

# **Beyond Basic Product Planning: Micromarketing and Store Assortment Planning (Part 4 of a Series)**

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*Our previous articles outlined three Merchandise Planning techniques that go beyond basic product planning: Assortment Planning, Store Planning and Store Clustering. This article addresses two more: Micromarketing and Store Assortment Planning.*

Today many retailers are faced with merchandising many stores with varying customer types and preferences. To succeed, retailers have to tailor messages and offerings to very small groups. That concept has two components—finding out the specific tastes of customers in each location and customizing the merchandise assortment to meet those tastes.

Today's technology makes both of those components possible. First, micromarketing tools enable a large retailer to determine for each location its customers' income levels, ethnicity, work status, and other characteristics and combine this information with store characteristics, such as whether it is in a suburban or city location, warm- or cold-weather climate, mall or strip center. Then the Store Assortment Planning tools take over. They make it possible to meet those unique needs by fashioning different merchandise assortments—a different assortment for each store, if necessary.

## **Micromarketing as a Retailer's Tool**

For example, a retiree on a fixed income level will not have the same "brand focus" as a trendy thirty-something, or even as an affluent senior citizen. By carefully looking at the dynamics of the customer base, retailers can develop a "local market focus" and meet customer needs with targeted inventory selections.

Not only are tailored offerings more attractive to local customers but they are also less of an inventory investment. This targeted inventory results in fewer markdowns, better sell-through, and improved profitability.

## **Store Assortment Planning Makes Micromarketing Meaningful**

To capitalize on its understanding of local consumers, the retailer needs the capability to plan assortments by individual stores or groups of stores. Store assortment planning involves:

- Planning units as well as dollars to lower merchandise levels (e.g., subclass), so targeted quantities can be determined for relevant product characteristics.
- Developing store groups (clusters) that identify key customer and store characteristics, so that products can be considered based on local market

tastes.

- Building subclass level unit plans for an average (typical) store within a store group to define a framework for the assortment.
- Developing the assortment definition for an average store within a cluster in terms of number of styles and/or choices needed. Next the actual style or SKU assortment and quantities needed (receipts) are considered including key or core items.
- Executing customer-driven micromarketing by having an allocation and/or replenishment system that “maintains” the store assortment definition as product is bought, received, and shipped to stores.

### **Automation to Support Micromarketing and Store Assortment Planning**

This level of planning, of course, could not be done on a large scale without today's technology. Micromarketing and store assortment planning require:

- **Data Warehousing** to gather, store, and present relevant performance information that addresses customer preferences and characteristics. Data warehouse systems allow retailers to fine-tune assortments after evaluating customers' acceptance of product offerings.
- **Data Mining** to statistically uncover relevant customer trends and characteristics often “hidden” within the volume of information maintained.
- **Merchandise Planning** systems to allow development of subclass level unit plans. These plans form the basis for store assortments.
- **Store Group/Store Clustering** systems to group stores according to store and customer characteristics. Statistical approaches and data mining techniques help to determine the relevant characteristics for store groups.
- **Store Assortment Planning** systems that help define key assortment characteristics based on the store groups. Store assortment planning ties together the store groups and store plans to develop a “matrix” of assortments for various customer characteristics.

Giving customers what they want has never been more of a competitive advantage than it is today. Nor has it been more achievable.