

## ... the common errors in merchandise planning



In the last 20 years I've worked with retailers of all sizes, planning all kinds of merchandise; Tier 1 and independents, public and private companies, from high fashion to value based retailing, from apparel to footwear, from gifts and luggage to furniture and music and sporting goods, for UK and international companies. In this period, I have seen

retailers plan in both too much and too little detail, some achieving this at the same time. Others have seemed to plan effectively, yet then either don't attempt to re-plan during the season, or worse have ignored their plan from the moment the season began!

Whilst Planning may seem to be one of the most difficult disciplines to get right, it ought not to be. The secret is to keep things simple, and to have courage in your convictions. In my experience, complex processes are often those that have not been understood, so if this seems the case, go back to your business objectives, think again, and find a simpler way through.

Planning really can make a difference of millions to your profit margin, but you won't get there without being focused on what can be done, as opposed to what someone has told you that you ought to be doing. We all know that in retail your requirements are constantly changing, creating conflict, and there is not enough time to deal with the mountain of data flooding in. The good news is that you are not alone, it was ever thus!

So my advice to you is:

- Step back, take a deep breath !
- Always focus on the big issues
- Use your history as a guide for the future
- Don't get bogged down in the minutia
- Avoid the temptation to Buy before you Plan

In essence, you should consider your planning system as a magnifying glass on the company's past performance. But a word of warning: whilst its good at finding the right information, its probably not so good at interpreting it. Joking aside, this is of course where you come in!

With the right approach, you will be able to use it to review historical sales patterns, helping you identify undesirable effects, before they again become reality. Perpetuating mistakes with such a tool really is unforgivable; so don't let history repeat itself, without at least drilling into further details and mapping corrective strategies. Whilst caution is of course advisable, keep in mind that every decision, whether ultimately right or wrong, helps you learn and improve your plans for the future.

Try to think about planning as a jigsaw puzzle, once the pieces fall into place you begin to see the picture and wonder what all the fuss was about. Much like a jigsaw, carefully work on getting the pieces down in the right place and the overall picture will emerge. In essence, for retail this means understanding the dangers in planning sales, stock, intake and markdown, whilst attempting to understand their overall relationship. If you can do this, whilst keeping things both manageable and simple, good planning will then follow.

### Sales

When planning sales, don't forget that retail is dynamic and short term trends are key. Whilst last year's sales will give you an indication of what is likely to happen, you will need to interpret the data and make your own decisions. Unless you do this you are likely to blindly follow last year's performance, thereby perpetuating mistakes. Remember its all a learning process, so use your planning tool to tell you what worked and what didn't and always focus on improving the latter !

Don't spend hours delving into reams of low level details, searching for those elusive current trends. Try to follow your instinct and keep it simple. Keep in mind, much like an Internet scam, if it's either too good to be true, or not obvious where the value is, it's probably not worth investigating. So move on !



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## Intake

When planning intake, its tempting to think that you should order early, as that will reduce the possibility of stock outs, but if you get it wrong, how are you expected to react, other than by marking down, thereby giving margin away? Conversely, if you want to avoid this, don't make the mistake of leaving things too late. If you haven't got any stock, whilst you won't need to markdown, you also won't take any money either! In these conditions you will be faced with bringing in stock too late, overlapping with your markdown period, resulting in exactly the situation you were trying to avoid.

So try to keep your sales and intake plans balanced, letting one drive the other. It all depends on what governs your business. If you are constricted by what you can sell let that determine what you buy. If it's the other way around, let the your intake plans drive your sales plans, but don't forget to place the orders. Plans are all well and good, but its orders that deliver the stock you need to be successful!

## Inventory

So once you've balanced your sales and intake plans, all you have to do now is monitor the performance of inventory across your stores. Here, it is critical to move away from simply looking at the average. Whilst stock turn and weeks cover may be acceptable at the company level, you still have work to do, by considering how the range is performing across your stores. In today's lifestyle oriented world, local conditions most often apply, so use your planning system to identify where stores are performing significantly differently from the company average, and take corrective action.!

If you can achieve this, the planning tool will pay for itself many times over, helping you eliminate wildly fluctuating stock-turns and achieve a more consistent sell through, with a consequent reduction in margin. A word of warning though, keep an eye on your terminal stock conditions

## Markdown

All that remains now is to consider the planning of your markdown periods. To do this, you should look at markdowns positively. After all, your customers like reduced prices and the increased sell through will enable you to clear stock that is lower performing, so that you can replace it with new stock that is likely to sell at full price.

Look at your planning history again, as this will show you when to begin taking markdown, what works and what doesn't. Try not to be emotional when considering this; don't be afraid of taking markdown at an early stage, as this will often increase your margin, rather then reducing it. Certainly if you leave it too late, you may never get rid of that unwanted stock, in which case you will get no income from it!

## So to conclude, focus on the following and you will achieve those promised returns :

- Always go back to basics when things get over complicated. Keep it simple.
- Try to use your planning tool to promote a better understanding of historical trends, across the organisation.
- Don't be afraid of a critical review of bad habits, even with senior management.
- Always leave yourself the time and space to act on new insights
- Keep at it, don't give up, you really can do it !



Robin Coles  
Head of Product Development  
Itim – Adding Retail Value