

WHITE PAPER

Take the guesswork out of your retail merchandising strategy

Anaplan



It's no exaggeration that managing uncertainty has become the order of the day for retail leaders, yet it's a struggle. Retail companies of all sizes have felt the impact of inflation, labor shortages, supply chain issues, and excess inventory. Added up, the collective whammy of these factors has made planning difficult when using traditional historically-based forecasting and decision-making processes.

Historical data alone can't capture the dynamic shift in consumer behavior and emerging trends we see today. Additionally, legacy systems and static tools like spreadsheets are struggling to keep up with the ever-changing market. Moreover, these tools promote business silos if used for planning as they provide little flexibility and scalability to handle modern retail operations' complexities.

Understanding the landscape

With global economic growth expected to slow to 2.8% this year from 3.4%, we're still in a highly unpredictable market, and fear of the unknown still grips the economy. According to the National Retail Federation, this unknown signals a new age for the retail industry. Increased demand for tailored products coupled with persistent inflation is shaping consumer behavior, causing increased costs, more complex touchpoints throughout the value chain and forcing more effective product mix and pricing strategies that are signaling the need for new skills and resources for retail leaders to steer the ship successfully.

Building a data-driven, forward-looking product strategy is critical for success. Merchandising or product strategies have long been utilized to help leaders visualize a roadmap to achieve business goals throughout a product's lifecycle. A solid merchandising strategy helps avoid inventory surprises, coordinate business objectives across an organization, align with customer needs to maximize profitability and facilitate product innovation that can ultimately differentiate an organization from competitors.



Yet to effectively build a merchandising strategy that can keep up with modern challenges, retail leaders need the right data in hand, tools to harness the power of that data, and the ability to collaborate more effectively and in real-time with both suppliers and partners.

To take the guesswork out and lead with confidence, retail leaders should consider these three strategic ideas:



Collaborative communication creates desired outcomes

In just the last few years, retailers have experienced unprecedented supply chain disruptions that caused a domino effect from backed-up shipping ports, trucker shortages, and, ultimately, empty shelves. As a retail leader, real-time communication with an entire supply chain ecosystem – including vendors, partners, and suppliers – is a must to address these types of disruptions and be better prepared. Cross-functionally, leaders need to work together within an organization to align on merchandising strategy and goals across the business to better generate positive outcomes like sales growth. While the end goal may be the same, each stakeholder may have different approaches to getting there. Finance leaders may optimize costs by streamlining product offerings, sales leaders strive to attract more customers, and merchandise leaders focus on the availability of priority SKUs throughout the year. To collaborate effectively, retailers must create more collaborative processes, with data sharing and planning conducted across departments, between organizations and up-and-down the supply chain. This is where the value of an integrated, collaborative, and data-driven product mix strategy comes into play.

Leveraging platforms that act as a single source of truth can help break through organizational silos and foster real-time decision-making across functions. These platforms can serve as a centralized repository to house company data, external data and information from third parties such as suppliers and partners. They also provide the ability to automatically update and inform “what-if” models, forecasts and plans.



GODIVA

Belgium 1926

Take Godiva Japan, for example. After Godiva's Japanese business became independent in 2019, the opportunity arose to create a fresh collaborative process.

- The leadership team recognized the need to combine supply planning, sales and operations planning (S&OP) and demand planning to provide instant access to critical supply chain data.
- This process improvement successfully saved Godiva Japan 300 hours annually on S&OP reporting and more than 1,400 hours on secondary processing tasks.

The success of Godiva Japan's integrated approach allowed retail leadership to accelerate decision-making for supply planning, which further helped prevent lost sales opportunities and excess stock.



Coca-Cola

Revenue Growth Management (RGM) should also be a priority for retail leaders seeking to keep pace with a changing marketplace through collaboration. However, without data-driven RGM, achieving alignment with third parties can be challenging. By leveraging connected planning and embracing suppliers' collaboration, notable companies like Coca-Cola have successfully implemented RGM strategies to sharpen their competitive edge.

For Coca-Cola, RGM is all about finding the right products and getting them to the right consumers' hands at the right price point.

- Despite managing a vast product portfolio and working with numerous independent bottling partners, Coca-Cola adopted a connected planning approach with its suppliers for RGM and trade promotions management.
- Even in the face of global economic headwinds, the company achieved significant net revenue growth of 16% in 2022.
- Implementing an effective RGM program establishes confidence in a business plan, and a healthy topline business transcends the P&L of any organization.

The right product mix strategy can be utilized to capture demand, drive profits, and reduce excess costs amid shifting buying behaviors. By planning for all outcomes within each department and with suppliers, retail leaders can foster alignment and create an agile strategy that meets customer needs without sacrificing the bottom line.



Don't just rely on the rear view mirror for future planning

If the past three years taught us anything, it's to expect the unexpected. Historic performance has long been the cornerstone of traditional demand planning and forecasting. Looking at year-over-year or quarter-over-quarter sales volumes and assuming some growth in statistical models has been the primary forecasting approach for many companies. But the efficacy of traditional demand planning in our modern economy has limited retail leaders' ability to be agile when market forces throw a curveball. This market uncertainty poses a significant challenge for consumer goods companies as they attempt to accurately forecast demand to meet their consumers' needs without carrying excess costs.

Most companies now have an undeniable call to action to transform their supply chains and move past the traditional demand planning and forecasting approach. When looking at where to go from here, it's critical for retail leaders to assess not only their forecasting process but also the external market forces that drive demand.



carter's®

For Carter's, legacy statistical modeling and patterns alone were proving to create more work in data compilation at the expense of real decision-making.

- The company, specializing in infant and child clothing, manages a vast portfolio of over 250,000 product SKUs with short lifecycles and turnover ranging from three to six months.
- Operational challenges for Carter's came to a head in 2015 when collaboration for supply and demand relied on manual processes.
- The company's 20 department forecasters facilitated their own data entry every 2-4 weeks. Then, they passed off their spreadsheets for collaboration with 200 global factories via email to align the supply chain for shipment dates. These processes were too time-consuming and ultimately created obsolete and excess inventory challenges.
- To remedy this, Carter's implemented agile and data-driven demand planning capabilities to streamline its supply chain operations, resulting in annual savings of \$25 million in inventory carrying costs.
- Additionally, using advanced tools instead of spreadsheets and email led to a remarkable drop of 10-15% in excess inventory.

Successful demand forecasting requires a platform that enables companies to act with agility, recalibrate rapidly and, most importantly, incorporate different scenarios as needed to ensure increased forecast accuracy delivers the ultimate business outcomes. By leveraging a data-driven analysis of the future with a platform that supports strategic decision-making, retail leaders can gain the predictability and visibility required to confidently navigate uncertainty and steer their business ahead of the curve in the next phase of opportunity.



Leveraging insights to spark action

In this volatile market, retail leaders should strive for action versus outcome. Through ‘what-if’ scenario modeling, retail leaders can identify blind spots and hidden opportunities instead of waiting for results to materialize. Using legacy solutions or personal productivity tools like Excel spreadsheets can hinder the ability to move quickly. To become action-oriented, sufficient tools are needed to harness the power of that data, so leaders can prepare and act with agility and confidence when a pivot is required.



CIRCLE K

In an ever-changing and unpredictable market, proactively leveraging insights can help leaders align strategies and capitalize on stronger opportunities. A great example of eliminating silos and aligning forecasting processes comes from Circle K:

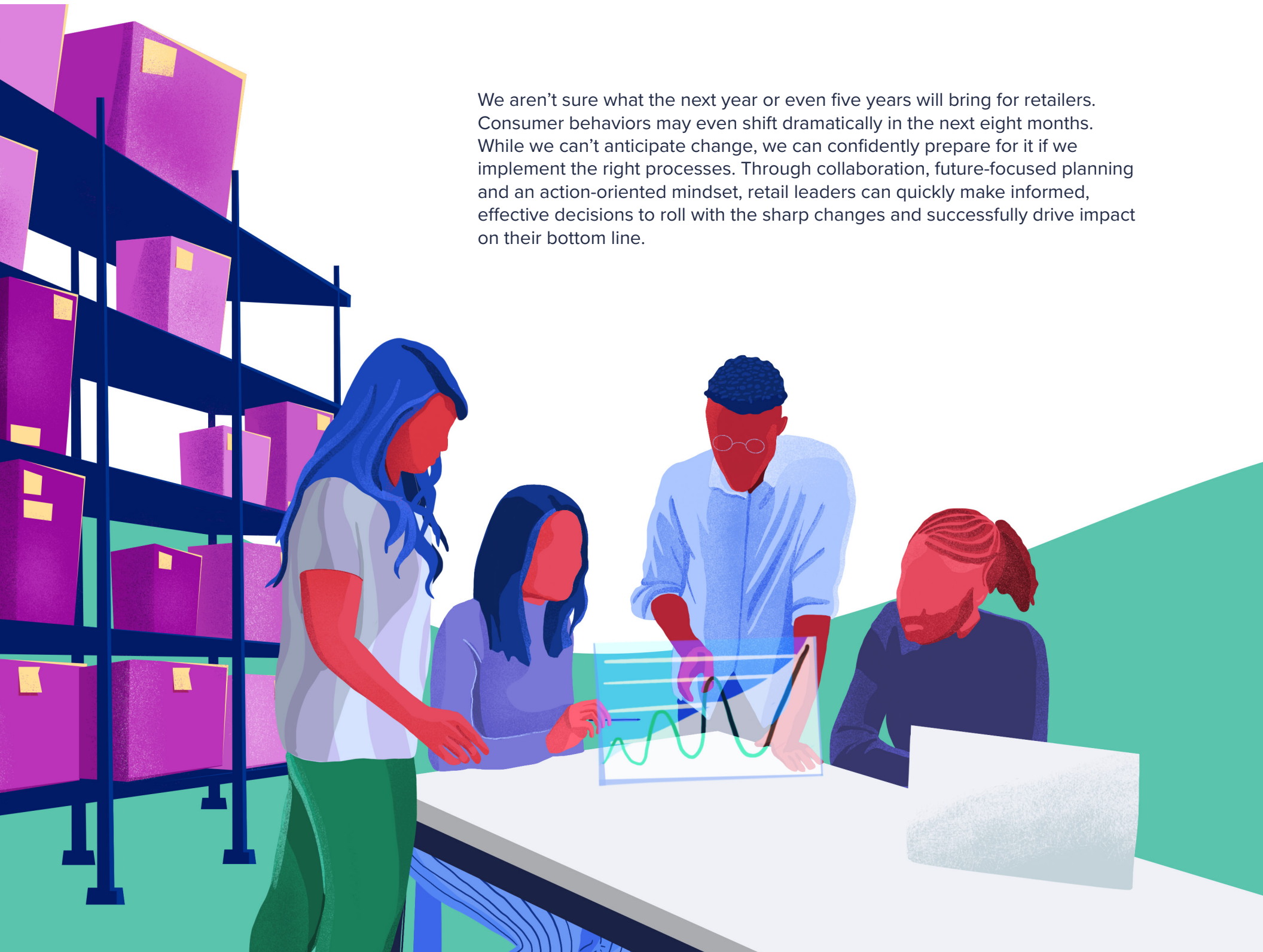
- The company owns a global network of more than 12,000 convenience stations.
- Before adopting a streamlined forecasting platform, it relied on spreadsheets and enterprise resource planning (ERP) solutions for its demand and supply forecasting needs.
- This approach created a fragmented system and siloed forecasting, resulting in inaccuracies, an unstructured information-gathering process, and conflicting demand forecasts.
- To address these issues, Circle K adopted an integrative approach with intuitive forecasting and scenario-based planning that provided an accurate and dynamic 18-month rolling forecast of current and future stock levels for each location.
- With a clear view of capacity needs and 100% visibility into inventory, Circle K has saved money by reducing unnecessary inventory and has increased sales.



To streamline the assortment planning process, Ralph Lauren has also leaned into data-driven insights for its entire family of businesses in North America.

- In collaboration with Deloitte, the clothing company launched a pilot program in 2018 to streamline the assortment planning process for the menswear business segment.
- Previously, the forecasting team handled all tasks – including designing, enhancing and gathering data. That left little time for their core responsibilities of planning and urgent decision-making in response to changing market conditions.
- The assortment planning transformation eliminated the reliance on Excel for projections. New data integration provided historical trending and future-looking targets for an end-to-end experience across their wholesale market.
- The company now plans to enhance its solution to implement a sales forecasting platform for its European wholesale business to solve the cumbersome task of planning in multi-currencies and reporting in consistent currencies.

We aren't sure what the next year or even five years will bring for retailers. Consumer behaviors may even shift dramatically in the next eight months. While we can't anticipate change, we can confidently prepare for it if we implement the right processes. Through collaboration, future-focused planning and an action-oriented mindset, retail leaders can quickly make informed, effective decisions to roll with the sharp changes and successfully drive impact on their bottom line.



About Anaplan

Anaplan transforms the way you see, plan, and lead your business. By dynamically connecting financial, strategic and operational plans in real-time, Anaplan gives you the power to anticipate change, address complexity, and move at the speed of the market. Anaplan's Connected Planning Platform lets you view and contextualize current performance, forecast future outcomes to fuel growth and mitigate risk, and optimize costs so you can make faster, more strategic decisions. Anaplan helps more than 2,200 market-leading customers in over 50 countries navigate their daily planning challenges with confidence.

To learn more, visit [Anaplan.com](https://anaplan.com)