

Assortment Planning: Lessons From The Recession

Merchandising with surgical precision is helping some retailers bounce back from the recession.

by Matt Pillar

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Assortment planning execution was a key failure point among many retail brands that fell victim to a crashing economy in 2009. Here, Joe Appendi, president at ITR Software, explains how an effective assortment planning process helped some retailers get back to thriving.

What are the retail technology trends or drivers that require sophisticated assortment planning software?

Appendi: All you have to do is examine the machinations retailers went through the last two years in order to stay afloat! Clearly the recession dealt a severe blow to the retail industry, as evidenced by many business failures. Those retailers that survived and are now again starting to flourish made drastic changes to their approach, including cutting inventories to unprecedented levels and clearing inflated stock positions with markdowns that in some cases reached 70% to 80%. Margin improvement and profitability became the highest priority, and the retailers that had effective assortment planning processes in place were able to recover from the negative market conditions much more rapidly. Maintaining tight inventory levels while meeting consumer



Joe Appendi, president, ITR Software

demand through all distribution channels meant getting the right merchandise mix, both breadth and depth, was an imperative. So the key driver here, from a business perspective, is for the retailer to buy new seasons' merchandise better. Assortment planning, as an application, should not follow the traditional planning application paradigm but should focus on creating buy plans that will optimize performance through all channels and locations. Critical to that process is software that supports a bottom-up approach and utilizes sophisticated algorithms that can effectively recommend the right merchandise mix for a new season's buy! Today's technology enablers include making sure the software has the scalability to support hundreds or thousands of locations at the SKU level, and mobility of the application supporting "on the road use" for assorting and buying is essential. In the past, most retailers gave a priority to allocation and markdown optimization software. In my opinion, that's a backward approach. I'm not saying these applications don't have a place in the retailer's software arsenal, but they are "after the fact" remedial tools. If the stuff was bought wrong in the first place, those applications will just help mitigate the margin damage.

What are some common points of integration for assortment planning applications?

Apprendi: Our customers typically integrate to their financial and merchandise plans in order to help establish financial targets necessary to comply with corporate budget constraints. This data feed is automatic and refreshed on a daily basis so there is no lag time in alerting the assortment build process with changing financial guidelines at the corporate level. Business intelligence applications need to communicate in real time to the assortment planning process to ensure that changing trends in the retail chain's performance are recognized and reflected in the ongoing assortment process. On the outgoing end, the buy plans generated by the assortment planning process should integrate to the retailer's purchasing process without any redundant data handling. It ensures the integrity of the assortment vision is maintained and executed. Finally, the post-back of important retailer performance metrics to the assortment planning process enables quick reaction to changing conditions affecting in-season management of active merchandise. ■

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