7 Trends Impacting Merchandise Planning Today

A few months back, Kalypso published a Viewpoint on “7 Consumer Trends that Drive Complexity in Product Development,” where we focused on major trends affecting product development teams in the retail industry. In this piece we apply a merchandise planning lens to those same trends and illustrate the impact specifically on merchandise planners.

Here are the seven major trends along with details on how those teams are impacted.

Trend #1: More and More Product

Customers are constantly demanding new, better and more personalized products on their schedule. This demanding marketplace makes accurate planning more important than ever. Retailers now have to offer larger assortments through multiple channels. Due to these additional complexities, line planning and inventory management are becoming a science that retailers must invest in order to excel. There is a tricky balance of not over-investing in inventory, but also not alienating customers or losing potential sales by being out of stock of a hot-selling product. This job is even further complicated by the need to plan by channel and even by location. Some of these products are carried across multiple platforms, while others are unique to only one. The different distribution options impact the amount of inventory that needs to be planned as well as the timing of product launches.

Trend #2: Continuous Innovation

Companies must plan to constantly release new updates and innovations in order to stay relevant. Retailers will lose repeat customers if they don’t see new options every time they enter a store, whether physically or virtually. The more often an assortment can be turned over and refreshed, the more loyal and frequent customers will become. This new focus puts even more emphasis on planning inventory and line plans. Planners need to be able to extrapolate from product development and sales trend data to determine the product lifecycle, and help buyers define a calendar for update and innovation launches. Leading planners are leveraging predictive analytics to provide guidelines for how much inventory to buy and which styles will work based on past performance. It is commonplace now for successful trends from the previous season to be expanded into additional categories the next season, and it takes an informed planner to execute this appropriately.

Trend #3: Need for Speed

Just as important as having constant, innovative updates to assortment is the need to get the hottest trends into the line. As soon as a trend becomes popular, customers want it and expect it in stores immediately. The merchandise planner has to recognize these trends and predict the lifespan each one will have. Planners, just as much as the product development teams, have to be nimble in creating and updating their assortment strategies to account for the ever-changing desires of the customer. The planner must be the impetus behind getting these trends to market in order to optimize demand, which means they have to influence the product development and design teams on what to create. Having the proper systems and processes in place to facilitate quick and precise communication when new trends are emerging is key.

Trend #4: Value for the Money

The trickle-down effect of price-conscious consumers goes beyond product development teams to greatly impacting merchandise planners as well. This is further amplified as customers have been “trained” by the retail climate of the past several years to expect sales and discounts, and to never have to pay ticket value for an item. Planners must have intimate knowledge of the price points and promotions that have worked previously in order to maximize the sales and profitability they get out of their current and future assortments. The tighter the margins and price points get, the more crucial the planners’ role becomes in the assortment strategy. The success of an assortment is dependent upon the execution of multiple teams, but the planner must drive the process and create the strategy for all others to follow.

Trend #5: Liberation of Design

Retailers have multiple avenues to get direct, constructive feedback from their customers. Social media allows consumers to create content and dictate the style and types of products they want to buy. Many retailers have developed an online presence to gather customer feedback, directly impacting what the company offers. Another way companies are meeting customer needs is by offering customizable options in order to keep up with the customers’ ever-growing demand for individualism. One of the benefits of allowing customers to design their own products is that planners can analyze recurring orders and start to track trends. It is the planner’s job to extrapolate meaningful data from customer feedback, apply it to future forecasts and communicate it to other functions to create alignment.

Trend #6: Sustainability and Social Responsibility

The emphasis on sustainability and social responsibility has a direct impact on merchandise planning teams. Some customers care strongly about what materials go into the products they buy; others care more about where and how the products are produced. Merchandise planners
need to take these concerns into account and translate them into the overall assortment strategy. Whether the concern is at the vendor, material or product category level, the strategy the planner creates will act as the blueprint that cross-functional teams, like merchandising and sourcing, will use to manufacture, ship and sell the products across the world. Accuracy in these plans and communication of updates to the cross-functional partners are critical, and will become more important as companies and consumer preferences continue to go greener.

Trend #7: Customized Assortments

Today’s shoppers expect retailers to not only differentiate themselves from the competition, but to also distinguish themselves between their own stores. Traditionally retailers recognized that consumers in Los Angeles do not always need or want the same thing as someone in New York City. Although geographical segmentation is still important, planners are now able to make decisions at a more detailed level from the data that the consumers themselves supply. Buyers must base their planning to be customer centric rather than product centric. This level of detail is more complicated to define and plan because a larger number of assortments and products have to be developed. Planners play a key role in leveraging data to help their functional partners understand key customer segments and determine what products are most appropriate for each.

These seven trends make the job of the merchandise planning team more of a challenge than it has ever been. Being able to balance long-term planning along with the ability to react to the changing demands of consumers is critical. Evaluate your current status and determine if you have the right processes and tools to manage this balance effectively.

Does your merchandise planning organization have the necessary skills? The most efficient processes? The right tools and technology? Take some time to determine where your company is today, and where you want to be in the future. Then, make the investment to ensure you get there.

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