

Retail Systems

in association with



THE MERCHANDISE PLANNING CHALLENGE

How are retailers
harnessing technology
to optimise planning
and retain customers?



INTRODUCTION & METHODOLOGY

METHODOLOGY

Retail Systems and Board surveyed 100 retail decision makers in the UK and EMEA across merchandising, supply chain, finance and IT to assess the role of technology in merchandise planning. The results offer a representative snapshot of the key challenges and drivers for retailers as they look to optimise planning processes, improve supply chain management, and meet ESG compliance targets.

INTRODUCTION

Amidst a backdrop of supply chain disruption, evolving market conditions, changing consumer expectations, and an uncertain macro-economic landscape, ensuring products are available in the right place at the right time, all whilst achieving visibility across supply chain and planning, can be a heavy burden for retailers. Meanwhile, as rising inflation, soaring energy prices, and the cost-of-living crisis wreaks havoc on society, merchants must go above and beyond to safeguard brand loyalty and adapt their approach to support those struggling with financial difficulty.

At the same time, retailers are operating in an environment in which they are expected to be more reactive than ever before, whilst also keeping up with market trends, meeting ESG targets, and retaining customers to maintain market growth during times of disruption, which can seem like an impossible feat.

These ongoing pressures have forced merchandise planning into the spotlight, with many retailers looking towards the latest intelligent planning technologies to optimise merchandising teams' efforts and deliver a seamless consumer experience, even when the journey ahead is uncertain.

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1. WHICH SECTOR OF THE RETAIL INDUSTRY DO YOU WORK IN?

(Select one option)



1%

Convenience store



2%

Digital-only specialist store



10%

Department store



11%

Online marketplace



11%

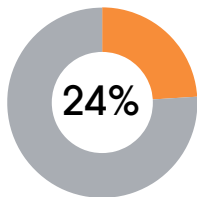
Grocery/supermarket



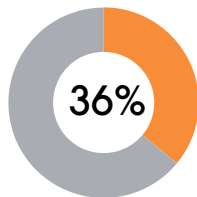
64%

Specialist store
(i.e. fashion, electrical goods, DIY)

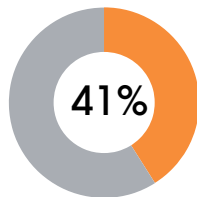
2. WHICH OF THE FOLLOWING AREAS ARE CURRENTLY A CHALLENGE FOR YOUR ORGANISATION? (Select top three)



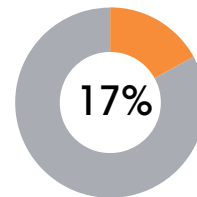
Cost of living/energy crisis



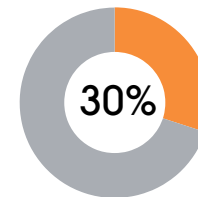
Investment strategy change



Meeting ESG requirements/
compliance



Pricing and rate changes



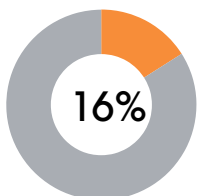
Shortage of financial
resources/cashflow pressures

The results reveal that supply chain disruption is a key challenge for organisations, with the highest number of respondents –over two-fifths– selecting off-shore manufacturing changes and re-shoring manufacturing costs as a top concern. External pressures, such as the coronavirus pandemic, Brexit, the Ukraine-Russia conflict, and rising costs are having a significant impact on all areas of the supply chain, including manufacturing, with some retailers choosing to source and manufacture goods closer to home to avoid rising transport costs and delays.

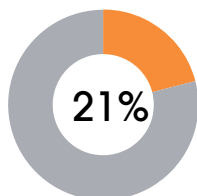
Financial pressures were also highlighted as a top-three challenge for retailers, with just under a quarter citing the cost-of-living crisis and nearly a third saying that a shortage of financial resources is currently an issue for their organisation. The result is unsurprising as retailers are forced to either take on higher costs or pass them on to their customers, many of whom are struggling financially. These growing pressures could be driving the nearly two-fifths of respondents who say that investment strategy change is a pressure. Many retailers are moving investment to other areas of the business to support struggling

customers, while others are cutting down on investments to save costs.

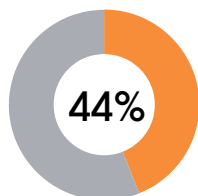
With retailers and their partners facing ever-growing pressure from consumers, policymakers and the boardroom to meet sustainability targets, it is no wonder that ESG requirements and compliance is high on the agenda for many brands. The results show that two-fifths are struggling to meet these goals, suggesting that some retailers could be failing to successfully integrate ESG compliance and performance into their wider modern merchandise planning.



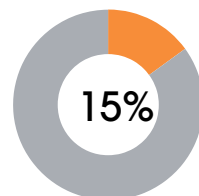
Market shrinkage (due to pandemic, geopolitics or economic uncertainty)



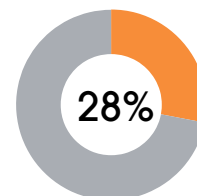
Supply chain



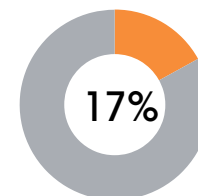
Off-shore manufacturing changes/re-shoring manufacturing challenges/costs



Organisation change



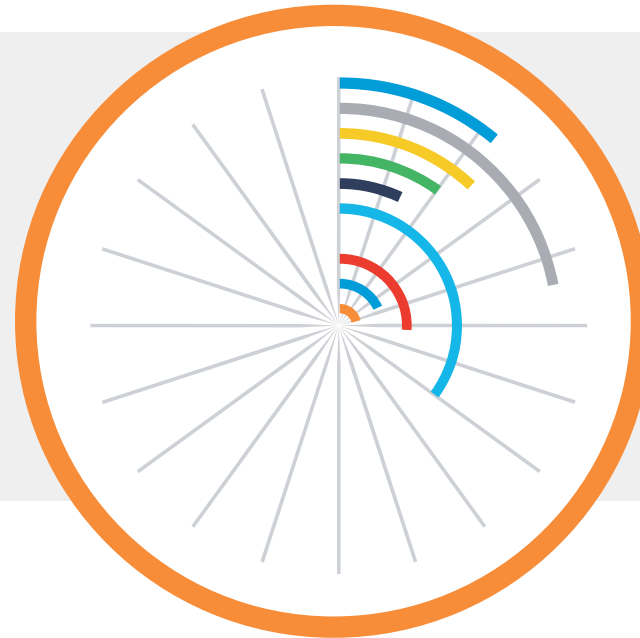
Staffing



Legacy planning methods

3. WHAT STRATEGIES IS YOUR ORGANISATION ROLLING OUT TO RETAIN CUSTOMERS AND MAINTAIN BRAND LOYALTY DURING THE COST-OF-LIVING CRISIS?

(Select all that apply)



Of all the methods being used to safeguard brand loyalty, investing more in marketing to ensure the business continues to have a strong market presence was chosen by the highest number of respondents. As customers look to reduce spending, retailers must make sure they maximise their visibility so that when consumers do make the decision to buy, they choose them.

Another popular strategy being rolled out to support customers and maintain loyalty during the cost-of-living crisis is creating new schemes and initiatives to diversify sales channels. Just under two fifths of respondents – a combined 39 per cent – are either maintaining prices, minimising price increases, or introducing new or more frequent promotions markdowns. Further to this, some retailers – just over a fifth – will launch new, more affordable services like take back, resale, and rental to help alleviate the pressure of rising costs and retain customers.

- 21% ■ Maintain prices/minimising price increases
- 18% ■ Introduce new/more frequent promotions markdowns
- 26% ■ Introduce consumer facing loyalty, referral, subscription or payment-plan programmes
- 0% ■ Introduce additional e-comms/phone-app functions e.g. click/collect, pre-order, pay-later, credit card
- 35% ■ Increase marketing/advertising spend for market presence
- 7% ■ Invest in new technologies to impress (e.g. virtual shows/try-ons, digital experiences/content)
- 10% ■ Foster Brand Community through social hybrid on-offline engagements
- 12% ■ Launch new lines/products (e.g. sustainable capsule, own-brand, basics/budget lines)
- 22% ■ Launch new services (e.g. take back/resale/rental)
- 11% ■ Sustainability/ESG campaigns communication overhaul

4. HOW ADVANCED IS YOUR ORGANISATION IN ACHIEVING VISIBILITY ACROSS ITS SUPPLY CHAIN AND PLANNING? *(Select one option)*



15%

We have full end-to-end visibility across our supply chain and planning functions



16%

We have made progress in achieving visibility but have some way to go



18%

We have nearly completed our journey to achieving end-to-end visibility



19%

We have no visibility across the business



31%

We have limited visibility across the business

The results show that while some retailers are on their way to achieving visibility across the supply chain and planning, many still have a long way to go.

A combined half of respondents said that they either have limited visibility across their business or have no visibility at all, demonstrating that some brands are missing out on the benefits of an intelligent planning platform that can help strengthen the function across a range of areas including supply chain, merchandising, and

replenishment. This result could also shed some light on why two-fifths of retailers are struggling to meet their ESG compliance targets; without visibility across the supply chain, especially for retailers who have international operations, it is difficult to monitor and improve areas such as sustainability and working conditions.

Encouragingly, just under half have started their journey towards achieving full visibility across supply chain and planning, with around a third saying that they have either nearly completed that

journey or already have end-to-end visibility, suggesting that transparency is a priority for many retailers.

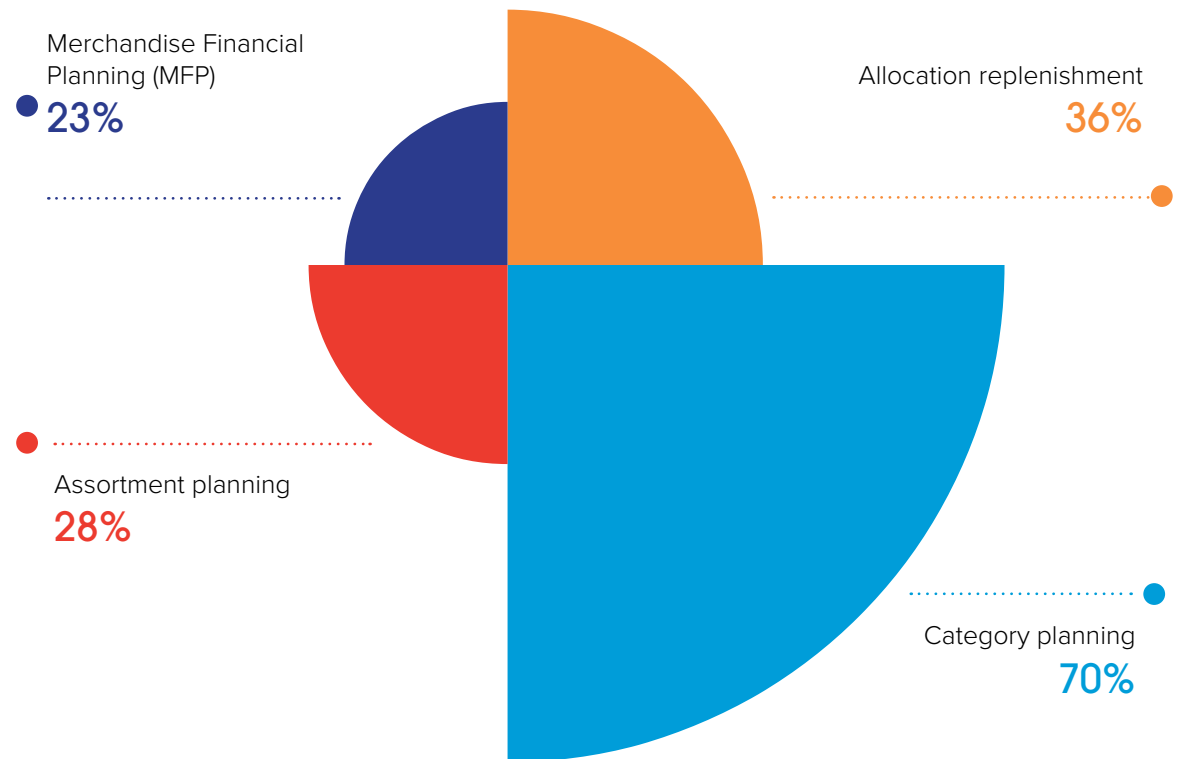
“Supply chain visibility today extends beyond the managed enterprise, to include insights and information from the wider supply chain ecosystem, enabling predictive, responsive and intelligent planning decisions to be made, with greater confidence,” says Dave Food, Head of Supply Chain, Board.

The results show a clear preference for category planning as a route to achieving visibility across merchandising, with the vast majority –almost two-thirds– choosing this option. Given that this method can help provide retailers with an improved understanding of the market whilst adding value to the business, this result is unsurprising. Allocation replenishment is also an important strategy for just over a third of respondents when it comes to creating a more visible merchandising journey.

Less than a quarter felt that financial planning is a priority for achieving visibility within the merchandising journey, suggesting that retailers are more focussed on gaining value through planning product movement and categories than mapping financial targets.

5. WHICH OF THE FOLLOWING ARE A CURRENT PRIORITY FOR ACHIEVING VISIBILITY WITHIN THE MERCHANDISING JOURNEY?

(Select all that apply)



6. HOW IS YOUR ORGANISATION ADDRESSING THE GROWING PRESSURE FROM CUSTOMERS AND REGULATORS TO BECOME ESG COMPLIANT? *(Select all that apply)*

The report reveals that overall, retailers are focussing on the sustainability element of ESG, with only 10 per cent implementing diversity and inclusion through recruitment, training, reporting, and HR policies and less than 20 per cent upweighting compliance team criteria for measurements and requirements.

Just under a quarter said they are switching to renewable energy across the business to help become ESG compliant, with the same number of respondents saying they have applied for

relevant third-party certifications as part of meeting targets. A further fifth said that they are currently evaluating their existing suppliers' working conditions and environmental practice.

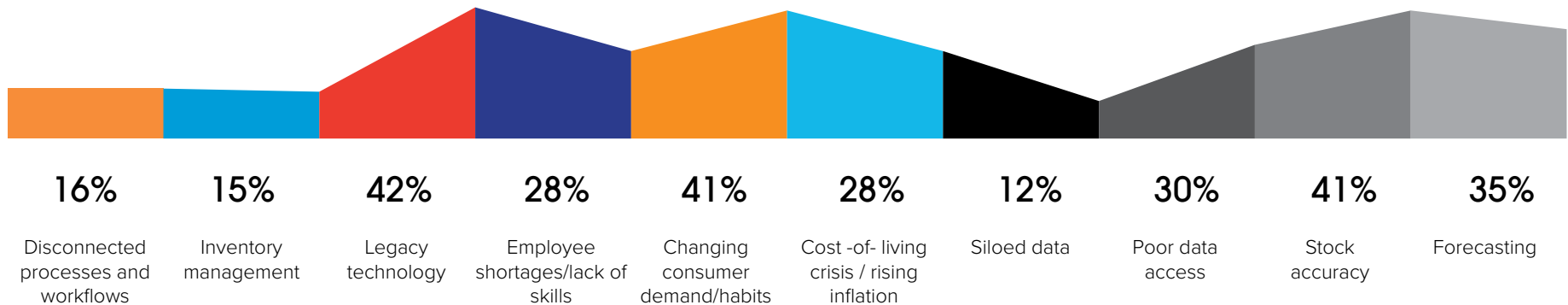
Although innovative technologies like modern intelligent planning systems have the ability to provide 360-degree supply chain visibility, whilst also monitoring sustainability targets, none of those surveyed are investing in new technology to help ensure they meet ESG regulatory standards.

“Setting our 360 Sustainability Brand Vision and values clearly has enabled DEPLOY to grow and evolve with our worldwide customers and partners, suppliers and team through peaks and troughs. Certifying as one of the world’s highest scoring B-Corps further authenticates DEPLOY as a true, pioneering leader for the sustainable fashion future,” says Dr. B.Pan, Founder & Chief Creative Officer, DEPLOY.



7. WHAT ARE THE TOP CHALLENGES FOR YOUR BUSINESS WHEN IT COMES TO PLANNING PROCESSES?

(Select top three)



The number one barrier to achieving a successful planning strategy is legacy technology, with over two-fifths highlighting this as a current obstacle. With a similar number of respondents identifying both evolving customer demands and stock accuracy as top-three challenges, it is clear that some retailers have not yet rolled out successful planning technology which can help keep up with changing demand and demonstrate a true reflection of stock levels.

Nearly the same number of respondents as those who highlighted the cost-of-living crisis as a general challenge for their organisation – just over a quarter – also flagged this as a top-three concern when it comes to planning. With consumer behaviour and spending habits more difficult to predict in times of financial hardship, coupled with nearly a third of retailers struggling with a lack of skills and employee shortages, the knock-on effect for merchandise planning can be significant without the right technology, people, and systems in place.

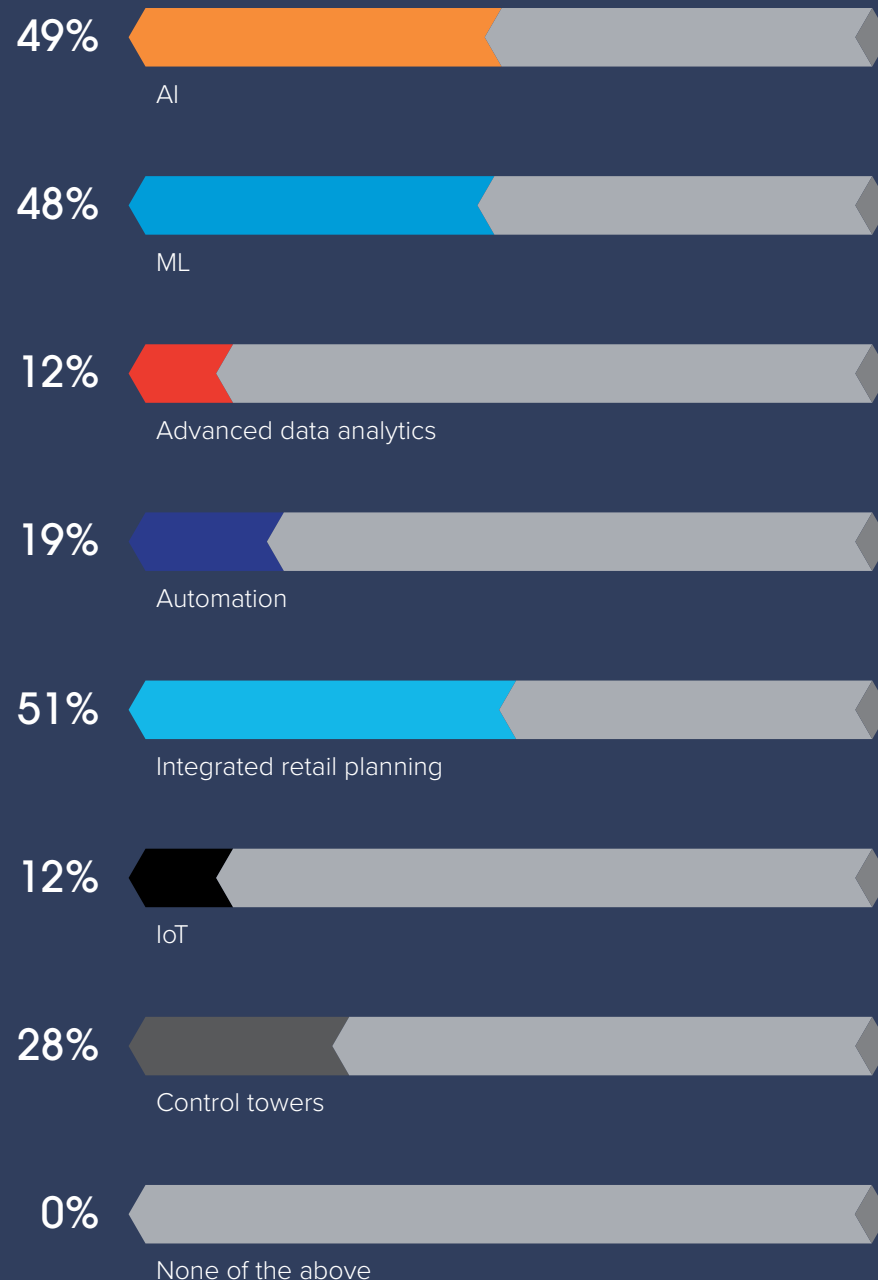
Data is crucial to predicting future outcomes, particularly during times of disruption. With a combined 42 per cent highlighting siloed data and poor data access as a hindrance for the planning process, combined with legacy technology being a top-three challenge for many retailers, it is no surprise that a further third of respondents are struggling with forecasting.

8. WHICH OF THE FOLLOWING TECHNOLOGIES IS YOUR ORGANISATION CURRENTLY UTILISING AS PART OF ITS PLANNING STRATEGY?

(Select all that apply)

Coupled with earlier results which show that nearly a third of retailers have limited process visibility, the results show that the majority of respondents' organisations—just over half—are looking to achieve visibility through integrated retail planning. Just under half are harnessing AI and ML as part of their merchandise planning strategy – for many, this will require integration into existing legacy systems.

Just over a quarter of respondents have rolled out a control tower to help improve visibility, control and decision-making, meaning that the vast majority—over 70 per cent—are missing out on technology that can provide visibility across the entire supply chain and monitor every process, deliver access to real-time data to identify critical issues, and enable retailers to play out scenario and what-if analyses for different circumstances.



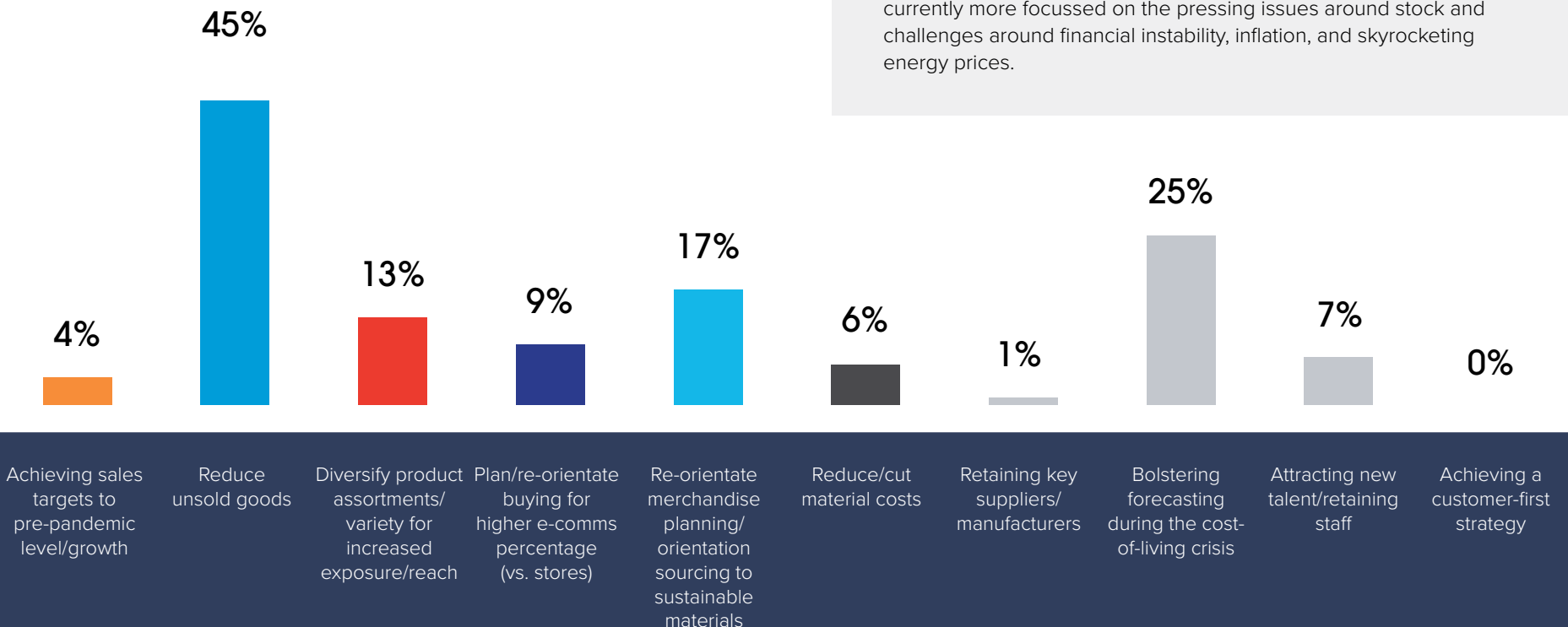
9. WHAT ARE YOUR MOST IMPORTANT PRIORITIES FOR MERCHANDISING OVER THE NEXT 12 MONTHS?

(Select all that apply)

The number one priority for merchandising over the next year is reducing the number of unsold goods, with just under half selecting this as a main concern. With the cost-of-living crisis impacting buying habits and driving retailers to cut costs, alongside the potential for retailers to face backlash from consumers if they are caught throwing away products or destroying goods, it's no surprise that this is currently a top concern for companies.

Unsurprisingly, the second most important consideration for merchandising over the coming 12-months is improving forecasting during the cost-of-living crisis. After only just recovering from the pandemic, retailers are likely keen to bolster their forecasting strategy to maintain a level of consistency and reactivity during this disruptive period, whilst also avoiding mistakes that may have been made over the past few years.

With none of the respondents identifying achieving a customer-first strategy as a priority for merchandising, it is clear that retailers are currently more focussed on the pressing issues around stock and challenges around financial instability, inflation, and skyrocketing energy prices.



10. DO YOU THINK THERE IS ROOM FOR IMPROVEMENT IN HOW RETAILERS COULD USE TECHNOLOGY TO INFLUENCE MERCHANDISE PLANNING AND DRIVE BUSINESS STRATEGY?

(Select one option)

The vast majority of respondents – a combined 90 per cent – feel that on some level there is room for improvement when it comes to using technology to drive merchandise planning and business strategy, while only five per cent felt that retailers are already optimising technology when it comes to merchandise planning and driving business strategy.

With nearly two-fifths saying a complete overhaul is needed and just under a quarter saying there is a lot of room for improvement, coupled with results from earlier in the report which highlight challenges associated with legacy technology, it is clear that most retailers are not maximising the value of innovative tech to transform their merchandise planning. Retailers are missing out on the many advantages of rolling out a successful intelligent planning platform, including better aligning of consumers to planning, maximising insights, and gaining visibility which can transform operations and the customer experience.



- 39% Yes, a complete overhaul is needed
- 23% Yes, a lot of room for improvement
- 28% Yes, a little room for improvement
- 5% No room for improvement
- 4% Don't know

CONCLUSION

The research shows that while some retailers are harnessing technology to optimise planning and retain customers during the cost-of-living crisis, many retailers still have a long way to go.

Half of respondents—for example—still have limited or no visibility across their supply chains. Retailers would likely benefit from an intelligent planning platform which can help strengthen the planning function across a range of areas, including the supply chain, merchandising, and replenishment.

The report demonstrates that some of the key barriers to achieving a successful planning process revolve around the roll out of technology and the cost-of-living crisis. The top obstacle is legacy technology, which is likely why over two fifths of brands are finding stock accuracy and identifying evolving customer demands challenging. Unsurprisingly, the impact of the cost-of-living crisis was also identified as a top-three planning challenge for nearly a third of respondents.

With data crucial to forecasting and the merchandising function, particularly during a time of disruption, naturally poor data access was flagged as another obstacle to achieving a successful planning strategy.

To maintain brand loyalty during the cost-of-living crisis, the majority of retailers are spending more money on marketing to maintain a strong market presence. As inflation soars and customers look to minimise spending, retailers must ensure they

maximise visibility so that when consumers do shop, they're shopping with them. Another method some retailers are rolling out to support and maintain customers is creating new schemes and initiatives to diversify their sales channels and help support those that might be facing financial pressures.

Despite many retailers failing to roll out seamless planning strategies due to a lack of modern technology, just under half are using AI and ML as part of their planning strategy, revealing that optimising the value of new insights for planning is a key priority for nearly 50 per cent of retailers.

The report reveals that overall, retailers are focussing on the sustainability element of ESG, with only 10 per cent implementing diversity and inclusion through recruitment, training, reporting, and HR policies and less than 20 per cent upweighting compliance team criteria for measurements and requirements.

Just under a quarter said they are switching to renewable energy across the business to help become ESG compliant, with the same number of respondents saying they have applied for relevant third-party certifications as part of meeting targets.

Overall, the results show that while retailers are exploring new methods to support and retain customers, many are failing to roll out the right technologies to create a seamless merchandising journey.



A MESSAGE FROM OUR SPONSOR

This survey delivers clear and compelling priorities for transforming merchandising planning processes in 2023 and beyond. Key findings:

Consumer shifts and profitability are top priorities:

Retail planning can best be described as operating with increasing uncertainty, with nearly half of the respondents citing shifts in consumer demand and cost-of-goods sold as the top challenges.

ESG matters:

41 per cent surveyed felt ESG was a top priority going forward. ESG compliance and performance will be an integral part of modern merchandise planning.

Legacy Merchandising hurts:

42 per cent of respondents identify legacy technology as a problem with over half of the retailers having planning technology that requires a complete overhaul or has room for improvement. Similarly, 50 per cent of respondents are using

AI/ML in merchandise planning which will require integration into legacy systems.

Visibility through integration:

A third of retailers surveyed have limited process visibility with 51 per cent prioritising integrated planning to help improve operations.

Intelligent planning:

The survey highlights the impact intelligent planning can add to merchandising planning in both the short term and long term:

1. **Hone profitability** – better align your customer to the plan; focus assortments, better availability, and offers.
2. **Build resilience** – broaden scenario planning, dial-up automation, maximise value of new insights and optimisation from AI/ML.
3. **New ways of planning** – systemic visibility and collaboration will define best-in-class merchandise planning teams.

ABOUT BOARD

Board's Intelligent Planning Platform delivers solutions that help over 2,000 organisations worldwide plan smarter — enabling actionable insights and better outcomes. Board helps leading enterprises discover crucial insights which drive business decisions and unify strategy, finance and operations through more integrated and intelligent planning to achieve full control of performance. Partnering with Board, global enterprises such as H&M, BASF, Burberry, Toyota, Coca-Cola, KPMG, and HSBC have digitally transformed their planning processes.

Founded in 1994, and now with 25 offices worldwide, Board International is recognised by leading analysts including BARC, Gartner, and IDC.



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