



columbusconsulting
RETAIL | ECOMMERCE | WHOLESALE

Change Management Behind the Red Door: Talbots Modernizes with Planning Process Reboot

Talbots has nostalgic and entrepreneurial roots, self-described as a company “inspired by a joy of discovery.” A 1947 ad placed in *The New Yorker* sparked a direct-mail retail business, one that has grown to more than 500 brick-and-mortar locations in North America and an ever-growing e-commerce business. The company’s classic style of clothing, shoes and accessories is both “timeless and timely,” and over its 70-year history, Talbots has become known to devoted shoppers for exceptional quality and service.

Honoring its heritage and preserving a passion for the brand is important to Talbots, but another of the company’s intrinsic qualities is a desire to innovate. After all, shoppers were targeted from the very beginning in a non-traditional manner, shipping catalogs to eager shoppers who responded to the advertisement. Over the years, the retailer has evolved to delight customers at every touchpoint in new and different ways. But even with the very best of intentions, internal processes can go untouched, and legacy systems

are altered instead of overhauled. In looking to the future, Talbots recognized its current merchandise financial planning system was not set up to support continued growth, and the company knew it was time to truly modernize.

A simple technology project incorporates so much more.

The initial task: to replace the existing planning system. Talbots also needed to convert from retail accounting – which is affected by volatile factors like retail price and promotions – to the industry standard cost method of accounting (CMA). After all, constant price and promotional changes that incentivize customers to buy make it extremely difficult to continually reassess the level of inventory needed to support the sales plan. In CMA, however, the costs remain relatively constant, making it easier to understand the relationship of sales to inventory required.

With a heartbeat for customer service and empowering the women who shop its collections, Talbots identified that unlocking several new planning methodologies could also deliver real insights and potential savings. What's more, Talbots was only planning for what it owned in stores, not considering distribution center inventory. Using total inventory instead would facilitate an approach that supports an omnichannel view of inventory.

But it didn't stop there. The project also included an overhaul of the entire hierarchy of merchandise planning. This changed the way Talbots classified products and managed its sizing concepts: rather than looking at things primarily from a size perspective (Misses vs. Petite, for example), the retailer wanted to flip things and focus on product categories initially and then on sizes after that. In addition, the team wanted a faster system with fewer inputs and metrics, as well as the ability to go to a lower level in the hierarchy. Talbots certainly had its work cut out.



Late and over budget? Not a chance.

Built around a core reboot of Talbot's financial planning system the project also had to include a larger change management exercise. With a scope this wide, it would not have been a surprise for the project to be delayed, drawn out, too expensive, or cancelled altogether. But Talbots was determined to not let that happen.

Talbots engaged with Columbus Consulting, based on a relationship developed over the course of previous projects. Columbus Consulting knew Talbots well and had a thorough understanding of its existing technology.

“Columbus Consulting is well-versed in merchandise financial planning, and we trust them, as they've been able to deliver solutions that have been successful for us in the past,” said Kristin Mercer, VP, business process, strategy and development, Talbots. “Although this project was loosely labeled a planning system project, it was a much more wide

scale organizational and process change, and the technology was only one component in the drive to support that.”

“We consider Columbus Consulting a strategic thought partner,” she went on to say. “That was demonstrated through every stage of this project. They affirmed us in some decisions and also challenged us to see things in a different way. We relied upon their project management expertise to usher us through this huge undertaking.”

Talbots' project punch list:

- Migrate to a true OMNI-channel, strategic planning methodology
- Convert from retail accounting to industry-standard cost accounting
- Provide full-price/markdown planning tactics to stay on top of the impact on margin
- Unlock under-utilized planning methodologies
- Incorporate total inventory for a true omnichannel view of planning
- Overhaul product classification hierarchy
- Transition from floorsets to a fiscal month-based process

Collaboration and socialization make for successful rollout

Converting from retail accounting to cost accounting was an arduous task, one that required an “all hands on deck” sense of

collaboration. Together, Talbots and Columbus Consulting worked with the planning system vendor, testing and configuring the solution as they went.

“The Talbots team and Columbus Consulting both understood that any changes in the planning component would ripple out across the organization,” Mercer said. “So it was hugely important to learn exactly how planning touches every Talbots division.”

A great deal of internal meetings and workshops were hosted with merchandise partners, the finance department, allocation, and sourcing team, among others. This thoughtful, tiered approach to discussion and feedback allowed for direct access to the teams most impacted by the change.

“Socializing this project brought forward existing needs and opportunities, allowing for transparency and a clear path to champion those needs to our leadership at Talbots,” said Mercer. “Executive leadership bought in to this project from the get-go, but we made sure everyone in the organization was given the opportunity, at one

time or another, to discuss and ask questions.”

Columbus Consulting and Talbots went through a staggered rollout of the new solution, synchronizing everything on the operations side. And in converting Talbots from retail accounting to cost accounting, the team restated two years of historical transactions to be confident the numbers were correct. Another part of the project was extending Talbots’ data warehouse and business analytics capabilities to cover the planning data – because of this, data can now be pulled into cross-functional reports much more easily than before.

Mercer spoke about the project delivery with a smile, thinking of all that was accomplished without major outages or incidents. “I am so proud of this project, that it was completed in 15 months, and delivered on-schedule with a larger scope than you would normally expect for this kind of project. This wasn’t a normal planning implementation – the cost conversion and hierarchy re-class as simultaneous initiatives were huge efforts. But because of our joint effort, Talbots was more than prepared to influence the planning season we wanted to.”



New tools and data empower planners and merchants

Talbots is now starting its third season planning with the new system, still learning everyday what's possible, and beginning to utilize the increased speed with which it can build, revise and adjust the plans. The Company Planning team can now produce a forecast in hours, not days. Also, the three-week merchandise planning cycle has been cut down to less than a week, giving the Talbots team more time to review and understand the plans at a granular level. And by planning at a class level, Talbots can plan the right sales and cost components, undoubtedly unlocking the margin opportunity it's committed to. With the momentum gained from the modernization of its financial planning, Talbots has its sights set on the next goal: improvements to its assortment planning processes.

"We are continuing to review our hierarchy for improvement opportunities," said Mercer. "Our next initiative will be an assortment planning exercise, which will help cement the changes that took place during the completed financial planning system project. Refreshing our assortment planning will bring everything together, as it is this stage that converts a financial goal into a purchasing decision."

Talbots' operates with a mantra to inspire, encourage, honor and empower those who shop its collections. By implementing the right technology – with this project and others down the road – and working diligently to quickly adopt changes across the organization, Talbots will continue to modernize and thrive. The goal is to continually enhance the customer experience, both in-store and online, and always improve operational efficiency as it does so.

In Summary:

- At its core this project was a replacement of an outdated merchandise planning system, but to deliver a complete transformation it had to encompass product hierarchy reclassification, cost conversion, and other omnichannel planning processes.
- With careful change management and experienced consulting partners, Talbots was able to accommodate all of these complexities and still roll out on time – and on budget.
- Merchandisers and planners at Talbots now have the tools and information they need to execute. When it comes to the company's product vision and inventory strategies, Talbots is poised to drive efficiency and functional fluency with ease.



columbusconsulting
RETAIL | ECOMMERCE | WHOLESALE

Phone: 614-944-5190
Fax: 216-521-8133
Email: info@columbusconsulting.com

4200 Regent Street
Suite 200
Columbus, OH
43219

Founded in 2001, Columbus Consulting comprises a team of highly experienced specialists in retail systems and processes. We combine pragmatism, innovation and years of experience to deliver services ranging from strategic insight to tactical project delivery. Our experience stems from holding executive responsibility in retail, and from successfully managing some of the most challenging projects in the industry. To learn more, visit www.columbusconsulting.com.