

MERCHANDISING REVOLUTION

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Demand Driven Manufacturing



Why demand-driven and on-demand production are solutions for the (near) future

Releasing 20,000 new designs each year and producing 75 pounds of textile waste per person, per year, will no longer be a viable business model. Instead, the fashion industry will need to adapt to new buyer sentiment and behaviour by offering demand-driven and on-demand manufacturing.

On-demand manufacturing leads to:

- New cost-savings from near-zero waste
- Producing only what is needed to profitably satisfy demand
- Environmental benefits from reduced waste, pollution, and water usage
- A sustainable business-model that consumers crave and will insist on

For fashion brands and retailers, the question is: What does this mean, and what practical steps can be taken now to prepare for this shift?

1. Production on-demand

To make money now and in the future, as supply chain must produce what customers want – now, and in the future. Given that it's impossible to predict demand, we shouldn't devote resources towards that goal. Instead, the focus of operations needs to move toward an integrated approach that serves the real demand.

By cutting down lead-time to weeks, days or even hours, it is possible to exactly match demand with production, by making items to order.

It requires a different process to the regular wholesale-to-retail supply model – instead customers directly place an order for a design, which is then made-to-order for them and then shipped directly to the customer or shipped to a retail location.

How does an on-demand manufacturing model fits with new trends and scalability?

The on-demand model is intrinsically a low-volume, high-margin game. The best fit is in the luxury segment, and in young shoppers who strive to be different. New trends are getting older, quicker – making it impossible to produce to scale in a profitable way in any case. Scaling-up on-demand production capacity can be achieved more easily with strategic partnerships.

Does production planning in the supply chain still have a role?

Human involvement in the production planning will limit the effectiveness of the supply chain. It is better to use technological solutions that automate reallocation, reordering, shipping, and buying decisions so they match real demand. Planning still has a role in ensuring customer waiting-times meet an acceptable standard for the market segment, and in rationalising processes to maximise agility.

What big brands are already using on-demand models?

- **Adidas** provides customisation through digital design with speed-factories in Atlanta and in Germany.
- **Superdry** developed limited edition collections with a six-week design-to-delivery process.
- **Uniqlo** has partnered with Shima Seiki, a 3-D knitting technology company, to produce on-demand customized knitwear.

2. Demand-Driven manufacturing

Taking it down a notch, you can create a supply model that manufactures small batches based on current market demand, instead of implementing a make-to-order (“on-demand”) supply model for individual garments. This is much closer to a responsive supply chain which synchronises production with consumption, using agile production processes.

There is room in this area for total customisation of designs or with a made-to-order component, incorporating Dutch auction-style batch-selling, fuelled by social media interactions. Batch-shopping behaviour like this already exists; social media followers routinely place orders for identical outfits to those worn by their favourite influencers and celebrities.

Option 3. Synchronise production with consumption

Without adopting an on-demand production model, improvements can be found by connecting the production more closely with actual consumption. With this model demand is not a driver for product creation, but it pulls more of an existing product out of the chain.

The best fit in this area is with evergreen items that are not so trend-driven, but it can be effective with small-batch, nearshored trend-driven items too.

A responsive supply model like this requires a free and rich flow of information across the entire chain, meaning relationships with suppliers must become much closer and more transparent. Digitalisation across the chain allows real-time insight, improving decisions about what to ship, order, make or buy.

Actions to take right now

- Explore what waiting times your customer base is comfortable with. This will help determine which strategy to start with.
- Organise meetings with all the departments, starting with smaller, focused separate discussions with Design/Purchasing and then IT/CIO and Sales/Marketing. Once you have a clear picture of what you want to achieve you can start to determine budget allocation and a roadmap.
- Consider the holistic digital strategy and discuss this with the Marketing/Social Media department.
- Research third-party software solutions that can support a more responsive or on-demand supply model.
- Partnering with existing disruptive companies that have already made progress with on-demand models can save a lot of legwork and avoid preventable errors – consider teaming up with a partner.

Role of Omnichannel on Merchandising



What is the role of omnichannel on merchandising evolution?

The modern consumer is replete with choices regarding how, when, and where to shop. However, this range of options has both complicated matters for the retail industry and given some incredible opportunities to expand by meeting customer demands in new ways.

The impact of COVID on omnichannel retail

The shift towards an online, omnichannel, and more personal service was already in progress before the pandemic hit. Despite a big interruption to business as usual, the net effect has been a 5-year acceleration of the pre-existing trajectory towards increased omnichannel retail and online sales.

As the lines between online and physical shopping become less distinct, it is harder for omnichannel retailers to anticipate consumption from customers who expect the best of both worlds.

Predicting demand and allocating stock across different channels is a challenge for inventory management professionals, who must balance shifting shopper behavior against the eternal task of ensuring adequate visual display to entice customers into making a purchase, while keeping enough stock to cater for all potential sales between replenishments.

Shoppers expect a seamless flow between the online and physical shopping experiences, however variable demand across localized markets and online sales make it harder to predict which items need to be in stock and where.

We see the following trends as dominating the fashion retail landscape today:

- Consumers moving away from big malls and shopping centers towards localized, smaller shops.
- An increase in omnichannel retailing and experience-driven shopping.
- A powerful synergy between online and physical sales (online sales drive increased physical/omnichannel sales).
- Consumers are increasingly seeking more personalized shopping experiences that deliver more than just a 'good deal'.
- More empty retail spaces as physical stores close.
- Uncertain SKU longevity per channel, unpredictable demand across sales channels (physical, online, omnichannel).
- Rapid cycling of new trends driven by online and social interactions.
- An increasingly challenging omnichannel inventory management environment, in the face of variable sales and buying habits.
- Increased difficulty in merchandising to different audiences at the local level and online.
- Customer (high) expectations of a seamless physical-digital sales process.

Physical Stores still matter

The role of the physical store will continue to be pivotal in driving and facilitating sales. We can see parallels in the retail banking sector, which has already seen a rapid shift to online and digital, alongside physical branch closures. While customers adore the convenience of digital banking and banking apps, they still want the reassurance of being able to go into a physical branch for advice or if something goes wrong. Local branches are now fewer, smaller, and more focused.

For the fashion industry the same is also true; customers will still want to be able to come to a physical store to see items or get advice, to pick up an online order on their way home from work, or to simply immerse themselves in the brand experience.

Demographic-specific changes

The shift to online and omnichannel sales is being led by predominantly younger consumers, and those with more expendable income; Gen Z, Millennials, and those with incomes above 100k are most likely to increase their online and omnichannel buying. Many market segments, however, will continue to shop in-person as they did before.

Switching allegiances

Customers will change their shopping behavior (including brand loyalty) based on availability, convenience, and value.

Understanding how these three factors are linked to the local situation can help avoid customers walking away - by ensuring they get the products they seek, in a convenient way, and for a price they love.

Local data can lead to successful local decisions

The goal of maximizing throughput in the supply chain can be achieved by perfectly matching each store or channel with the right selection of products, based on a detailed data-driven overview of the local customer demand and what actually sells through those stores. The only way to achieve this is with location rich data that maps real demand to the location.

Solutions to enable better localised inventory and merchandising decisions

- Enable the collection of data at the local level to provide real insights about granular details of local shopping habits and trends.
- Analyze the frequency and content of BOPIS (or 'Click-and-Collect') orders to determine matching accessories that can be offered in-store.
- Customer tracking in-store (indoor location intelligence) can give anonymized heat maps of hot items in store, or this intelligence can be linked with data from customer shopping apps to give more detail or to send special offers.
- Survey local employees daily/weekly to give a snapshot about products that customers show interest in (but do not buy), busy times in store, shopper habits/trends, customer requests and other local, qualitative data.
- Analyze your local customer base for each store or location to see what prevailing demographics might be at play. Hiring decisions can help catalyze sales by ensuring a better connection between the local shopper and the sales assistant helping them.
- Demand sensing based on real-time sales data (which can be examined at the per-store level) will give a direct cue for product replenishment.

The bottom-line

Physical stores will continue to have a critical role in fashion sales, especially once you have optimized the in-store experience using detailed local data that captures the consumer demands at the local level.

There are some things that webstore just cannot offer, but which the customer still demands.

A pop-up store armed with local data collection can play a huge role in developing your optimized physical shopping experience, but this can also be achieved with the same data collection in existing local branches.

Merchandising Evolution & Future of Merchandising



The role of Artificial Intelligence in the future of merchandising

Changes in consumer behavior and expectation have led to a big shift in the role of merchandising in fashion retail. A digital-first strategy is now a vital survival trait for any brand that intends on remaining relevant in a world where shopping will become increasingly digital, where retail spaces need to offer something special, and where the digital and physical worlds are expected to dovetail perfectly.

Merchandising has come a long way since the time when 'The Store' was simply where everything was kept, and 'successful merchandising' consisted of ensuring all items were accessible - or available on request.

Today the role of merchandising is ever more complex, needing to maintain profitability in a market that is unpredictable and with wafer-thin margins. Merchandise planning now seems like a near-impossible task.

The future of merchandising is one where we must respond rapidly to the market with the right product offerings in the right place at the right time. How is this possible?

What is the role of AI in merchandising?

Smart algorithms have a clear, demonstrable use in online sales, but they are equally valuable in core retail operations too.

Demand management is one key area where AI can aggregate patterns in buying behavior to predict demand on a granular level. Being able to convert this insight into automated alerts or decisions can ensure that high-demand products remain in stock, especially in those locations or channels which the AI has identified as important.

Automated inventory management is another huge benefit of AI in retail because it can allocate stock to those store clusters where the highest demand is going to occur, reallocate from stores with lower demand, and keep items moving through the supply chain as a smooth and continuous flow.

Markdown and re-pricing can both be automated by different kinds of algorithms, based on competitor price, and early waning-demand signals that are apparent to the algorithm but invisible to the human eye. Overstock is avoided, and the best possible price is attained every time.

Employee training can accommodate local insights about specific customer demographics and needs for specific locations. This can lead to adjusting how the staff address customers in-store, which questions they ask to engage with them, and to understand what concerns they might have. It can even provide insights that help you hire the right staff.

Store layout can be optimized using AI-derived insights about customer priorities and habits in a local area, placing products in the right place, at the right height and with the right offer to entice and make a sale.

Will AI replace Merchandisers?

The smart algorithms that make up an AI are a tool – they can accomplish a lot, but they still need a skilled merchandiser to point them in the right direction. To begin with, these tools can take a lot of time while they are in the ‘learning’ phase, and it might seem counterproductive to spend hours feeding data and tweaking the algorithms just for it to tell you that ‘the sunscreen should be shown next to the swimsuits.

However, once it is fully operational, an AI will be able to respond to real-time trends and anticipate demands that are beyond human capability.

In this sense, it is like being able to use night-vision goggles – it extends our senses, but it doesn’t replace the role of merchandising entirely. Rather, the role of merchandisers becomes more specialized and strategic, as you must decide which data is fed into the algorithm and what kinds of outputs you want to come out of it.

Instead of developing custom AIs, many retailers make the decision to use a platform. Platform retailing enables brands to coordinate their processes with the power of AI but using a ready-made platform that is already developed for their exact needs. The advantages of this are that it plugs right into existing systems, and that it is always being developed with new capabilities.

Action to take right now:

- It is essential that your company immediately adopts and maintains a digital-first strategy with targeted investment in platform retailing, digital talent, and an integrated online and omnichannel retail model.
- Every digital touchpoint with the customer is an opportunity to gather data – this is the lifeblood of your digital-first strategy. Make sure you take this opportunity.
- Data also needs to flow freely through the supply chain, among all partners and stakeholders. Connect the dots by creating a custom solution or using a platform retailing solution.

Advances in smart technology and AI have already transformed many industries, and it is just getting started with fashion retail. Not all brands will see the importance of investing in this area – they will disappear.

Those retailers that make the required investment will live to see AI transform their industry with better processes and a closer relationship with the consumer we serve.

Merchandising Evolution



Adapt or die: How to survive the merchandising evolution

The entire merchandising process is undergoing an evolution as more roles are taken over by smart algorithms, AI, and platform retailing solutions. Traditional ways of thinking are being replaced with more effective, data-driven merchandising processes that can react in real-time to actual demand.

But what does this mean for the current process of merchandising, and how can merchandising support the sales process with new methods that better serve the customer?

Let's see how the two approaches differ in the key areas of allocation and seasonality.

Out with the old, in with the new

The traditional merchandising approach has always relied on a combination of experience, skill, and guesswork. Although this has been the 'least bad' option available, it has always had less than perfect results.

New technology means it is now possible to make better merchandising decisions (which are backed up with data), and which are more effective at meeting customer demands.

Let's see how the two approaches differ in the key areas of allocation and seasonality.

Allocation

The traditional approach tries to guess the number of items customers will want to buy across a long period of time. While this might be reasonably accurate on a macro scale, this approach is hideously ineffective at managing the granular details.

Knowing how many of which shirt are going to sell at each store – for each size – has always been impossible, and it relies on estimating approximate quantities, which are always wrong. Understock is a common result, which means lost sales. It's an understandable defensive measure, but the lost sales and markdowns are a margin killer. And they're just unnecessary.

The modern approach uses a smart algorithm that tracks the daily demand for each item, and replenishes the stock for each store in small, regular deliveries which exactly match demand. Because we are only forecasting what is needed *until the next delivery*, there is a much smaller margin of error. Optimal stock allocation is therefore naturally achieved using this method, because you will always be sending the appropriate stock to serve the demand in that store.

Seasonality

Traditionally, fashion brands have put out two (or more) major seasons per year. Why? Because the seasons change, the weather changes, and so we need new clothes...ok, sure – but also because it's good publicity to have two events every year.

The problem is that this doesn't reflect our modern reality or how consumers shop for fashion. It shows a deeply engrained 'fashion pusher' mentality, where the fashion label is dictating what trends will be 'in' this season, and then tries to force the consumer to buy those styles.

The modern approach doesn't need to create an entire seasonal collection, because the whole supply model is different. Mass-produced seasonal ranges simply make no sense when you are using a finely tuned algorithm that precisely matches real demand with supply in small, regular batches.

Instead, the data-powered merchandising process will respond to current demand by ensuring a steady flow to the customers. This naturally also requires a tweaking of existing supply processes, but this change is already underway as brands seek to forge more resilient and responsive supply chains.

We also don't need seasonal collections to drum up interest – we have permanent, 24/7 access to our ideal customers via their smartphones and tablets, and we can feed them new styles and trends every day if we want to.

The best part of letting technology 'in on the game' is that we can collect and use the data from social interactions and apps to see which consumer trends are emerging right now – and to respond with small-batch productions that field-test and then capitalize on successful trends. Seasonal ranges can therefore be replaced with dozens of 'hot now' ranges that capitalize on fresh trends as soon as they begin to emerge.

Which merchandising tasks will be done by AI?

Every single process will involve AI at some point in the future, but it will also need a skilled human merchandising professional to instruct, oversee and wield the whole system. While AI is capable of a lot – it is essentially just a tool.

Right now, the most significant results can be achieved when using smart algorithms to determine replenishment and allocation decisions. It can take time to develop custom AI solutions and more advanced capabilities, so a platform is often the best approach to get the ball rolling.

In the very near future, AI will be able to sense trends based on visual information and search data and will be able to auto-suggest trends to experienced human merchandisers and designers who can then start to test the waters with exclusive 'sneak peek' 3D-simulated fashion shows that can harvest more detailed data about demand and popularity.

Getting prepared for this new reality will be a chief survival trait for fashion brands in the coming years.

What to do right now to make the transition to a technology-enabled modern merchandising approach

Mindset– getting granular

- A shift in mentality is needed: instead of focusing on pushing products down to the customer from the top of the chain, we need to change our perspective and focus on which products customers will buy that day in each store – the real demand.
- It is a mistake to try to determine departmental operational efficiencies without looking at the overall aim of maximizing throughput – the algorithms will automatically adjust the flow of goods in the most efficient way for the whole company, so this need not concern us at a departmental level. Using the right technological solution, you will always have the right amount of each product, in the right place, at the right time.
- KPIs are a big factor here, because they can reinforce departmentalism and entrenched mindsets if they don't reflect the new goals. Company Throughput should be the chief strategic KPI, and all others should work toward this, such as Understock and Overstock (operational), as well as Inventory/Stockouts and Operational Expenses (tactical).
- A good software solution will provide these KPIs as a part of the package, but these can also be custom developed for your system using your data.

Data integration

- For your ongoing digital transformation to work you need the data. This means making structural and procedural changes to ensure that data is collected across the supply chain and especially at the point of sale (which is where we measure demand). Such an update requires both new digital tools and a new mindset.
- Data needs to be collected and accessible to all parties from a central source (cloud-based is more stable), to ensure alignment.
- Start with the immediate implementation of a retailing platform, which integrates with your existing systems to start collecting data without delay. A powerful retailing platform like Retailisation can deliver improvements almost immediately using smart algorithms specifically designed for the fashion industry and using your real-time data to make data-driven recommendations.

Visual Merchandising – New Approaches in the digital age



What is visual merchandising?

Fashion retailers have relied on visual merchandising to display their products and entice shoppers since 'shopping' was invented. The practice of visual merchandising aims to show potential buyers specific qualities of a product, or to show it in a certain context to encourage a sale.

Window displays are one of the most commonly-recognized forms of visual merchandising, as these create an ever-changing snapshot of what might be new and in-season – however as the shift toward more digital, online and omnichannel shopping continues there is some doubt over the role of merchandising in the future.

What kinds of visual merchandising standards or techniques can we adopt to leverage digital touchpoints, and how can we guide shoppers to related products without using traditional in-store retail visual merchandising techniques?

Future of visual merchandising in fashion

Possibly the biggest advantage of digital contact with the shopper is the ability to customize their shopping experience. Using personal shopping and preference data for each registered customer, it is possible to suggest specific products to each specific customer who opts-in.

We know that consumers have shifted their buying habits during the COVID crisis, and this is likely to remain a permanent change. Concerned consumers have actively sought out ways to minimize contact during shopping trips, leading to lasting shifts in buyer behavior. One of the biggest shifts in shopping behavior has been the adoption of at-home delivery, BOPIS (Buy Online Pick-up in Store), and curbside collection of orders.

Consumers are much more focused on maximizing the efficiency of their shopping trips and minimizing the time spent in-store, and this means they will appreciate a more focused, customized shopping experience which features suggested products that are genuinely interesting to them. Retailers who can successfully blend their physical store with a customized digital experience will reap the rewards.

As consumer behavior is now also directed by a drive towards sustainability, we see that shoppers react negatively towards waste and the environmental problems caused by practices in all industries – especially fashion. How can we reconcile this with a traditional visual merchandising approach that is wasteful and promotes disposable, seasonal fashion?

The key to solving this riddle is to link your visual merchandising strategy to your whole supply strategy. Mass-produced seasonal ranges will continue to become less palatable to our ethically conscious modern consumer, meaning that the entire fashion visual merchandising strategy will need to wrap itself around this new, more personalized supply model.

From an inventory management perspective, digital tools are already being used to improve the effectiveness of supply chains by ensuring that just the right products reach the right stores at the right time – this cuts waste and boosts margins considerably, but how do we tackle the task of visual merchandising when we are no longer trying to 'push' excessive seasonal ranges?

The answer to this, as with so many of these challenges, is to use technology to generate a unique and personalized shopping experience with rich visual merchandising features.

The options in this area are nearly endless, with new technology and capabilities emerging every year. Interesting concepts that use Augmented Reality (AR) and Smart phone apps are already being used by leading fashion brands to enhance physical retail experiences and create new opportunities for ecommerce visual merchandising.

Evolution of visual merchandising in the context of ecommerce

The rise of ecommerce as a dominant force in fashion retail means that traditional visual merchandising techniques need to adapt. Unlike a traditional physical store there is no opportunity to create captivating seasonal displays or window displays, nor is there the same opportunity to induce buying frenzies with carefully positioned bargain items and related products.

Products with special features, such as textures or sustainable credentials are even more challenging to highlight. When a shopper comes into an online store, there is no telling which direction they are coming from or which products they see first. This makes it impossible to lead them on a journey in the same way as you would with the layout of a physical store, so you must approach this differently.

The online medium has many benefits and features which a physical store does not – making it possible to accomplish entirely new (digital) visual merchandising tricks:

- **Smart algorithms** can group products together when they are frequently purchased together or look at the search patterns of each customer to suggest products that relate to them and their other purchases.
- **High-resolution** photography enables shoppers to see details of item textures and materials with greater acuity than would be possible with their own eyes.
- **Lighting** can be customized during each photo-shoot to provide the maximum effect – in a brick-and-mortar store this is always a challenge.
- **Careful staging** of each photograph can also ensure that complementary colors bring the best out of each item.
- **Video** is now becoming a more integral part of the online visual merchandising strategy, and this is widely used by many of the more disruptive retailers who leverage video via social platforms to directly instigate sales.
- **Augmented Reality (AR)** technology gives retailers interesting options for bringing the physical retail experience to distant shoppers, and for joining the digital world with visits to physical stores.
- **AR technology** can also be used to show how items look when worn by the actual customer – bringing a new level of closeness to the customer-retailer relationship.
- **3D modelling** of clothes that shows them in motion, with the movement of the fabrics accurately simulated, gives a new option to showcase products including those that have not yet been made or which are made-to-order.

Action to take right now:

- Prioritize your digital-first, online and omnichannel strategy. Ensure you keep up with innovations by having a tight focus on excelling in a digital strategy that uses the strengths of your brand and the habits and preferences of your ideal customers.

- Make sure you always provide the highest quality, brand-appropriate images that are up to date with your latest items, and that show all the right features – texture, sustainable credentials, fabrics, or other features that matter to your customer.
- Explore using 3D models and simulations of products. This is especially useful when the actual item is not available yet for photographs, or when items are made (or customized) to order.
- Discuss ideas with your team for enhancing your physical retail experience using digital tools like apps or AR concepts. Consider which information or offers your customers would like to receive and how they want to receive it.
- Use customer-focused digital stories to show your products in a relatable context and customize those stories so they are shown to specific audiences (based on demographics or known preferences).
- While retailers selling through platforms and marketplaces are limited by the capabilities of those websites or apps, you should define your own unique, powerful online visual merchandising strategy for your own website.

Business Intelligence & Analytics in Retail



The Value of Data, Analytics, and Business Intelligence to fashion retail

Big Data makes some big promises, yet many retailers are still failing to see the potential rewards of digitalization. Despite collecting vast amounts of valuable data, many organizations fail to convert their data into Business Intelligence, especially in retail. Instead, data is either allowed to simply accumulate in departmental silos, or it's used to create paralyzingly complex reports that cannot be interpreted or acted upon.

An analogy can be drawn with the living world: retail businesses that fail to use their data effectively are like primitive animals (e.g., sponges) that have suddenly evolved complex senses and memory but still lack brains, nerves, muscles, or any other organized system that can turn those senses into coordinated action. Without cognition or an organized response, the organism cannot act intelligently. It's just a dumb sponge with eyes and ears.

What's missing?

A leading reason for a failure of effective data use is a lack of *analytical maturity* – businesses that simply lack the *processing capability* to turn the data into meaningful, data-driven decisions. In our 'living world' analogy, these organisms lack the cognitive processes to turn data into *insights*.

Another major factor is a lack of organizational maturity, which prevents the company from being able to maneuver itself internally and direct its own actions. In this instance the company is failing to act as an organized entity – it has the processing power but lacks the organized structure to respond and act intelligently.

Adopting Business Intelligence tools for retail

Business Intelligence (BI) is both the primary tool and end-goal of big data. It turns terabytes of incomprehensible data into simple, actionable insights and decisions.

In the fashion industry, Business Intelligence has value because it can overcome the problem of uncertainty. Predictive analytics and data-driven insights can translate into perfectly coordinated actions that ensure each part of the supply chain is working in concert towards the goal: serving the customer and maximizing throughput. Many uncertainty-prone decisions can be demystified and fully automated using the right BI tool.

Deciding which data and solutions to implement can be hard, however. For retail companies who are not already using data-driven insights and BI tools, it might seem rather daunting. However, there are industry-specific, out-of-the-box solutions that can be implemented immediately without needing to custom-develop a costly retail data-analytics solution. These retail BI solutions are designed to have immediate impact in critical areas.

How Business Intelligence is already improving supply operations and profitability in the fashion industry

Improvement of operations is one of the first areas of a retail business to see demonstrable benefits of data-driven decisions. With an organization-wide Business Intelligence adoptees and modulates each part of the supply chain, the throughput of the chain is maximized, and the increased effectiveness will naturally result in better margins. Tools for accomplishing this are readily available, can make use of existing retail data, and deliver immediate results.

This is a logical first step towards building a more intelligent, data-driven business.

There is a much broader area where smart data analytics can positively impact profit margins by increasing sales. Knowing that a customer always buys organic cotton and fair-trade, for example, will clearly help achieve more effective targeted messages, and the consumer

appreciates receiving offers that relate to them. With enough data, smart data-analytics can uncover and anticipate emerging trends, or determine which products are most effectively promoted (and to whom).

The granularity of the insights that come from advanced data analytics is what makes it so effective. With a sufficiently smart system (that gathers relevant information from many sources), a consumer can receive a special offer on an item before they realize, they need it, be given personalized recommendations on outfits based on events in their calendar or receive a personalized birthday message (and voucher).

Reaching this level of analytical maturity requires a high level of organizational maturity too. You need both the right tools and the ability to adopt and utilize them.

Change management

Organizational intransigence is best tackled with an organized and systematic approach to managing change.

Change management consists of much more than training. People are intelligent organisms, but a part of this intelligence is the knowledge that ‘habits’ represent a reliable way of doing things, with a known outcome.

Getting people to change their habits takes a lot more than a single training day, and a systematic approach is needed to actively manage the process of change to make sure it sticks. Company-wide visibility of new KPIs and a reward-based system (for ensuring new practices are adhered to) can help reinforce ‘new habits’ that fit the new system.

Many organizations already use data and analytics within departments, but to reach the goal of actually implementing a Business Intelligence solution this access needs to be company wide. Data needs to be shared across the organization, with analytics being equally freely available. Moving closer towards our goal, the organization then needs to incorporate any external data sources such as business partners or other stakeholders.

The final stage is to ‘let go of the reins’ altogether and let your AI unleash the full potential by enabling a self-optimizing and fully automated analytics ecosystem to flourish within your organization. A mature, self-organizing system that gives businesses the ability to sense and respond with coordinated action is the ‘holy grail’ of data-analytics.

It can take some time to reach this final stage, but it *isn't possible at all without* first taking the preliminary steps.

It also takes some trust in the system to blindly follow instructions from an algorithm without knowing *why*, but the reality is that the ‘why’ is based on calculations beyond our comprehension. Once the results are clear, this trust will come more easily.

Simple steps towards smarter data-driven decisions using BI

Companies need to focus less on the data itself, and more on what they want to achieve with it. Data has no intrinsic meaning or value, but insights and decisions are something we can all understand and profit from.

Using a proven system like Retailisation's BI solution, a company can make immediate impact with an expert-developed solution that combines the wisdom of experienced fashion retail professionals with the expertise of data-analysts and software developers.

This way you can always get the right supply chain decisions at every scale – from store branch to the entire operation.

Departmental integration: the key to meeting consumer demand



Departmental integration: the key to meeting consumer demand

Merchandisers form a vital link between the supply chain and the consumer, with Marketing and Sales activities helping to make that final connection to the merchandise itself.

However, merchandisers find themselves in an endless cycle of merchandise planning, year after year. Without much control over the broader supply process, their role has become more about finding ways to 'sell what you've got' instead of selling what the customer actually wants.

Information about what and when to sell particular items – and to whom – is at the very heart of being able to meet real consumer demand, and merchandisers are the key to unlocking this information.

Of course, we need more than just information to transform supply processes.

To decide to abandon traditional and convenient processes and methods, in exchange for systems that serve a customer-centric model, requires integration across departments and active change management.

Fluid integration of activities across all departments (and supply-chain partners) is necessary to meet the demands of the consumer. This means you require a new role to coordinate the new consumer-centric organization.

Abandoning the legacy systems

While many retailers have already made incremental steps towards becoming consumer-centric - the reality is that most are falling short. Legacy systems and engrained tribalism in departments impede this change. This is crucial to continue serving customer needs.

This 'legacy thinking' is not unique to the merchandising departments or even the fashion sector. This is a widespread issue that needs to be addressed from the ground up. There is no question that this is hard. The entire industry is geared towards serving this 'rhythmic efficiency' that runs from retail operations all the way up the chain to manufacturers and suppliers.

Incremental change is better than no change at all. Nevertheless, the only way to actually change is to re-route all retailing activities towards an aligned objective: meeting customer demand.

How data helps departmental integration in meeting customer demand

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By using personalized information, it becomes possible to track customer's individual needs and preferences then aggregate these into granular customer profiles. These individual customer profiles need to be detailed enough to explain how 'who they are' dictates their needs and budgets. With a detailed customer profile, it's possible to determine which products they need and how often. You can aggregate this to inform operational decisions that determine which products are needed when consumers come to buy.

How to make the shift to a customer-centric enterprise

What makes the whole enterprise customer-centric is the ability to match our systems and processes to the customer's needs. Much of this can be achieved with coordination of operational activities; replenishing stock frequently enough that we can match actual consumption. But all activities need to align to meet this objective. When departments do not align themselves to this goal, they fall short of meeting the needs of the customer.

Examples of departmental misalignment typically include ordering constraints (MOQs, pack sizes, replenishment intervals) or logistics constraints (warehousing, fixed contracts) which seek to make operations efficient but can limit stock availability and hurt the whole organization.

To be able to achieve integration, brands and retailers must:

- Share a strategic vision across the company
- Align all departments (and stakeholders) on that shared vision
- Integrate planning systems across the retail operation
- Increase collaboration between departments
- Make data flows transparent and available to all parts of the chain
- Implement agile methodologies to improve responsiveness and remove roadblocks and constraints to your business growth

When departments don't work in alignment it is usually because they are following behaviors that maximize their own departmental KPIs instead of ones that maximize company throughput. This leads to actions and decisions that add to departmental efficiency while undermining the overall objective of serving the customer. This is common a mistake.

Perfect coordination across all departmental functions is needed to ensure that the right decisions are made at the operational, tactical, and strategic level – ensuring that replenishment, assortment, and planning are all focused on the same goal. An essential part of achieving this is transparent data flows and new KPIs that reinforce the company-wide strategic vision.

Successful merchandising: a coordinated focus on the customer

Merchandising is in an excellent position to help meet customer demands through an expanded and refined role in customer-oriented merchandising. Merchandisers can expand this customer focus to include planned coordination of company operations across traditional department functions.

This new role is therefore a significant broadening of the traditional merchandise planning role. Using new KPIs that reflect the company goal (of serving the customer and maximizing the throughput of the supply chain) will help departments stay on track and prevent them from slipping into old habits based now focusing on 'departmental integration'.

All departments will then be working towards serving detailed 'individual customer' profiles, optimizing customer engagement using digital technology, and using granular insights about customers to serve an assortment that matches their shopping list.

Fulfilling the customer demand requires the following:

- Departmental integration, working towards serving the customer
- Creating and coordinating holistic solutions that meet the customer's needs
- Integrated planning of financial, inventory, and customer strategy
- Customer profiling and categorization of customer needs
- Management of Merchandising operations
- Planning of inventory, logistics, and fulfilment across the whole supply chain

- Identifying and mitigating physical supply constraints that undermine the effectiveness
- Customer Experience execution

With all these activities in place, it becomes possible to better meet the customer needs.

When all the items they want are in stock (and available via whichever channel they use to shop) the customer will never go away disappointed or empty-handed. However, these are considerable tasks to manage and this new role will require new tools to make this efficient and 100% coordinated.

Automating coordination across departments

Technological solutions such as Business Intelligence tools can help achieve a holistic perspective of company operations. To manage the seamless integration of supply processes and balanced fulfillment (via each sales channel) retailers should utilize smart software that automates these processes. It may seem like just another 'small, incremental step' but implementing a disruptive technology like this can totally transform working methods through the whole supply chain.

Retailisation's demand-driven replenishment and allocation solution is a perfect example of a powerful technology that can help to embed cross-departmental coordination. It enables a responsive supply model that serves the customer by automating decisions about what to order, ship, make or buy in line with real demand. This is one 'incremental' step that catalyzes transformational change – while reducing the organizational burden of the operation.

At Retailisation, we believe that the traditional calendar-led 'rhythmic efficiency' that is so deeply engrained across the fashion industry undermines the effectiveness of the supply chain and does not actually serve the customer. The only way out of this hole is to 'stop digging' and embark on a process of transformational change that will unite and coordinate functions across traditional departmental boundaries.

To change behaviors across the whole company, retailers should adopt new technological tools that make cross-departmental coordination a simple matter and use KPIs that reflect performance in relation to this goal. In combination with active change management - a new focus on serving the customer is within reach.

Assortment planning



Evaluating the role of Assortment planning in retail

Inventory is the largest single ongoing capital investment for most retailers, so it is vital to ensure that the risk from excess inventory is minimized while simultaneously ensuring ample supply for items that sell well. This is not an easy task and requires an active process that regularly reviews stock velocity then dynamically adjusts budgets to ensure spending (stock acquisition) occurs in the right areas.

It seems like the same narrow choice of SKUs always sell out - a problem that has only been compounded by the pandemic. The questions we need to ask are: Is the pursuit of higher conversion rates through wider assortments worth it? Can assortment planning still maximize sales in a modern tech-driven retail landscape?

What is Assortment Planning?

Assortment Planning is defined as a process that maximizes cash-flow by rationalizing budgets, leveraging visual merchandising, and modulating the purchase and flow of stock mid-season. It is not the same thing as purchasing although this is also a key feature of assortment planning.

Assortment planning takes the view that every assortment is an 'event' that blends seamlessly from one season into the next. This means that complementary products are stocked together, and a logical flow runs through the assortment in a way that mirrors and accompanies the customer's own journey. Assortment planning is a complex process that considers the effects of promotions, alternative products, price points, seasonality, reorder points and lead times (to name just a few), to maximize conversion rate and cash flow.

Looking at past sales data and current trend insights, complete assortments are put together during the assortment planning process to ensure that products that sell are always in stock whenever a customer comes to buy.

A higher Average Transaction Value (ATV) can result from intelligent assortment planning, that groups products together in a complementary way, that drives sales, and this is one of the ways brick-and-mortar retailers can leverage their physical environment.

Visual merchandising also plays a part in this by making sure that products are easy to find and making impulse purchases find their way into the shopping basket. Assortment planning will also differentiate strategies based on the store type, location, and store demographics – all key drivers of distinct buyer behaviors.

For omnichannel sales, assortment planning can be slightly different in physical stores but only as much as one physical store or store cluster might also have unique shopper habits and preferences compared to another. The intelligent use of store clustering is sufficient to manage many aspects of assortment planning for omnichannel sales.

Assortment planning best practices and process

A lot of data is involved in planning an assortment and means analyzing past sales data to get insights into the likely buyer habits over the next year. Excel spreadsheets are still widely used across the fashion-retail sector as a way of entering and processing this data - this is a labor-intensive process that limits the frequency (and accuracy) of the planning process. Assortment planning needs to reflect a highly granular level of detail for it to be used to inform purchasing decisions, so that it accurately covers the depth of the required assortment.

Best practice in assortment planning is data-led and those which match consumer demands as closely as possible. A good assortment planning process incorporates data about product hierarchy, clustering of similar stores or channels based on typical buyer behavior, leverage impulse purchases (driven by timely offers) and cross-sell with partner products to maximize revenue. Pricing is another area which needs careful consideration to ensure that anchor prices can deliver the optimum return, by placing products at the optimum point on the pricing/sales curve.

We typically see that there are standard items that have a regular replenishment rhythm – like a heartbeat and where the demand changes little from year to year. Seasonal and trendy items are much harder to manage due to the incredibly unpredictable demand paired with long lead-times.

The most valuable process for managing seasonal or trend-based items is Open-To-Buy (OTB), which helps merchants to reduce inventory risk while retaining some flexibility to meet demand

and avoid stockouts. OTB is often viewed as a financial tool when it is a much more complex (and useful) ongoing process that helps to ensure stock availability.

While we can ensure sufficient stock for 'replenishment' items (like NOOS, Evergreen, and Basic products) by placing stock buffers at supply-chain nodes. Unfortunately, this is not possible with seasonal items that have a short production run, limited demand visibility and long lead-times. Instead, this risk is managed with OTB by creating 'budget buffers' that can release or sequester budgets for re-ordering fresh inventory based on early demand signals. In theory, this ensures a steady flow of fast-moving items while minimizing losses on slower-moving stock.

There is a distinct financial advantage (because it limits inventory risk) - however the primary function of OTB is to assist the assortment planning outcomes by ensuring enough flexibility to meet real demand better. In short, OTB is a critical part of the assortment planning process; it helps the merchant decide what to buy and defers ordering to maximize stock accuracy.

The three phases of assortment planning

There are three distinct phases of activity across the sales season, during which assortment planning focuses on different areas.

Pre-season

This is the planning phase - when data about the previous period is examined to make strategic decisions about the upcoming season. Purchasing decisions and OTB is determined at this point based on expected demand scenarios for each store, channel, or cluster.

In-season

This is the management phase - during which current sales are compared with expectations. Tactical and operational decisions are made to boost sales, such as promotions, clearance offers or reallocation of stock. OTB is utilized in-season to ensure profitable flow of stock. Hot items that are selling better than expected are re-ordered (based on early demand signals), store layout and visual merchandising is used to refine conversion results.

Post-season

This is the analysis phase. It is a forensic examination of the end-of-season data to understand buyer behaviors and sales patterns. The end-result of this is a detailed data-based report about what worked and what needs improvement. This data helps to inform the pre-season phase in the next assortment planning cycle.

How to plan your assortment to achieve a higher profitability

Achieving the right mix of products helps to drive sales by ensuring that margin-boosting ‘companion’ products are never out of stock meaning that the customers are inspired and motivated to buy. Having a wide assortment does not always drive more sales – it is often the case that merchants can increase sales by eliminating some SKUs altogether.

With the right combination of products, the retailer can generate sales synergies and gain efficiencies by reducing inventory movement and markdowns. The key to success is to accurately respond to the customer demand – but this is not achieved easily when planning assortments months in advance. Data can help build insights about customer demand and this in turn informs the product mix. With the right technological tools, it is much easier to handle complex data to inform better decisions.

The assortment planning process is an essential tactic for optimizing sales, but it needs to be done differently when using digital tools this enables you to achieve better precision using data real-time data.

The role of automation and technology in optimising assortment planning processes

Analytics plays a key role in ensuring your assortment planning process is informed by data-insights. It is a data-heavy task that can consume numerous person-hours when using basic tools and can only be conducted periodically (monthly) this way. However, by using technological solutions the data can be handled more nimbly and continuously – avoiding the need for periodically adding and evaluating data manually.

Automated Open-To-Buy

Open-To-Buy (OTB) is a key area that can be optimally managed using technological solutions that help to automate the decisions and provide a real-time insight. OTB is traditionally managed monthly using monthly reports that are already out-of-date at the moment of publication. By using a smart algorithm instead, we can continuously achieve real-time data on demand. When a machine is making these automated decisions, more time is freed up for activities that require a human touch.

Re-ordering, reallocation and replenishment

In-season management is also a task that has the best ROI when achieved with a machine to help it along. Many of the in-season management tasks can be fully automated including re-ordering, replenishment, and re-allocation. This has positive effects by reducing the cost of human labor, and by utilizing more effective decision-making, eliminates overstock and stockouts.

KPIs and insights

Technology can also help by performing detailed and granular data analysis that enables the retailer to make better decisions about store clustering and consumer demand signals - these can be provided automatically (and always up to date). This has value even after the 'in-season management phase' because this data can then be used to make strategic decisions about the following cycle.

Looking beyond the present, as the retailing system becomes more capable of handling things 'as they are' (and responding to demand in real-time), the traditional seasons starts to lose meaning.

Instead, technology is moving us towards a 'continuous flow' approach to merchandise and assortment planning. This doesn't mean that assortment planning has no future – quite the contrary. Rather, assortment planning will become an integral part of the technologically enabled retail model of the near future, with machines making the most critical and data-heavy decisions and humans using their creativity and experience to guide the whole process.

Departmental integration: the key to meeting consumer demand



Merchandisers form a vital link between the supply chain and the consumer, with Marketing and Sales activities helping to make that final connection to the merchandise itself.

However, merchandisers find themselves in an endless cycle of merchandise planning, year after year. Without much control over the broader supply process, their role has become more about finding ways to 'sell what you've got' instead of selling what the customer actually wants.

Information about what and when to sell particular items – and to whom – is at the very heart of being able to meet real consumer demand, and merchandisers are the key to unlocking this information.

Of course, we need more than just information to transform supply processes.

To decide to abandon traditional and convenient processes and methods, in exchange for systems that serve a customer-centric model, requires integration across departments and active change management.

Fluid integration of activities across all departments (and supply-chain partners) is necessary to meet the demands of the consumer. This means you require a new role to coordinate the new consumer-centric organisation.

Abandoning the legacy systems

While many retailers have already made incremental steps towards becoming consumer-centric - the reality is that most are falling short. Legacy systems and engrained tribalism in departments impede this change. This is crucial to continue serving customer needs.

This 'legacy thinking' is not unique to the merchandising departments or even the fashion sector. This is a widespread issue that needs to be addressed from the ground up. There is no question that this is hard. The entire industry is geared towards serving this 'rhythmic efficiency' that runs from retail operations all the way up the chain to manufacturers and suppliers.

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Comment on this article or reach out to us at info@ebp-global.com or info@retailisation.com, we would love to hear from you.