

# False starts

Merchandising processes in today's modern retail business are "flawed jewels", according to Nikki Baird, an analyst with IT market research company Forrester Research. "Despite the fact that they've been around since the first retailer decided to centralise buying, they haven't evolved much," she says

That's a great pity, Baird adds, because merchandising is at the heart of retail. "It's at least 80 per cent of (being able to offer the) right product, right store and right price."

For a start, she says, most merchandising plans start from the wrong place – last year's plan. "While that may seem logical, it's a dangerous place to start, perpetuating last year's obsolete assumptions and ignoring the opportunity to incorporate 'in season' learning about patterns of demand."

But that doesn't help retailers address unpredictable consumer buying patterns. "Tastes change, trends emerge and die – so starting from last year's plan, rather than a true demand forecast, risks missing major changes in volatile consumer markets," she adds.

Fleur McNair, head of pre-sales for supply chain solutions at BT Expedite, agrees. "Merchandising management systems have traditionally utilised sales and inventory data to predict future customer demand for both ordering and for stock allocation and replenishment processes," she says.

But the face of merchandising is

changing, and so is the technology that retailers are using. "As retailers seek more ways of shortening supply chain lead times and maximising stock investment against availability, there is an increasing need for more predictive forecasting methods to identify demand and calculate ideal stock levels."

Advanced merchandise management systems now include integrated demand forecasting models that not only utilise cleansed historic sales data, but also apply future predictive algorithms to calculate ideal stock levels, whilst also considering wider merchandising factors: inventory on hand; supply chain lead times; minimum order quantities.

It's a far cry from the spreadsheet-based processes that continue to govern merchandising processes at many retailers, says Nigel Illingworth, product director at Retail Assist. "They're fine for a very small retailer, but

for most companies it leads to huge consolidation tasks that only Excel 'power users' have the skills to carry out," he says.

Another major problem with merchandising processes, according to Baird at Forrester Research, is that they are simply too fragmented. "People talk about merchandising as if it's a single, cohesive process," she comments.

That is highly problematic. First, merchandising becomes isolated from supply chain processes – and that can lead to unplanned cost overruns and service degradation. "Without a holistic view of the supply chain, you are going to be facing out-of-stocks, urgent inventory shipments and the need to rapidly transfer stock between stores," warns Sarah Taylor, retail industry director at Oracle UK.

Second, a fragmented approach to merchandising leads to poor coordination within merchandising itself. "Different groups create financial and product plans, and other departments calculate allocation and replenishments," she says.



These 'responsibility silos' and disjointed processes mean that plans never get updated once a retailer starts execution. "It's almost impossible to reconcile the multiple plan types and levels, let alone update them in the light of actual results during execution," says Baird of Forrester Research.

That's why an integrated suite of products is essential for best-in-class merchandising, according to McNair of BT Expedite. Take, for example, Mosaic, the fashion retailer which owns Oasis, Karen Millen and Whistles. It has implemented the complete suite of solutions from BT Expedite's Connected Retailer portfolio, which includes sourcing, merchandising, planning and sales analytics. "In many ways, merchandising is all about the management of obsolescence," says John Bovill, IT director at Mosaic. "With the tools we've implemented, we can track vendor performance right from merchandise concept, all the way through to products being sold in our stores."

Additionally, integrated planning and merchandising systems also support the checks and balances required to ensure that merchandising decisions are made within the strategic goals set to maintain profitability and margin, observes McNair

of BT Expedite. "Tools such as authorisation-driven purchasing, based on dynamically calculated open-to-buy and systems automatically validating stock intake in line with planned commitment demonstrate the value of an integrated planning and merchandising system infrastructure."

Another example of merchandising success is menswear retailer Crombie, which currently has 20 outlets in the UK, of which 13 are concessions in House of Fraser stores. It has deployed a retail management system from Futura, which has now been in use for some two years. Explains Adrian Roe, IT manager at Crombie: "Our merchandiser's buying plans for core items are supported by Futura's reordering recommendations, which are constantly re-evaluated by the system with reference to both current and historical sales."

Crombie's reaction time to prevailing

sales conditions, he says, has improved immensely with information on sales transmitted back to head office on a daily basis. "Futura's ability to target allocations and replenishments to stores where specific items sell well historically ensures that stock moves through the business at optimum rates and is made available to stores as necessary," he adds.

Increasingly, retailers like Mosaic Fashions and Crombie are recognising that consumer-centric merchandising – the ability to give customers what they want, when they want it – is the way forward. But it also requires a lot more integration than past processes, says Baird of Forrester Research. "Cherry-picking applications from different vendors will lead to more silos, more integration requirements and more risk of a failed implementation," she warns.

"Instead, start with a plan of attack, prioritise your needs, and implement modularly, but with a specific end-state in mind," she advises. Developing that plan of attack will take time, especially if a retailer has a lot of legacy code, so the time to start is now.