

# **Beyond Basic Product Planning: Assortment Planning (Part 2 of a Series)**

by  
***Terry J. Donofrio***  
***President,***  
***Retail Systems and Services***

Our first article explained why retailers must go beyond basic product planning and outlined what those important additional planning capabilities are. This article addresses in detail the first of these additional capabilities—Assortment Planning and its related aspects.

## **What Good Assortment Planning Does**

Assortment planning breaks the Merchandise Plan down into the components that enable the planner to address customer preference and need. These components are product attributes, styles, colors, and SKUs. By addressing these components, the assortment plan becomes the transition to the customer by way of the store.

In developing a good assortment plan, the retailer hopes to:

- Manage inventory while addressing customer need and demand
- Develop a complete range of merchandise for presentation
- Enhance and maintain the company philosophy and image
- Support and execute the overall merchandising strategy
- Integrate with other planning processes, such as merchandise allocation

The assortment plan, then, provides the most effective way to balance the presentation of merchandise to the customer. The properly assorted presentation ensures enough selection without overstocking and strikes the right balance between breadth (e.g. number of styles) and depth (quantity of each style). In addition, the good assortment plan considers seasonality, to provide the right merchandise flow.

Because assortment planning addresses the most detailed element of merchandising to the customer—the items for sale—the process is often very detailed and time-consuming. Automation is therefore a must in building effective assortment plans.

## **Automation Facilitates a Comprehensive Plan**

To build a comprehensive assortment plan, details in a number of areas come into play, and the planner could not realistically manage that level of detail without an automated system. The automated system makes it possible to address dozens of parameters in these four key areas:

- **Product Attributes.** – This set of parameters helps the retailer relate to the customer, by factoring into the plan brand, vendor, fabric, silhouette, pricepoint, and theme. These parameters enable the planner to tailor the assortment and build the proper relationships among the various

components. For example, the planner can determine the right percentage of brands, the right quantity of each brand, and similar calculations.

- **Store Structure/Store Characteristics** - These parameters enable the planner to categorize stores into groups, a critical step before one can define product assortments. Grouping by the size, volume, and type of store, the climate, and the customer type helps the planner meet each store's particular demands. The store characteristics are pivotal in micromarketing and they also support distribution to the stores.
- **Time Dimension/Product Seasonality** - The time dimension for an assortment plan considers the usual week, month, and season definition, along with product transition and crossover between seasons. But assortment planning also needs smaller time periods or mini-seasons such as back-to-school, holiday, and summer clearance. These overlapping time periods consider events and/or time periods that help define the product characteristics needed to address customer demand.
- **Space Dimensions/Space Utilization** - As the assortment plan develops, it allocates available space based on the product definition. Factors such as the number of styles and quantities of each style will affect space utilization. Product dimensions, product density, product display requirements, store structure, store layout, store "look," and visual merchandising all affect the space plan and, consequently, the assortment plan as well.

### **Managing the Volume of Detail**

To handle all of the calculations in these key areas, assortment planning systems that go beyond simple spreadsheets are becoming available for retailers. These systems apply the automation necessary handle the voluminous and tedious detail necessary in today's assortment planning process. Because these systems can churn through the calculations in all of these areas, retailers are better able to develop a good assortment plan.