

Unlocking the Secrets to Allocation Success

JustEnough Software Recommends Strategies to Help Retailers Reduce Markdowns and Increase Sales by Making the Most Out of Their Allocations

➤ By Malcolm Buxton

Allocation represents a retailer's last chance to ensure that products their consumers want to buy are available in the right store, at the right time and for the right price. At stake are sales, profit margins and customer loyalty. With a growing emphasis on consumer demand, an unpredictable market and the availability of data that provides a granular view into exactly what their customers are buying and where, retailers simply must get their allocations right from the start.

Companies fighting for market share in today's highly competitive retail landscape need to execute carefully laid merchandising and assortment plans with allocation strategies that are just as precise. JustEnough Software, a leader in demand management for retailers, distributors and brand owners worldwide, recommends the following strategies to help retailers realize fewer markdowns and increased sales with better allocation management:

Use Demand to Drive Allocations

All too often, consumer demand for product choice, color and size take a backseat in the planning process. Retailers frequently put all of their focus and energy into planning assortments based on last year's numbers. The consequence? A self-fulfilling prophecy in which product is allocated based on historical information – whether that data served the retailer well or not. Truly optimized allocations are driven by demand potential, rather than historical sales alone. Ultimately, companies that ignore basic signals of consumer choice pay the price with markdowns and lost sales.

In order to combat this challenge, retailers need to get smarter about the way they allocate product. Solutions that leverage demand curves for items based on attributes for comparable products or product categories can help businesses set the level of expected future sales, as well as minimize the risk involved in launching new products.



Think Locally, Get Rid of Store Clusters

Retailers should reconsider allocating product based on loosely defined store clusters. Grouping stores by demographics and past sales performance and buying patterns was a helpful approach before store-level data became widely available. Research shows that store behavior actually varies greatly and changes often – especially as consumers become more and more discerning about what they'll buy and for how much.

No matter what their size, today's retailers have no excuse for relying on cluster-based, suboptimal allocations. Technology that's available on a variety of platforms and for almost any budget can help retailers seeking demand-driven, localized allocation recommendations for first-time products. Such systems are capable of monitoring how hundreds of thousands of individual stores and products behave, giving retailers invaluable insight that can drive improved allocation management at the store level.

Adopt a Push-to-Pull Strategy

Yesterday's retailers would blindly push products out to the market, crossing their fingers in hopes that consumers will buy them before they must slash prices. Retailers now use demand forecasts to ensure that there is a market for products they put into their stores – and that they will be purchased sooner rather than later.

For new products such as ever-changing fashion lines, retailers should use attribute-based demand profiles to push new products to stores. They can then switch to a pull strategy in which inventory levels are adjusted automatically according to actual consumption. Pull systems simply respond to consumer demand. Modern allocation solutions can help retailers bridge the gap between push and pull strategies, ensuring that product arrives at the location it needs to, when

the time is right. As a result, slow-moving products and lost sales are minimized while profit margins grow.

Hold Some Inventory Back

Understanding a product's anticipated lifecycle is key to optimizing allocations – especially for items that have short lifecycles. For example, some fashion items might have a six- to eight-week lifecycle. Oftentimes, the inventory arrives at the retailer's distribution center in just one delivery.

Although some sort of logic has been used in advance to determine which stores the product will have the best chance of selling at full price, retailers should give themselves some wiggle room. After all, allocation is not an exact science. When possible, retailers should employ a "hold-back" strategy. In a week or two, retailers will have some intelligence on how well their original allocation strategy is working. Holding some inventory back instead of pushing it all out to the market at once allows retailers to adjust future allocations for that product, taking into account shifts in consumer-buying and store-selling behaviors. Replenishing product based on demand is pertinent



since it's too costly to try to move it between stores after it's gone out. And, once stock is in the wrong place it's more likely to be marked down while other locations lose out on sales.

Make Allocation Management a Priority

It's apparent that allocation is an important part of the overall retail process. Companies that make good decisions when it comes to creating demand-driven, localized allocations, move from a push-to-pull strategy and hold some inventory back after their initial allocation will be better equipped to deal with today's unpredictable consumer and ever-changing retail environment.

JustEnough's advanced Allocation solution takes all of the guesswork out of allocating products to stores where they have the best chance of selling at the highest price. More than 500 of the world's leading brands leverage JustEnough's demand management solutions offered on the company's OnCloud, OnSite and OnMobile platforms. For more information, visit www.justenough.com or e-mail info@justenough.com.

About the Author



Malcolm Buxton is president and chief executive officer of JustEnough Software, a leading provider of demand management solutions. Buxton brings more than 30 years of experiencing helping companies transform using technology. Under his leadership, JustEnough delivers a new generation of technology that solves the

analytical, planning and execution challenges of today's retail and consumer products markets.



www.JustEnough.com

info@JustEnough.com

About JustEnough

Founded in 1994, JustEnough is a global leader in Demand Management solutions. JustEnough services more than 500 of the world's leading brands including Allocation and Replenishment of inventory at **Kenneth Cole**, Merchandise and Assortment Planning at **Levi Strauss**, Sales Forecasting at **Kraft Foods**, Inventory Planning for **IDS Group (Li & Fung)** and **Nissan**, and Mobile Sales Force Automation at **SAB Miller**, **Cadbury** and **Heineken**.

OnCloud, **OnSite** and **OnMobile**, JustEnough's Demand Management solutions help retailers, distributors and brand owners to forecast their customer demand, plan their assortments, allocations and inventory, shape their demand and then execute on those plans. JustEnough is headquartered in the United States with offices worldwide. Learn more at www.justenough.com.