Retail Assortment Management Performance Blueprint

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Performance Blueprints from the IBM Cognos Innovation Center for Performance Management accelerate your performance management software deployments and drive faster return on investment. In this demonstration, you will see how the *IBM Cognos Retail Assortment Management Performance Blueprint* can help optimize your merchandise planning and performance management.

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IBM Cognos Performance Blueprints help companies align corporate objectives with operating plans so they can operate more profitably and efficiently. Performance blueprints are pre-defined data, process and policy models developed to help you improve planning, budgeting, forecasting, reporting and analysis. Blueprints pre-populate your plan with common operational drivers and business structures, dramatically reducing the time it takes to deploy a new performance management process. The result is pre-packaged business user content that accelerates design, development and time-to-value. By providing the right information to the right people at the right time, industry sector Blueprints are strategic differentiators.

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Selecting and managing merchandise is always a balancing act—and it all starts with a good plan. Planning might be needed months in advance to procure stock. At the same time, supplier capacity and customer preferences are constantly changing. Although the basic concept of retail - which is to provide unique merchandise and services to consumers at a desired price - remains unchanged, what has changed is the scale and complexity of the modern retail business. Customer demand, greater competition, more channels, the challenges of time and scale, faster product life cycles, the growing importance of supply chains, global trends and a slowing economy are driving the need for better performance. In addition, as retailers try to react to these factors, they face these challenges:
  • Fractured planning processes
  • Optimization of inventory investment—avoiding stock-outs, over-stocking
  • Under-buying because of to poor demand forecasting
  • Segment blurring
  • Differentiation from other retailers
  • And stagnant product selection

To address these challenges, retailers need better information, operational efficiency and control of inventory.

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What retailers need is a merchandise planning solution that helps them 'develop better plans to make smart inventory investments', 'manage stock levels to drive sales and

margins', and 'see trends as they emerge to align supply and demand'. The *Retail Assortment Management Blueprint* is that solution.

The *Retail Assortment Management Blueprint* provides pre-season and in-season merchandise planning and performance management. It includes target-setting, top-down and bottom-up planning, consensus, scenario modeling and visualization of data to help retailers:

- Set assumptions and corporate guidelines for financial metrics
- Develop financial merchandise plans at the division, channel, department or category level
- Model scenarios based on historical sales, comparables, profiles, budgets
- Understand variances and achieve consensus on plans
- Develop multiple versions and what-if scenarios with the "sandbox" capability
- And understand the impact of business decisions

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Using this *Blueprint*, retailers can complete financial merchandise planning and item-level planning processes. They can create top-down targets at the chain, division or channel level. Based on these targets, they can develop top-down merchandise financial plans by department or category and bottom-up item-level plans using preset or custom profiles for basic and season merchandise. They can view, define or adjust attributes, such as color, size, vendor, material, and then plan, filter and analyze merchandise by these dimensions. They can view past performance and model scenarios to understand in real time the impact of business decisions.

Reconciling these top-down financial plans and bottom-up merchant plans is a challenge for many retailers, and the *Blueprint* provides them with a means of establishing consensus so they can ensure that plans are in synch. After the plans are reconciled, the strategic stock plan manages inventory levels and key metrics. Chains can then analyze sales information, compare results to plans and reforecast as needed to meet customer demand and market conditions.

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Now we will give a brief demonstration of how the *Retail Assortment Management Blueprint* can help you with your merchandise planning.

[demo]
The assortment management blueprint allows a retailer to set top down financial merchandise planning targets, as well as merchants or buyers to create a bottom up merchant forecast that will eventually consolidate against the top down targets.

In this case I have logged in as user Frank Beamer, who owns this particular plan for Division 1. It's a Work in Progress and you can see this clearly in the workflow.

In order to set the top down targets I click on Division 1 and the Contribution screen opens.

I see that there are a set of top down targets available. A Seasonality Profile based on either Prior Year or Two Year Average is driving all of the numbers in the plan. The primary lever of the top down target setting exercise is actually a comp. 2009 is set at 10% but last year's comp was 14.3%. I'll adjust the current year comp up to 15%. When I do that the numbers that are impacted are displayed in blue.

I want to look at the actual Financial Plan since that is based on the change I just made. All of the information around Sales, Returns, Promotions and Markdowns is shown for product lines and categories. This is the consolidation of the top down input and what will be used as the overall target for the Merchant planner.

When I save this plan those targets will be set for our merchandise buyers or planners.

Now I'll login as a Merchant who is responsible for men's coats and all of the products that roll up into the men's coats for Division 1. Opening my plan I see a Consensus which shows how my current merchant forecast compares to my top down financial targets. I see that overall I'm at 91.3% of plan. Drilling down to men's coats I see that I'm at 85.8% of plan, so I'll need to adjust my overall forecast in order to hit my targets.

I have Seasonal Basic, Pure Basic and Wave plans which roll up into the Merchant Plan, Financial Plan and consolidate into an overall Consensus, which is the difference between the Top down financial plan and the merchant plan.

The Seasonality Profiles page allows me to adjust the seasonality curves by leveraged in the merchant plans, with the ability to define custom seasonality profiles.

The first place I'll look for opportunities to adjust plan to meet target is the Seasonal Basic Plan. (4:00)

Here I see each product and the attributes affecting those products in the context of the original plan. I can easily toggle to the Merchant Forecast and see those attributes. I have the ability to filter products by subset and by selecting Advanced I can create custom subsets. (6:00)

I want to filter by Sales, Top 10 and increase these products by 20%. Any value changed by this increase is shown in blue. When I remove the Top 10 filter you can see that only those products were affected. Perhaps I decide to increase all products by 15%. Again the changes are shown in blue and recalculated throughout the plan. (7:00)

Of course I could also make adjustments in the Pure Basic plan, used for my more consistent sellers, or the Merchant Wave Plan, which allows me to define the length of a particular wave in weeks which allows for a season within a season.

Returning to the Consensus page I see that the changes made have brought me much closer to my targets for Men's Coats. (7:43)

The Sandbox feature allows me to create my own what-if scenarios and compare them easily with the working plan. I can also export any version of the plan to Excel or .pdf formats.

Once I am satisfied with my changes I can submit the plan which applies my changes. My manager can then review my work and accept or resubmit the plan for further adjustment.

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The *Retail Assortment Management Blueprint* can take you beyond the limitations of spreadsheets, cookie-cutter ERP systems or custom applications that require significant technical support and provide the visibility you need to develop a differentiated assortment, make smart buys and protect profits. In addition, it can help you understand trends, respond to changing market factors quickly, understand the financial impact of business decisions, control stock levels and maximize inventory investment.

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For a full list of IBM Cognos Performance Blueprints available for other functional areas in your organization please visit the IBM Cognos Innovation Center at www.ibm.com/cognos/innovation-center.

Thank you for your interest in this *Blueprint*.