

**Beyond Basic Product Planning:
Where Are We Going with Merchandise Planning?
(Part 1 of a Series)**

by
Terry J. Donofrio
President,
Retail Systems and Services

Over the last several years, retailers have been able to enhance the capabilities and functionality of their Merchandise Planning for a number of reasons:

- Software products have been available with improved features, functionality, and technical capabilities.
- Retail companies have used these new planning tools to specifically improve and upgrade their planning processes and organizations.
- Sophisticated planning systems have helped retailers sharpen their focus on the customer and improve their micromarketing.

Overwhelmingly, retailers have come to realize that sound Merchandise Planning is the first step toward improved analysis and control. The starting point for all companies has been “*Basic Product Planning*,” which revolves around two fundamental capabilities:

- to generate accurate **unit and dollar merchandise plans** at multiple levels within the merchandise hierarchy, applying top-down and bottom-up approaches.
- to address on-going **tracking and monitoring** against actual information together with re-forecasts based on recent trends.

These “*Basic Product Planning*” capabilities, or techniques, are now considered industry best practices. Companies have used them to replace legacy spreadsheets or systems and have integrated them with new planning organizations and processes. To accomplish these improvements, companies are using very flexible and customizable GUI-based planning systems.

Now that the “Basics” are in place, where do we go from here? To compete in today’s multi-channeled environment, many retailers know they must have additional planning functionality and capabilities. That is, they must build on their “*Basic Product Planning*,” integrating a number of capabilities that are becoming available. We outline these enhancements in this article and will treat each capability in more detail in subsequent articles.

Major Enhancements

The primary enhancements to “*Basic Product Planning*” include:

Assortment Planning - the ability to generate assortment plans that consider key product characteristics and attributes (e.g., fabric, silhouette, model, key item, style, color, size etc.) as a basis for addressing customer needs and preferences.

Store Planning - the ability to generate store-level or store-cluster-level merchandise plans to improve merchandise allocation. Store planning can also provide a basis for developing store assortments that address micromarketing.

Space Planning - the ability to consider store space layout, fixtures and capacity to support the assortment plan, enhance store planning, and integrate with the merchandise plan.

Store Clustering/Store Grouping - the ability to group stores based on common characteristics to more effectively generate store plans, consider assortments, allocate merchandise, and address store assortment plans.

Forecasting (Forecast-Based Merchandise Plans) - the ability to generate initial pre-season merchandise plans based on various trends, demographics, store/customer profiles, econometrics etc. Forecasting also helps to generate sophisticated in-season plans based on actual vs. plan results at a detail level (e.g., store).

Store Assortment Planning and Micromarketing - the ability to combine store planning, store grouping, assortment planning and data mining into an effective optimization tool to focus micro-marketing on many smaller customer segments.

Integration of Key Planning Functions - the ability to combine Merchandise Planning, Store Planning, Store Clustering, Assortment Planning, Space Planning and Allocation into a consistent and organized methodology.

Exception-Based Analysis and Reporting - the ability to analyze both plan and actual information to determine key areas for future review and action.

In our next several articles we will consider each of the above planning techniques in more detail.