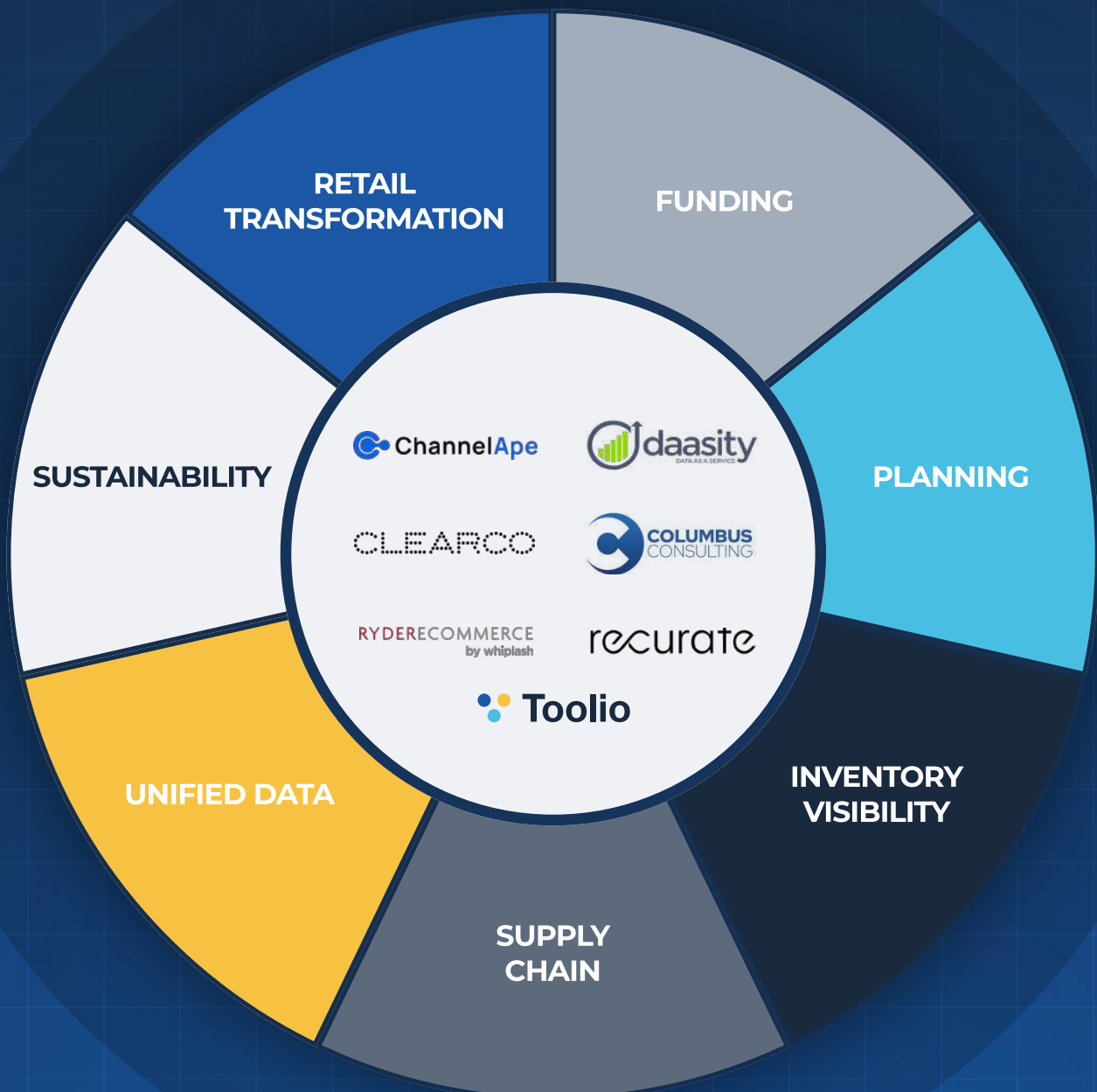


# 2023 Retail Playbook:

Trends and Strategies that are defining industry standards.





# Buying & selecting merchandise planning systems: what to consider and how to avoid mistakes

An inside look at transforming your business from a legacy to an end-to-end solution.

The retail industry can be described as anything but constant. What once was a simple transaction of products or services to people has evolved into a complex matrix of multi-channel, multi-dimensional interactions of awareness, influence, conversion and re-engagement. From products to brands, storefronts to marketplaces, retailers continue to serve as the center for most consumers and communities. Yet, the industry is regularly challenged by both internal and external influences. Economic, logistic, climate, and, now, even health crises impact the ability of retailers to conduct their business.

To say the last 3 years have been unprecedented remains an understatement, particularly when we layer in the advances in technology and how consumer behaviors may remain forever changed. As retailers figure out how to transform their operating models to align with the new global market, one particular area has been emerging as a top initiative; namely, the reinvention of legacy systems. Indeed, what made successful retailers successful no longer applies in today's world of omni-commerce and artificial intelligence. Now more than ever, leading retailers are looking for guidance in not just what products and services to provide, but how to best deliver them, how much to make, where to make them available, when to replenish, what to reproduce, at what price to offer them, how and if to promote them and when. In other words, modernizing their merchandise planning systems end-to-end to build a transparent, accurate, integrated and agile solution for the entire business.

Enter Columbus Consulting. For over 20 years we have provided tangible solutions to retailer problems

and leveraged hundreds of leading industry executives with decades of knowledge and experience to solve for everything from auditing to sourcing to implementing systems—from strategy to execution. In a recent partner discussion, the team spoke to what retailers need to consider and how they can avoid critical mistakes in buying and selecting merchandise planning systems. The group included CCI CEO, Jon Beck, along with other partners, Charlotte Kula-Przewanski, Elizabeth Elliott, Sonia Hernandez and expert Robin Gray. All of whom have over 25+ years of direct industry knowledge not only on the consulting side, but in business, software, solutions and technology. Collectively, the team participated/led 100+ solutions selections within their careers.

Here is what they had to say:

## WHAT SHOULD RETAILERS BE LOOKING FOR IN A MERCHANDISE PLANNING SYSTEM?

Since most of their inceptions, retailers have been operating on some form of a legacy system. What served them well has now become antiquated and has created several main gaps in their ability to transform.

- A lack of integration across processes and systems that forces manual intervention.
- An inability to manage data by exceptions.
- A void in the use of artificial intelligence and machine learning.

These three gaps directly relate to the four cornerstones that need to be addressed before, during and after any transformative investment and commitment:



PEOPLE



PROCESS



TECHNOLOGY



CULTURE

1

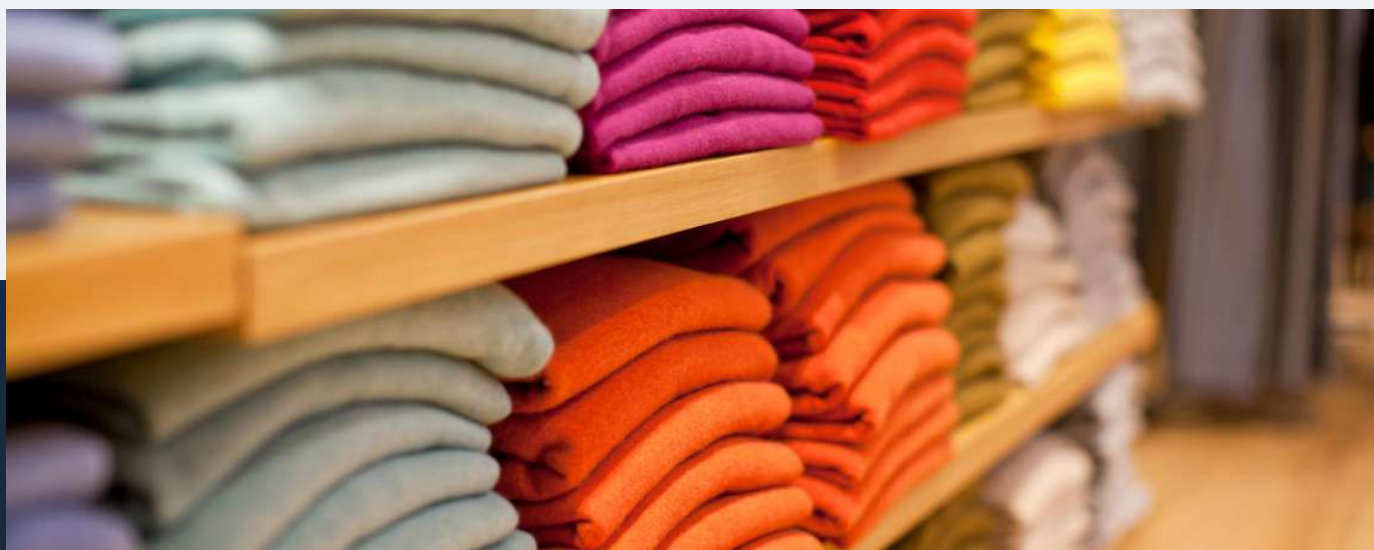
The question of what retailers should be looking for in a new system really is more about where they are in their own evolution and maturity as a business. Recognizing that nothing exists without another interface within the company is a first step.

2

Identifying what the problems are, what talent you have in place and what needs must be addressed are all requirements BEFORE you begin any systems selection. Secondly, the priority needs to be top down.

3

While departments or divisions may own an initiative such as selecting and implementing a merchandise planning system, top leadership must seek to clearly define a vision for what the solution will be adding to the organization and articulate how it impacts every level in every function, either directly or indirectly. This type of change management is the first key ingredient in ensuring scalable success with any solution or system.



### WHY ARE RETAILERS ADDRESSING MERCHANDISE PLANNING SYSTEMS NOW?

In short, the answer to this question is that technology has simply moved on. Excel spreadsheets, while still prevalent, are too manual, slow and inaccurate particularly in predicting future need and in evaluating prior history. By contrast, machine learning is showing up in planning solutions and has opened up a faster, stronger, better way of using human talent that not only keeps pace with the market, but with the consumer as well.

### HOW IS AI/ML ACTUALLY BEING USED TODAY?

What were once buzz words used by techy folks,

artificial intelligence and machine learning have now become common elements in nearly everything we do as people and professionals. From everyday Google searches and web site recommendations, to predictive designing and merchandising, AI/ML have enabled business operators to look at levels of detail that were impossible to get to manually. AI/ML are being used in all areas of an organization; particularly as it relates to merchandise planning as a means to gain hindsight insights—what sold, where, when, why and at what size and color or model. Applications span from preseason to post season learnings and are also being used in MFP, assortment planning and allocation areas.





### WHAT ARE SOME OF THE CRITICAL PAIN POINTS THAT TRIGGER A SYSTEMS SELECTION?

There are three main consistent pain points that are encountered in most pre system selections:

1. Legacy systems are manual and people need to touch every number to try and manage by exception, which is impossible and inaccurate.
2. Current methods and systems are too time consuming whereby it takes longer than a month to actually plan a month, thus creating a lapse or reactive nature to a process.
3. Lack of connectivity between the questions starting with what and how; data no longer integrates to tell a story and results in inconsistencies and conflicts across teams and the organization.

### WHAT ARE SOME OF THE CONSIDERATIONS IN SELECTING A NEW SYSTEM?

While there are many considerations in the auditing, selection and implementation processes, there are four that immediately surface:

1. **Technology.** Ask yourself these questions: Where is your company today and how well are you equipped to transition to a cloud-based solution? Are you prepared to manage data security internally and across systems partners? And, how pure/accurate is your data, how would you rate your data integrity level?
2. **Type.** Knowing what type of solution you need will help focus you on where to look. There are three key

types or areas in planning systems to take note: platform vendors who build what you need but rely on the client to be responsible for what they are looking for and managing the overall integration; application vendors who work more closely with you applying guardrails throughout the process and analytical providers who layer on an array of tools to assist with measurements and performance.

3. **Journey.** Knowing the breadth and maturity of your company is key to finding the right partner. New systems are intertwined with vendors today who host the information on your behalf but rely on the internal operations teams to work in tandem with them. Finding the right balance or complement to your own talent is fundamental.

4. **Culture/relationships.** Like anything else, there is a chemistry to successful relationships. Building trust, partnering with proven providers who have a high level of integrity and finding the right team that works as an extension of your own team will ultimately create a more seamless successful implementation. Look for a solution that will stay with you and continue to engage with your company even after the launch.

### OVERALL, WHAT ARE SOME OF THE KEY LESSONS LEARNED FROM HAVING WORKED WITH SO MANY RETAILERS THROUGH THE YEARS AND AT DIFFERENT STAGES OF THEIR GROWTH AS IT RELATES TO SOLUTION SELECTIONS?

There are always lessons learned after every new project and the themes around each tend to relate back



To the uniqueness of the project and the client. But, overall, there are some common recommendations:

1. Conduct an evaluation of your systems requirements. Be specific. Enlist the feedback of cross functional team and department members. Separate the wants from the needs and clarify those requirements by aligning them with key business metrics and results.
2. Make sure you have internal collaboration and involvement. Don't operate a solution selection in a silo. Bring all of the discipline leads to the table/zoom call including product development and management, merchandising, marketing and other areas and assign a champion to spearhead the alignment.
3. Leverage scripted demos and score cards during the evaluation period. Be careful of becoming distracted by cool new UI (user interface) and be clear on what the solution does and does not do. Compare score cards and be honest about what works and what does not work for you, your teams, the company and the culture.

## SOME CLOSING THOUGHTS & COMMENTS:

For years retailers have been acquiring and collecting data. From point of sale to site searches and even geotargeting and location-based behaviors. This wealth of information and learnings has made the industry smarter but not always faster or more accurate. Systems solutions across disciplines have tried to aggregate all of this data and provide a means to digest and leverage it to transform businesses and scale success. But assessing what you need and finding the right provider is often more complex than the business issues themselves. Layer on costs, time and talent resources involved and the need to evolve can be stagnated by choice and uncertainty.

At the core of most system needs is a legacy system that has become outdated by new technology and evolved consumer demands in an omni-place world. Such is the case when buying and selecting merchandise planning systems. Product is core to a retailer's success. Producing/buying, placing, pricing and replenishing the right product is the essence of their reason for being in the market. From sourcing to shelf, retailers need to get it right more often than not to stay competitive and thrive in today's global economy. With all of this at stake, finding the right partners to deliver against your business needs is critical, but not easy. It can be made easier if you embrace some common learnings and apply some key practices; such as:

- ✓ The ever-increasing acquisition of data has fueled the retail industry growth but has made legacy systems antiquated.
- ✓ Cloud-based systems and AI/ML are readily being applied to help businesses stay efficient and agile.
- ✓ Knowing what you need to solve for and being honest and clear as to how that will drive and transform your business is an initial imperative.
- ✓ Bring the right people at all levels to the table or the zoom call to ensure any new solution will be adopted and interconnected across functions.
- ✓ Identify what type of vendor you require and then find the right partners in that space with which to meet; bring a consistent scorecard to every demo and stay focused on what the solution can and cannot do.
- ✓ Make a selection for the long-term. Consider any solution provider an extension of your team who will be with you after the launch and guide you to the next enhancement as needed. Think relationship not transaction.
- ✓ Consider working with a specialized consulting firm like Columbus Consulting who can guide you along the journey and work on your behalf knowing that you can minimize mistakes and apply collective learnings to ensure scalable success.

