

Creating Assortments That Impact the Bottom Line

JustEnough Offers 3 Strategies to Help Retailers Drive Sales, Increase Margins and Satisfy Customers

By Peter Leith

The saying, “you can’t please everyone,” does not stop today’s retailers from trying to do just that. But consumers are not making it easy. Increasing emphasis on customer centricity has affected a retailer’s ability to plan effective and profitable assortments like never before. Point-of-sale data shows that shopper preferences vary greatly from region to region and even at the store level. Additionally, today’s consumer is more demanding – not only do shoppers want and expect their favorite stores to have exactly what they’re looking for in stock, they also want a wide selection to choose from. Equipped with mobile devices and wireless Internet, customers know exactly what products are stocked on a retailer’s store shelves before they even walk into the store.

As such, retailers must plan their assortments right from the start – especially because they drive the business for months or even full seasons at a time. That means finding the balance between the assortment’s width – the number of products within a category – and its depth, which is defined as the number of units for each one of those products. Failing to do so typically results in one of two problems: either the assortment is too narrow and doesn’t offer the range of products consumers expect, or the assortment is too broad. If it’s the latter, the retailer runs the risk of product obsolescence and paying the ultimate price in the form of markdowns. Having to slash prices can have a significantly negative impact on margins.

So, how can retailers plan their assortments so that their products sell at full price in order to maximize margins? JustEnough Software, a leader in providing demand management solutions to retailers, distributors and brand owners worldwide, recommends three strategies to help retailers plan effective assortments without overspending on inventory:

- **Keep customers coming back for more.** The number-one rule in retail is to ensure that shoppers can



find what they want on the store shelves – down to the attribute level, such as size or color. Planning assortments that are wide enough and deep enough to meet local customer preferences is the goal of every retailer. In order to accomplish this, they must know who their shoppers are by store or store grouping. Although many retailers have a solid understanding of their customer base, they have trouble articulating that in their plans despite access to point-of-sale and historical sales data.

Oftentimes, this challenge is due to limited technology. Trying to plan store-specific assortments with numerous inputs – such as productivity, number of stores, store grades and budgets – using Microsoft Excel or antiquated systems will always provide subpar results. Does one store group focus more on product range, while another group focuses more on product depth? Or, does the retailer know which stores in particular need to keep a fresh mix of inventory on hand or more products in one category over another? These are questions that can only be answered when the retailer has lower-level visibility into its customers’ buying behaviors. Advanced technology today can help the company develop and implement lower-level assortment planning strategies that balance the width and depth of the product selection. As a result, even the most demanding shoppers will find what they want, when they want it.

- **Stick to the budget.** Before the economic downturn in 2008 and 2009, many retailers prescribed to a model in which their buyers had full control over the assortment planning process. That’s because consumer spending was at its peak. But today’s discerning shoppers are on the hunt for products at low prices. As such, retailers can’t afford to let their buyers purchase whatever they want without considering the impact their decisions might have on the bottom line.

This shift in control over the assortment planning process gives buyers a target. They now know how much inventory they can purchase in each category. This relatively new approach ensures that everyone within the organization – including the buyer – is working from one cohesive plan that meets the company's financial targets. Of course, retailers still need to make sure their customers are happy with the selection of inventory available in their stores. That's where technology comes into play: advanced planning solutions can help retailers better understand which category is delivering the highest margins, where they're seeing the best turns on their products, as well as which categories have the fewest markdowns.

- **Think about store sizes and layouts.** One size doesn't fit all when it comes to configuring the assortment plan to accommodate varying store sizes, formats and fixtures. A retailer may want to stock 30 different styles of denim in its stores. If one location only has room for 10 styles, shoppers may be overwhelmed

by the amount of inventory crammed into a small space. That alone could turn potential customers away and lead to lost sales. Therefore, marrying the space plan to the assortment plan is critical.

Typically, space planning is done at the category level while assortment planning is done separately. Retailers that want to truly maximize their space and assortment plans to ensure customers can find exactly what they want on the store shelves must balance the width and depth of their assortments based on consumer demand, and then integrate that with their space plans. The result? A better, more efficient customer shopping experience that will drive higher sales, reduce markdowns and increase margins.

Retailers that adopt these strategies to optimize the width and depth of their assortments, work from one plan that keeps financial targets at the forefront and remember to integrate their assortment plans with space plans will not only maximize sales and margins, but they'll also provide their loyal customers with a positive shopping experience. As such, they'll prove that it is possible to please everyone all of the time.

Check out JustEnough Assortment Planning to help simplify the assortment planning process. JustEnough's advanced planning solution guides leading retailers through the assortment process – from analysis to execution – ensuring they create assortments that are both appealing and profitable. For more information, visit www.justenough.com today.

About the Author



Peter Leith is JustEnough's director of professional services, retail planning and execution. Leith joined the company in 2005 and has supported a number of successful implementations at leading retailers, including Blain's Farm and Fleet, Levi Strauss USA, Strandbags and Go Outdoors. In this role, Leith is responsible for leading JustEnough's Center of Expertise for Retail Planning solutions.



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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.