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 get the plan right.

About Today's Expert

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