphasis has mainly been in areas like marketing and customer service. As the retail industry continues to grow more hyper-competitive, and the balance of power continues to shift from the retailer to the customer, companies need to focus on customer-centricity in their merchandise planning, just as much as they have in other areas, if they want to survive and, more importantly, thrive. Putting customers first in all aspects of a retail operation – from assortment planning to marketing and merchandising - has become a critical shift that organizations need to make.

Key Trend #1: Planned Assortment Opportunity Gap

A shift is occurring in customer segments across varied categories and retailers that miss this shift are missing a large opportunity. This "opportunity gap" especially impacts soft lines where lead times can be long, but the cycle time for products can be very short.

This coupled with the fact that consumer spending and confidence is on the rise again has led to the emergence of more customer segments than ever before. Millennials, for example, have immense buying power and expect their desired assortments to be available, which can be completely different product assortments than what other important customer segments desire. These emerging customer segments have and will continue to influence a lot of the assortment mix. A customer-centric merchandise planning organization needs to take into account all of the groups that shop its brand and devise strategies that reach each one.

Key Trend #2: Amazon's Impact as a Disruptor

Everyone knows Amazon and is impressed by their business strategies and ability to dominate the categories they're in. However, Amazon is constantly being overlooked by companies as a viable competitor because they don't have brick and mortar stores. This is a huge mistake because Amazon is a shining example of a successful customer-centric company.

Amazon is a disruptor in multiple areas that affect retail and brand companies and, as a result, is a threat to their business models. Examples of this are Amazon's rapid expansion of their network for sourcing and procurement in order to expand their product offerings to meet customer needs, their ability to enter and dominate new categories (like apparel) and their ability to build an incredibly strong loyalty program (Amazon Prime). The manner in which they accomplish and dominate each of these areas is astounding and at the fore-front of what the future of the retail industry is going to look like.

Their customer-centric strategies enable them to give their customers what they want before they even know they want it and this is something that all retailers – not just eCommerce players – should be paying close attention to.

Key Trend #3: Predictive Analytics

Capturing and properly utilizing the information obtained from predictive analytics will play a significant role in the ability of retailers to embrace customer centricity. This includes the ability to predict customers' desires and buying patterns, as well as where they shop and why. It is not just causal relationships that are important – all the inventory in the store and all of the assortments have a core relationship with a specific customer segment, type of buyer behavior and type of purchase journey.

The information gained from predictive analytics must influence how retailers approach their strategies for every aspect of their business, such as on-hand inventories and online versus in-store regional assortments. Successful retailers need to employ predictive analytics to map out the customer's purchase journey and to fully understand the components that drive the customer to the store or website and influence the way they ultimately buy (or don't buy) a product.

Key Trend #4: Digital

Digital is one of the fastest growing trends influencing customer behavior in retail right now and is ever-evolving. A great example of digital's relevance as a major trend is last year's Black Friday when mobile transactions skyrocketed to levels never seen before. The growth of mobile channel transactions in comparison to growth seen in-store and eCommerce is telling – mobile will continue to be a huge avenue in which consumers buy products. Strategies surrounding mobile clearly need to be focused on understanding how customers want to be served.

Key Trend #5: Globalization vs Localization

More and more companies are finding out that their sales are local, but their strategies are becoming global. As retailers are constantly searching for the next way to grow their businesses, it is imperative that they look outwards at growth and expansion. Whether that's growing through opening stores in new countries, or through digital and other omni-channel avenues, or through international partnerships, the core question remains the same – how can I successfully reach customers in these new areas? Selling locally but acting globally will require a deep understanding of customers in each local market.

Translating Data into an Executable Customer-Centric Strategy

According to a recent EKN survey, 38% of retailers say they find it difficult to plan assortments due to a lack of consumer insights in the merchandising process. The takeaway is that companies are collecting data, but they are either collecting the wrong data, or do not know how to translate the data they have into executable business strategies in their assortments.

Analyzing historical sales by segment to gain insights into the shopping behaviors of those segments is good, but not good enough. Companies must take a 360-degree view of the customer. This means taking into consideration unstructured data.

Knowing the things that influenced consumers to make the purchases they did in-store versus online or on their phones is crucial information that planners and category managers need to understand in order to devise future strategies. This information can translate into the creation of customer-centric strategies in top-down planning, promotions, sales management and overall assortment mix.

A 360-degree view of the customer will help companies prioritize where they should put their resources.

Considering the trends referenced above, it is clear that shifting to a customer-centric merchandising approach is not only the right path for retailers going forward, but likely the only path to success. Making that shift, however, will involve a major changes across multiple dimensions of the organization. In Part 2 of this article, we will discuss those dimensions along with the key considerations for driving change.

See article on JustEnough's blog

How to Transform Into a Customer-Centric Merchandise Planning Organization

by Sonia Parekh

In our last Blog post – Making the Case for a Customer-Centric Transformation in Merchandise Planning - we discussed "why" your organization should embrace customer-centric thinking in planning. In this post, we will layout "how" your organization can make this shift.

The most important thing that everyone within your organization must understand and embrace when mapping out the path to customer-centricity is that it is a multi-dimensional journey. This transformation does not happen overnight, and is truly on-going as the company continues to grow and new strategies are created that must also be customer-centric.

According to retail industry expert Sonia Parekh, Senior Manager at Kalypso, there are six key areas that are necessary to focus on in order to make your organization truly customer-centric – decision making, tasks, organizational structure, skills/people, rewards/recognition and information & systems. In this post, we will break down each area and go through the questions you need to answer as you take your organization through this transformation.

1. Decision-Making

It is crucial you start this journey by taking a look at your merchandising and merchandise planning processes from end to end, and identify the critical points at which the entire team must align and lock down certain decisions in order to move forward. This includes the selection and pricing of the assortment. Typically, these decisions are approached with information about what sold last year, what categories or subcategories are trending and how we need to plan brands to achieve external incentives provided by vendors (like volume discounts, promotional support, etc.).

A customer-centric merchandising group acts very differently. They put the customer first in every decision. Think about your various customer segments and how each responds to different silhouettes, colors, brands, materials, etc. Once this is done, select an assortment that best meets the needs and preferences of your customer.

Also, think about what prices will maximize demand for each customer segment. For example, if you are planning the baby diaper category, you are likely to have a price-driven customer segment – one that wants a diaper that they trust at the lowest price possible.

They will have a price ceiling that is lower than the customer segment who will pay more for a diaper that has fun designs or is made of biodegradable materials.

So that leads us to the next question – how do your customers value different brands, materials and product features? For example, how do moms in the Pacific Northwest make decisions around the boots they purchase for their kids? How do these crucial purchase criteria differ from moms in the Midwest or Southeast? Customer-centric merchants and planners take all of this into consideration when making merchandising decisions.

2. Tasks

As you change the way decision-making is done, you must also change the actual activities and tasks along with the sequence in which they are performed and perhaps even the organization or team responsible for each one. In a customer-centric merchandising world, you will be developing assortments, considering pricing strategies, planning promotions and allocating product by customer segment. You must ask yourself: how does the work get done today? What does the process look like? If your key decisions change, in what ways may the process need to change?

Start by taking each key decision and define what work needs to get done leading up to that decision. What information do you need to gather, what analysis do you need to do, etc.? How should the work be sequenced? Who needs to own each step? Use the key decisions as your anchor points and chart the course to get from one to the next. This course will become your new process.

3. Organizational Structure

Changes to the structure of your organization will most likely be required in order to enable and reinforce these new processes. This organizational transformation needs to be supported by a robust change management program that includes understanding of your current state, drafting a vision for the future and then putting in place a transformation roadmap with all the training, development and communication necessary to get you there. In the end, you need to be able to confidently answer "yes" to the question - "Does my organization enable the right people to get the job done?"

4. Skills/People

Thinking about decisions from a customer-centric perspective while creating your optimal organizational structure requires your current team to not only change the way they work, but also build some totally new skills. Start by benchmarking where your people are today. This includes determining what skillsets you currently have in your merchandising and planning group, and then identifying what new skills they need in order to operate in the customer-centric world.

You will also need to do a workload analysis to determine if you have the right headcount in the right places. There will potentially be a need for people to transition from one role to another. This will mean identifying who has the raw capability to make that change and then supporting them through that transition. Once this is complete, build a plan for training and development. Finally, determine if you need to hire additional people who bring customer-centric thinking and can help lead the change.

Lastly, you need lots of communication. Organizational change can cause lots of swirl which impacts productivity and can impact people's willingness to change. Having a well thought-out communication plan to make sure everyone understands the reason for the change and what the journey looks like is imperative. Don't leave room for guessing and anxiety.

5. Rewards & Recognition

Once you have the organizational structure and people in place, you can then focus on aligning your processes to include rewards and recognition for customer-centric behavior. Incentives are vital to making long-term changes. At the same time, you want your people to be accountable for the business impact of the change, so best practice is to start by including metrics which tie the customer impact to the business results.

Merchants and planners are very familiar with being held accountable for sales and profitability, but you will need to add things like customer engagement, basket size, shopping frequency and return rates, among others. You can see how movement in customer metrics directly impacts sales and profits, but without holding the team accountable for the customer metrics, they won't have an incentive to make it their primary focus.

Finally, you should track all customer metrics and report them on a regular basis, making it a point to show everyone in the company that these new metrics are just as important as the typical sales and profit metrics that they are accustomed to seeing.

6. Information & Systems

Information and the systems we use to gather and analyze it are the backbone of a customer-centric organization. They enable all of the planning processes to work accurately and efficiently. In a customer-centric merchandising organization, customer information is gathered on an ongoing basis and analyzed to better understand customer preferences and even to predict their behavior. We have multiple sources of customer information, but the key is to find a way to make it actionable.

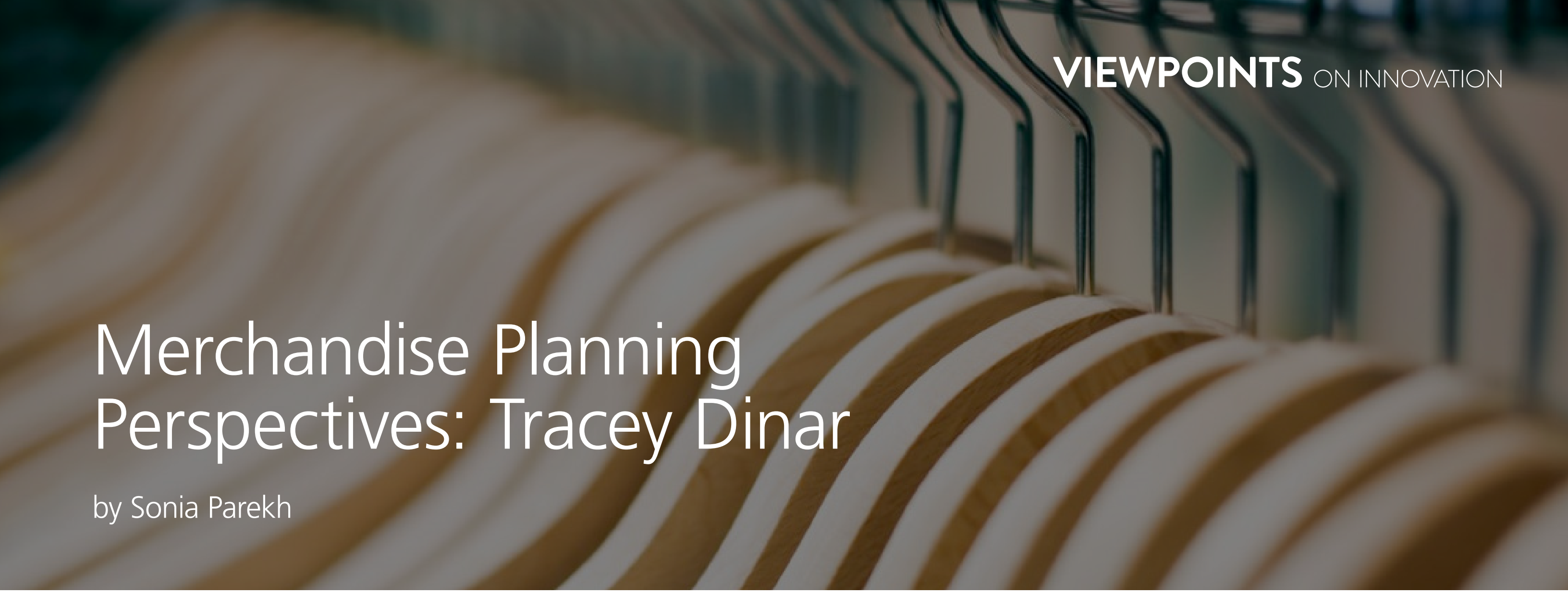
In order to truly transform into a customer-centric planning organization, you need to have the right systems in place to capture and analyze data and enable the end-to-end planning process. When looking for a system that will enable a true customer-centric planning organization and process, here are some key considerations and features to look for.

- **Predict and Plan for Trends**. Your system needs to be able to track and maintain customer data and use that data to segment customers and identify, predict and plan for trends.
- **Multi-dimensional Clustering.** It's not possible to think about every possible customer. You need a system that can cluster customers using attributes derived from the analysis of customer information. However, in addition to customer attributes you need to consider location attributes. The only way to truly do this is through multi-dimensional clustering across many attributes.
- **Define Assortments Around Clusters.** Once you have your clusters defined, you need a system that can define assortments within those clusters taking into account the customers that are drawn to those clusters and the demand they are driving.
- **Combine Analytical Planning with Visualization.** Part of a planner's job is subjective and requires being able to visualize what the assortment will look like. But this needs to be coupled with analytical planning to determine how customers are expected to respond to the assortment and its related pricing and promotions.
- **Attribute-based Planning.** Understanding what is driving a trend requires analyzing many attributes.
- So you need a system that can record as many attributes as possible and attribute them to a low level of detail in order to truly identify what attributes are driving what customer trends.
- **Omni-channel Line Planning.** You need a system that can plan the entire line across different channels, taking into account the uniqueness of customer-centric trends that are driving the performance of products within each channel.
- **Allocate in Line with the Assortment Plan.** The success of a great assortment plan depends on the inventory being allocated in line with the plan. Your assortment and allocation systems need to be tightly integrated to ensure that the customer-driven assortments are actually delivered to the customers who are going to shop them.
- **Retrend in Season.** Nothing ever stays the same, so you need a system that can very quickly identify emerging and changing product trends. The system should automatically retrend and change direction based on analytical analysis. But if the change is too vast, the system should present exceptions to planners so they can make strategic decisions on whether or how to follow a trend.

Time to Get Started

Now that you understand the need for becoming customer-centric in your merchandise planning and have the framework for making the transformation, it's time to get started. We encourage you to partner with the right industry and business process experts and technology vendors who understand your company's specific needs and business strategies and can help you make the shift to truly customer-centric merchandising.

See article on JustEnough's blog



Merchandise Planning Perspectives: Tracey Dinar

by Sonia Parekh

In this series, leaders in the retail industry share their thoughts on the challenges merchandise planners face today, and what we should be thinking about for tomorrow. Today's perspective features Tracey Dinar, an executive with over 20 years of experience leading planning teams in the retail industry.

What do you think are some of the biggest challenges you see the retail industry facing today? And how are these challenges impacting planning?

I see three major challenges facing retail planning teams today:

1. **Traffic**: Growth in consumer spending is primarily coming from e-commerce (via Mobile) with bricks and mortar seeing flat to declining sales. Evolving the bricks and mortar customer experience through clarity of message, product pricing and availability are all roles planning plays to maximize SOT (sales over traffic) within stores.

2. **Speed to Market/Flexible Inventory:**Critical to top and bottom line financials in addition to having the right product at the right time which Merchandising drives, is having the right quantity at the right place. This is the planning teams' role and essential to optimizing inventory.Partnering with Merchandising and Supply Chain to deliver long range forecasts builds in flexibility for the supply chain.These strategies not only increase speed to market but allow a more demand driven approach. Capabilities such as test and respond as well as the ability to delay/postponing finished good cut decisions improve the match of demand to supply by reacting to changing market signals.

3. **Systems:** So many retail companies have built work arounds for the planning and allocation teams in Excel given the limitations in the current legacy systems. While there is no silver bullet software that will solve all needs as the industry, customer, and business continues to evolve, finding the right tools to help your teams spend less time gathering information and more time analyzing the business is critical.

What complexities has rapid global expansion created for planning teams?

One issue that planning leadership within global brands need to address is how to organize and locate teams. On the surface global/central planning organizations appear to have the largest benefits operationally. With a centralized team it is easier to standardize planning capabilities, processes, reporting as well as manage talent development. On the other hand, local market expertise can be invaluable for understanding the consumer. Many companies therefore have morphed into a hybrid approach, where longer range strategic planning is global/central with day to day running of the business managed locally. A common mistake is to let legacy systems and operations dictate the organizational structure. Think about the strategic objectives for your brand and then design a planning organization which can support these goals.

Many wholesale brands are investing aggressively in growing their direct to consumer channels. How has this impacted planning?

Direct to consumer is a tricky business for established wholesale organizations including planning. The demands of a direct to consumer (DTC) business today often result in extended product assortments and additionally in many cases wholesale and DTC are different organizations with separate retail, margin and inventory goals that can create channel conflict. It is critical that there are forums for teams representing all channels to share and leverage insights and learnings in an effort to deliver a seamless omni-channel customer experience vs creating additional competition within the same brand.

The growth of digital channels and digital in store customer experiences has created a wealth of new data for retailers and wholesalers to consume. Do you think planning teams can leverage this information? How?

Absolutely, in many companies that have both stores and direct to customer channels tend to deliver products to the online channel several weeks before stores gaining early indicators to product and pricing performance. These insights would enable the store planning teams to revise retail and margin forecast through the adjustment of sell thru expectations, pricing strategies and markdown cadence. If flexible inventory capabilities are available, both channels can optimize sales and margin by chasing into product performance based on early reads.

What tools do you think planning teams need in order to succeed in today's environment?

Consumers are savvy, they have more options and selling seasons are shortening so having the right product at the right store/channels at the right time is the role of the planning teams. With the objective to deliver growth while maximizing profit, tools need to be able to support the business and provide visibility that will limit lost sales due to stock outs, reduce costly transfers and control markdowns would be margin accretive. A robust planning, allocation, and replenishment system, processes and reporting make a big difference in a retailer's bottom line.

Looking forward what advice would you have for retail and wholesale companies looking to build world class planning organizations?

In addition to some of what I spoke about already, know that investing in talent and developing a corporate culture that includes social and environmental responsibility will pay dividends in growing and retaining talent. Investing in continuous training and development opportunities, stressing the importance of making time to balance the strategic/important with the urgent/immediate is critical to keeping people, the most important asset, focused and driven by the company's success.

Merchandise Planning Perspectives: John Fiduccia

by Hala Hassoun

In this series, leaders in the retail industry share their thoughts on the challenges merchandise planners face today, and what we should be thinking about for tomorrow. Today's perspective features John Fiduccia, a consultant with over 20 years of experience in the fashion industry.

What current challenges do you see with planning in the retail industry?

Many retailers still use Excel as their primary planning tool. Although some may have the vision to take their planning systems to the next level, no one knows how to do that. Internal processes and software systems need to change with the times. Getting buy-in for new processes and the underlying software solutions can be difficult because even though Excel-based processes are not as effective, people are used to them and are not always comfortable making the switch.

What's the biggest challenge you face as you try to plan across business channels, ie. Ecom, Wholesale and Retail?

Wholesale and retail planning are still run independently and are very siloed. As a result, the inventory remains divided and the different channels do not have visibility into each other's inventory. Often you'll find that there is customer demand in one channel but the inventory is only available in another channel and cannot be easily transferred. Balancing supply and demand becomes more complicated than it needs to be.

Are there vast differences in how you look at planning international markets vs. domestic?

From a system perspective, the primary difference surrounds new pricing jurisdictions and how to manage those differences in ERP, POS, and planning systems. Without reconciling different currencies across the various systems, POs can get held up and shipments delayed. From a process perspective, there is often a disconnect between the location of planning teams and the regions they are planning. For instance, U.S. planners often plan for European markets with little knowledge of those markets.

What do you see as the key benefits of an integrated planning system?

Creating a data warehouse for integration between systems is beneficial because it feeds all data to one central reporting portal, allowing communication between PLM, ERP, and Planning systems. System integration reduces miscommunication and helps teams plan more accurately for demand.

How do you think retailers/ wholesalers should be using data to make better planning decisions?

Data organization is key. Without it, too much time is spent pulling data from various sources and creating reports manually. Once it is organized and centralized, planners can focus their time on analyzing the information. A planning solution can help make the data more accessible, but it needs to be paired with better business processes. The planning team needs to be involved in designing a new planning system to ensure that it meets their business needs and that the data is being pulled and reported in the right way.

What is one major change do you see in the near-future of planning in the retail arena?

Ecommerce is still maturing and evolving and many retailers still treat it as just another store. In order to move forward, Ecommerce needs to be managed as its own strategic channel. Planning data and analytics can then be utilized to make more educated decisions across channels. Metrics such as conversion rates, online cart abandonment rate, and product affinity can be leveraged to better understand customer demand. Visibility across channels will improve the customer experience by ensuring that the inventory meets the demand in every channel no matter where it is coming from.

Merchandise Planning Perspectives: Moataz Shalaby

by Hala Hassoun and Kristina Baugher

In this series, leaders in the retail industry share their thoughts on the challenges merchandise planners face today, and what we should be thinking about for tomorrow. Today's responses submitted by Moataz Shalaby, SVP of Merchandise Financial Planning at Jimmy Jazz.

What are the current challenges you see with planning in the retail industry?

One of the challenges is finding the right balance between four key levers of the merchandise plan:

- **The first lever is sales.** The goal is to establish a profitable sales plan that is challenging enough but still achievable.
- **The second lever is margin.** In order to have a profitable plan, you need a profit margin that is achievable.
- **The third lever is inventory.** You need to plan the right level of inventory to ensure you have a good presentation in retail stores but aren't taking too many markdowns. You also don't want to have too little inventory that you are missing sales. Finding the right balance of inventory is the key.
- **The final lever is turn over.** In addition to maintaining the right balance of inventory, you need to ensure your inventory isn't too old. The more frequently you change your inventory – the "younger" the inventory is – the more profitable it is. Some products will remain in your inventory longer than others, but seasonal inventory should only be lasting the length of the season. The longer the inventory ages, the less profitable it becomes so you want to make sure your inventory is new and continuously changing over.

Another challenge for merchandise planners is the desire to seek perfection. When sifting through all of the data to balance these four levers, the goal for a "perfect" plan can slow down the process of developing the "best" plan.

What's the biggest challenge you face as you plan across business channels, ie. ecommerce, wholesale and retail channels?

The challenge is understanding all of the variations between your stores and ecommerce site. Because store customers vary across multiple regions, the assortments have to be different for each location. For instance, urban locations such as New York City will go through trends much faster than stores in southern suburban areas. You need to know how often new products should be introduced at each location. At the same time, online stores typically serve a much broader customer base than the stores do and will often ship to different countries. This adds additional complexity because you are managing more products, for more customer segments, across multiple regions. You need to really understand the markets, regions and customer profiles for each channel so that you can better plan the assortment and demand.

How can customer data best be used to support planning?

Accurate customer data is critical because you need to really understand who you are selling your products to. For instance, when opening new doors, you have to do a detailed study of the location and customer profiles you want to sell in. You need to make sure that the customer shopping in your intended location is the same as your core target customer. Otherwise, your products won't sell.

How important is collaboration with cross-functional teams in the planning process?

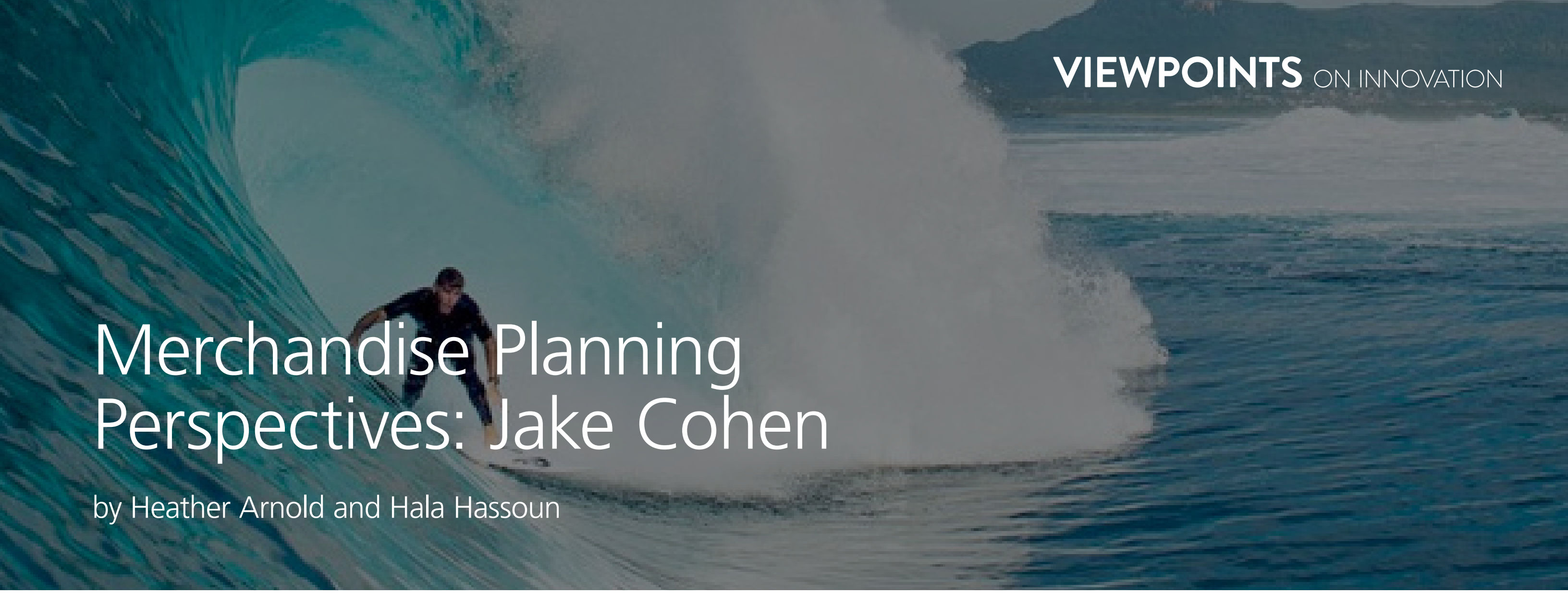
The product will not succeed unless the entire team knows what is really trending. In a fashion company you always need to know what next season's trend is going to be. Planners need to start conversations with designers early on in order to start planning for new trends before existing styles begin winding down. Planners will begin with a preliminary plan based on hindsight but will adjust based on design's input.

Do you see predictive analytics playing an important role in forecasting today or in the future?

Yes, I see predictive analytics becoming bigger in the future than it is now. Planning software will be even more important in helping planners better align forecasts with projections, taking into account historical trends and weekly sales. Additional factors such as weather and macroeconomic trends will be incorporated to help anticipate demand and better adjust assortments.

How do you think retailers/ wholesalers should be using data to make better planning decisions?

The number one factor is having a clear vision of your goal before you start. You need to have accurate data from the right source to be able to set these goals. Once you have that in front of you, you can create the right reports to accurately serve who is going to use that data. The right data needs to be accessible in a format that has meaning and is easily readable. This industry is becoming more complex and difficult to plan for. Planners have to be very sophisticated in how they utilize all the data available in order to the get the plan right.



Merchandise Planning Perspectives: Jake Cohen

by Heather Arnold and Hala Hassoun

In this series, leaders in the retail industry share their thoughts on the challenges merchandise planners face today, and what we should be thinking about for tomorrow. Today's perspective features Jake Cohen, who has worked in wholesale, retail and demand planning at companies such as Wet Seal, Nike and Quiksilver, Inc.

What current challenges do you see with planning in the retail industry?

Technology is a major issue. Everywhere I've been, Excel is used far too often and for content that goes far too in depth for its capabilities. Instead of leveraging other systems, people use Excel as a "go-to" because they already have the skill set.

Lack of collaboration is a huge pain point for many companies who have functional groups working in silos. I have seen moments where strategy changes beg for better collaboration, but often don't lead to that. Retail and Wholesale Planning often do not talk to each other. Product Development has its own margin goals, while Retail and Demand Planning have a completely different perspective. Subsidiaries often operate completely differently than the overall company, with disjointed organizational structures making it difficult to maintain efficient communication between them.

What's the biggest challenge you face as you try to plan across business channels, i.e. e-commerce, wholesale and retail channels, as well as the sweep of information coming from touch points across mobile channels?

I have seen e-commerce used as a dumping ground in the past, where we should have been looking at how product was being moved through the e-commerce channel statistically. I've seen situations where there was no strategy supporting the e-commerce channel. A successful e-commerce strategy needs a strong brand manager and dedicated teams to plan around each business channel and drive sales growth. I've also seen situations at wholesale-driven companies where retail was not included in the product development cycle and the rolling forecast process, causing great disconnect. As retail and e-commerce become a larger force in a wholesale company, they need to become part of the product development and rolling forecast process.

Are there vast differences in how you look at planning international markets vs. domestic?

When a company goes global, consolidating global buys in a central location can create complexity and problems on the planning side due to variations in seasonality and other global climate differences. This causes forced adoptions in many regions that aren't necessary.

Collaboration can also be challenging when you have teams in different business units around the globe using different systems. To effectively manage a global market and gain synergies in supply chain, companies should have their strategies mapped out and their thinking aligned across functions and business units. Systems need to be integrated so that people in different offices aren't passing around Excel spreadsheets via email, and planning and buying timelines should be synced across the organization.

What do you see as the key benefits of an integrated planning system?

There is so much data that is fed into supply planning and retail systems, and it needs to work together to enable better planning decisions and really get the pulse of the customer. An integrated planning system enables collaboration, scenario planning across functions and data manipulation. Instead of running huge formulas and pulling data from many different Excel sheets, the system could do that for the user and allow for more time to be spent on analysis and decision making.

How important is collaboration with cross-functional teams in the planning process?

Collaboration is very important for success. When different functions do not have the same views or are relying on different information, this can lead to misalignment, and in some cases, can result in different functions not trusting one another. When they don't work together, it causes major discrepancies in the sales plan and the catalog.

Do you see predictive analytics playing an important role in forecasting today or in the future?

Having predictive analytics is important, but collaborating on strategy and looking at how accounts should be serviced should still support decisions. Sometimes it can be difficult to pull all the right data together, but bolt-on systems can be used to help with this issue.

How do you think retailers/ wholesalers should be utilizing data to make better planning decisions?

Data cannot be taken at face value. Companies need to understand how the data fits into a broader strategy. Spreadsheets need to be scrutinized, the product needs to be collaborated on and financial plans need to be reviewed in detail.

I think people need to focus on analyzing the data rather than building the data. Spending money on a system will pay off as it enables more people to move into thinking jobs that can provide direct value-add to the company, such as campaigns for marketing. Product data is dynamic – channels, sales reps, accounts, product, classifications, categories, types, construction, etc. I think it is best to use people strategically to scrutinize the data instead of making them spend so much time manipulating it.

What is one major change you see in the near-future of planning in the retail arena?

Companies need to understand who their core customers are and they need to stay innovative by testing new areas of fit, fashion, technology, fabrics, etc. I think it is important to look at quicker speed-to-market flexibility that wholesalers don't have and retailers are starting to get with online presence. To enable this flexibility, companies need better systems, streamlined supply chain timelines from purchase to market and stronger customer insights backed by data analytics. I think looking at what customers are buying now and where the trends are going is imperative.

How do you integrate the customer experience throughout all of the channels available?

Companies will be using more data analytics and customer insights to understand customer needs and drive purchases to fit that need. Companies should consider having the right systems in place to support the collection, analysis and sharing of the data across all functions and business units.

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