



# Retail Planning Excellence

Driving Business Outcomes

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Planning is critical to retail operations. Good planning often leads to tremendous success as well as risk avoidance for businesses. Retailers that engage in planning, especially long- and short-term growth plans, are more likely to be successful. Retailers that leverage holistic planning capabilities that integrate multiple swimlanes of planning find that results reinforce each other, enabling not only multilayered success across different planning goals, but also reducing costs through consolidation of data and metrics.

Effective retail planning has become very complicated due to market challenges, data proliferation, misguided retail objectives, and orchestration technology challenges. Planning complications translate into reduced return on investment, reduced productivity from planning activities, and the introduction of errors and adverse consequences.

Efficient retail planning processes must consider both resilience and continuous alignment across planning activities to be effective. Effective planning has only one objective — better business outcomes.

To accomplish this, retailers must employ intelligent retail techniques. These techniques can use a decision-making framework that leads to more effective outcomes, leveraging data, AI, decisions, and outcomes. The highest-impact use cases for intelligent retail require planning transformation. Such transformation can only occur through effective orchestration that enables retailers to plan with agility and flexibility as well as through unified planning where all aspects of planning synchronize with reality.

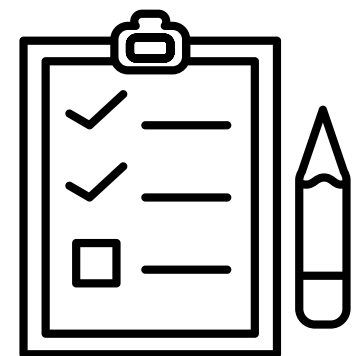


# 99.6%

of retailers have implemented some form of planning tools.



# Retailers Have a Vested Interest in Planning



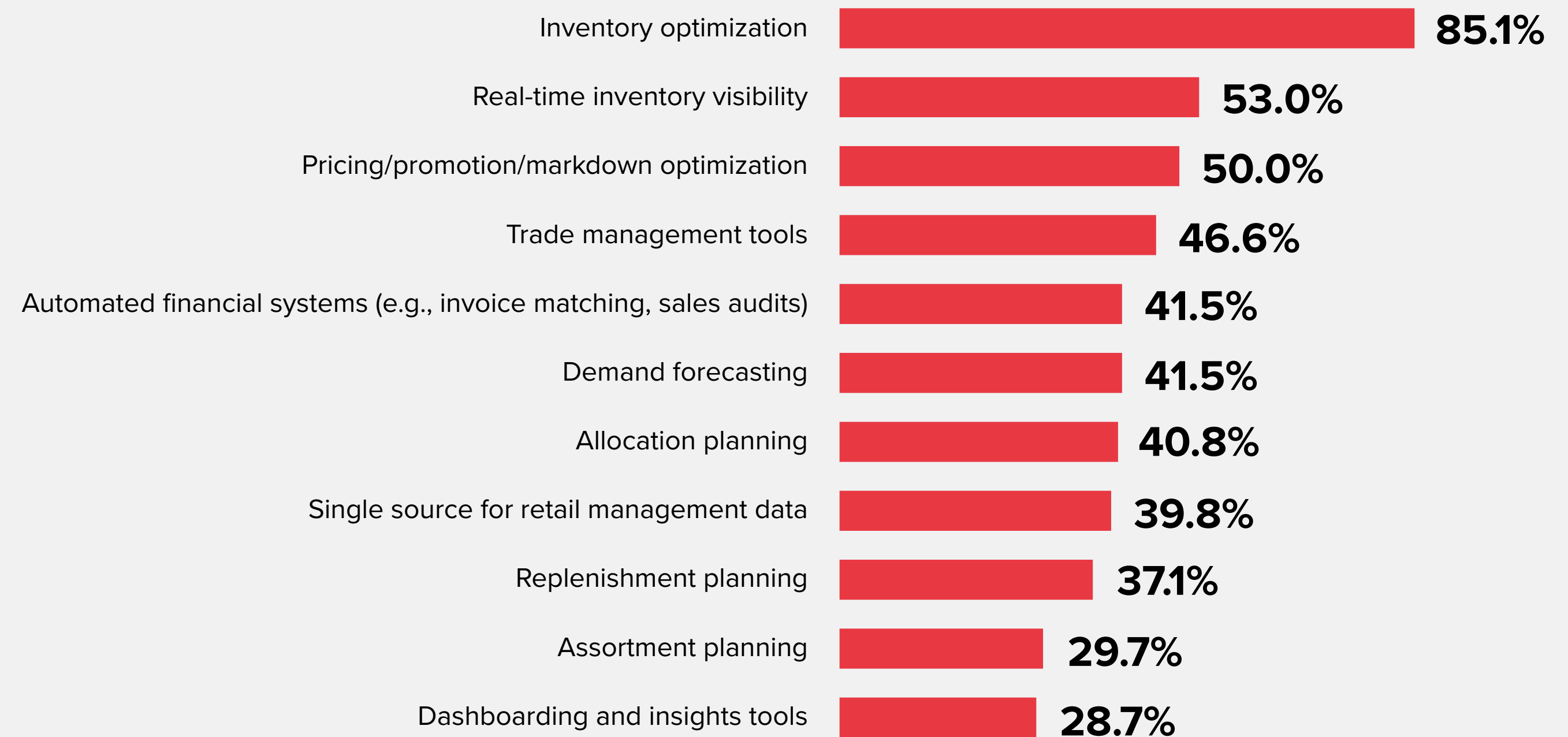
Key planning initiatives start with inventory management, with over 85% of retailers driving inventory optimization efforts.

Inventory is followed by pricing, trade management, and financial systems critical to retail success.

Over 40% of retailers also engage with demand forecasting and allocation planning initiatives.

Data, replenishment, and assortment planning initiatives are next on their current agendas.

## Retail Planning and Merchandising Initiatives



# The Amplitude of Change

## Complexity producers



Macro, industry, and organizational level change constantly pushes complexity of decision making, while technology simplifies the operational and financial impacts of change.

## Technology simplifiers

### Software

- Merchandise planning
- Assortment planning
- Allocation
- Demand forecasting

### Automation/AI/ML

- Intelligent retail
- Intelligent planning
- Greater agility

### Cloud/SaaS/edge

- Scalability
- 24 x 7 access
- Headcount/cost reduction

### Data connectivity/integration

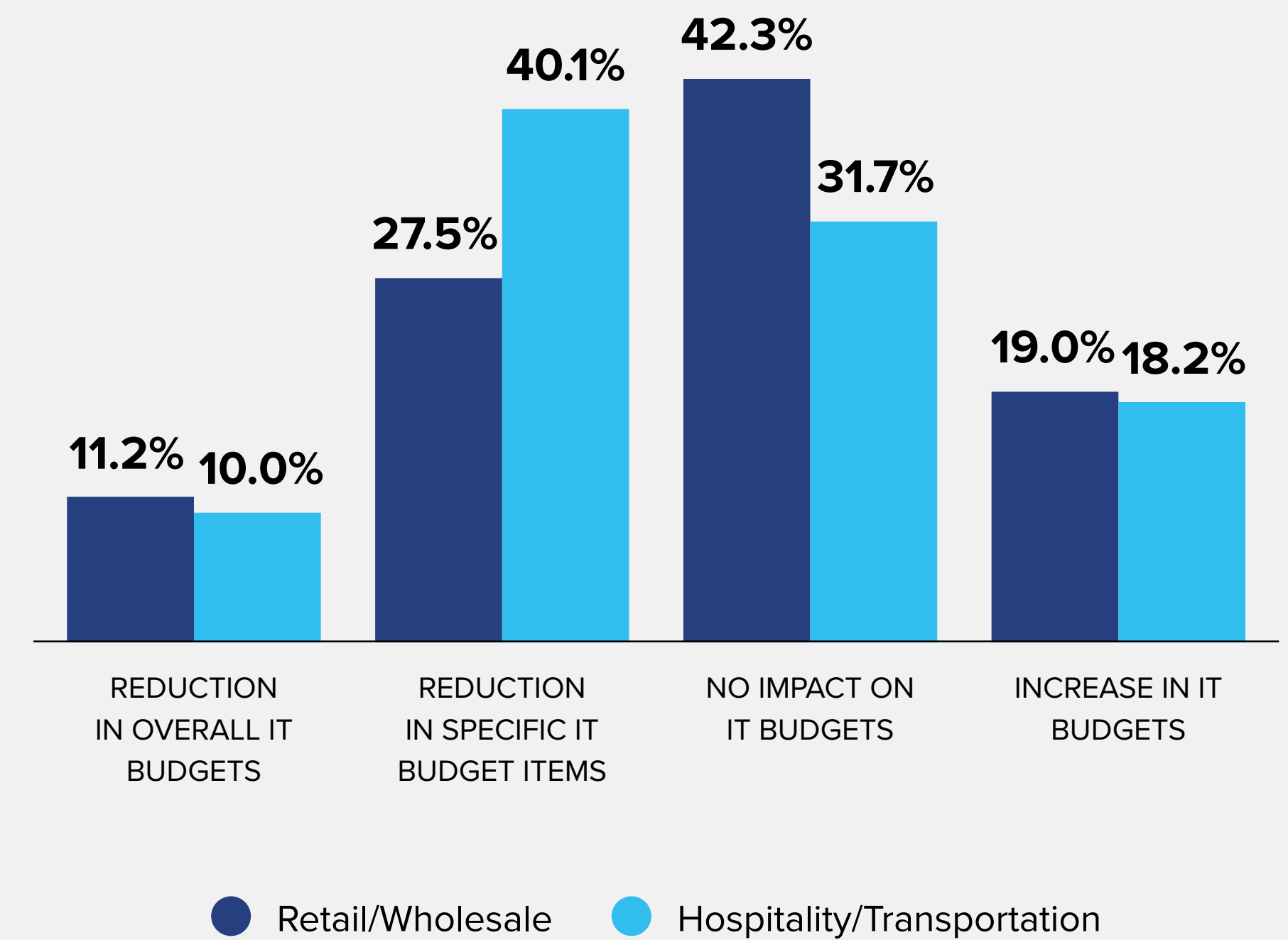
- Converge inventory, order and customer data
- SC planning visibility
- Proactive, real-time system response and agility

# Macroeconomic Challenges Force Retailers to Power Through Complexity

Planning has become ever more challenging. Key metrics such as accuracy and data fidelity have been compromised. Adding to the challenges, a recession is looming on the horizon. Despite this, only a third of retailers expect to reduce IT budgets.



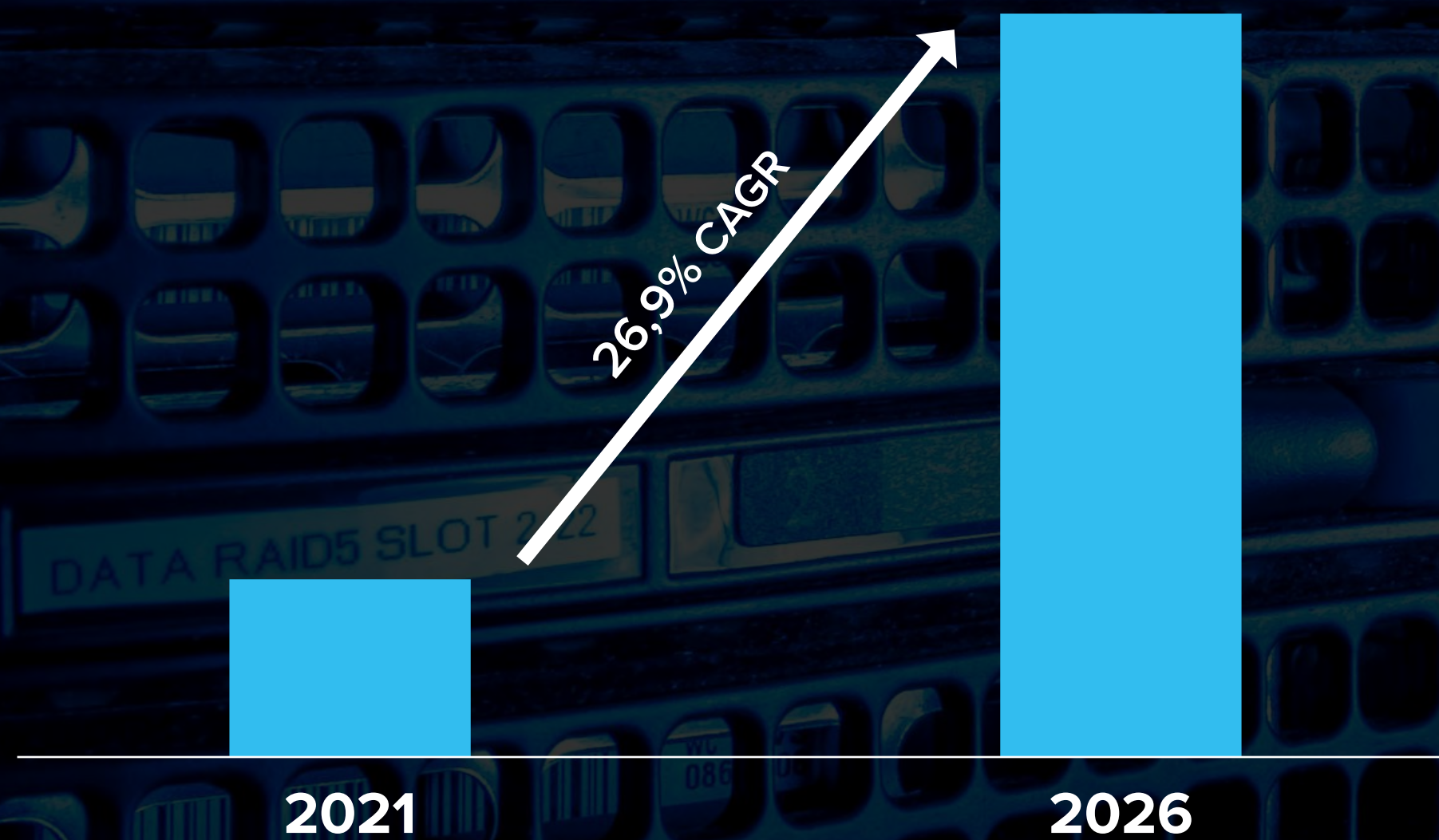
## How do you think a recession in 2023 would impact your organization's IT budgets?



# Data Proliferation Challenges Make Planning Technology a Necessity

Planning across an almost infinite amount of data points and parameters is a challenge. Retail generates the most data, after media.

- Retail generated more than 4,000 exabytes of data in 2022.
- CAGR will be 26.9% from 2021 to 2026.



- 1,045 million stores in the U.S.
- ~7 million stores worldwide
- SKU counts range from 5,000 to 150,000 across PIMs, CDPs, MDMs, and DAMs



- 302B miles of transport in the U.S., with bills of lading, routing, and warehousing



- The largest U.S. grocer, Kroger, generates over 5.6 billion in-store and online visits per year, each averaging 24,000 points of behavioral and demographic data



- ~\$5T in merchandise sales in the U.S.
- ~\$27T in merchandise sales worldwide

# Retail Focus and Orchestration Challenges Are Effect Multipliers

Retailers must plan early. Scenario planning in pre-season leads to in-season impacts. Effective, holistic orchestration across planning functions is critical to align with customer, market, and growth initiatives. Accurate, relevant, and timely demand planning multiply the impact of planning orchestration.

## Corporate Strategy

- Competitive
- Integrated business planning (IBP)

## Marketing

- Promotions
- Demand shaping

## Sales & Operational Planning

- Allocation
- Replenishment
- Trade promotions

## Space & Assortment Planning

- Ordering
- Allocation
- Planogramming

## Merchandise Financial Planning

- FP&A
- Sales estimation

## Price Optimization

- Base
- Promotion
- Markdown

## Inventory Management

- Procurement
- Buying/purchasing

## Capacity Planning

- Labor scheduling
- Operational budgets



## Pre-season

- MFP
- Base pricing
- Allocation
- Assortment selection
- Planogramming
- Budgets
- Buying

## In-season

- Promotions
- Marketing
- Demand shaping
- Capacity planning
- Replenishment
- Labor

## Clearance

- Sales revisions
- Markdowns
- Replenishment
- Liquidation

# Planning Has a Major Impact on the Business

Improved planning across just four key merchandise planning functions can yield immediate business improvement of up to 37% ROI plus improvements in customer satisfaction, productivity, asset usage, price conversion, basket sizes, and more.



## Demand planning/S&OP

~5%–10% in year 1

And ~20% ongoing ROI afterwards



## Assortment planning

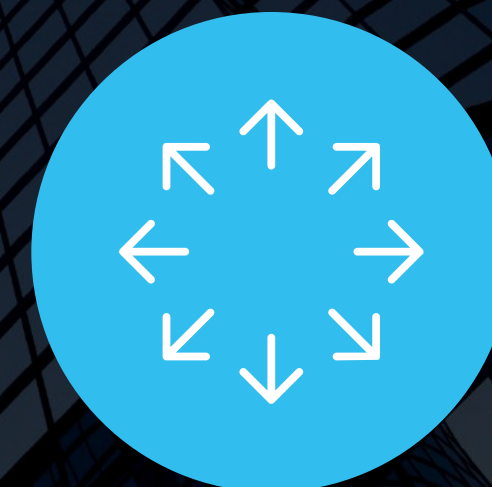
Up to ~8% on go-live



## Price optimization

Up to ~9% initially, depending on maturity and business model

Ongoing price optimization can lead to significant growth



## Capacity planning

Up to ~35% increase in CSAT scores

Up to ~20% increase in labor productivity



# Planning Has One Purpose — Improved Business Outcomes

While retailers must identify what kinds of outcomes they seek, all planning efforts must drive key outcomes, whether it's sell-through of inventory, increased profitability, or comp sales for the quarter. When planning does not achieve the target goals, the planning is flawed in process, data, or execution. The right course of action at such points is to check the planning process to ensure that the right data is used for decision making.

## Sample of tracking KPIs — for efficacy of demand forecasting



Forecast accuracy



Forecast versus actual



Forecast value added (FVA)



Historical deviation



Delisting counts



Pareto analysis of customer demand



Mean absolute percentage error (MAPE)

## Computing MAPE and FVA for forecasting efficiency

$$\text{Mean Absolute Percentage Error (MAPE)} = \text{ABS} \left[ \frac{\text{Actual Demand} - \text{Forecasted Demand}}{\text{Actual Demand}} \right]$$

$$\text{Forecast Value Added (FVA \%)} = \left[ \text{MAPE}_{\text{baseline}} - \text{MAPE}_{\text{current}} \right]$$

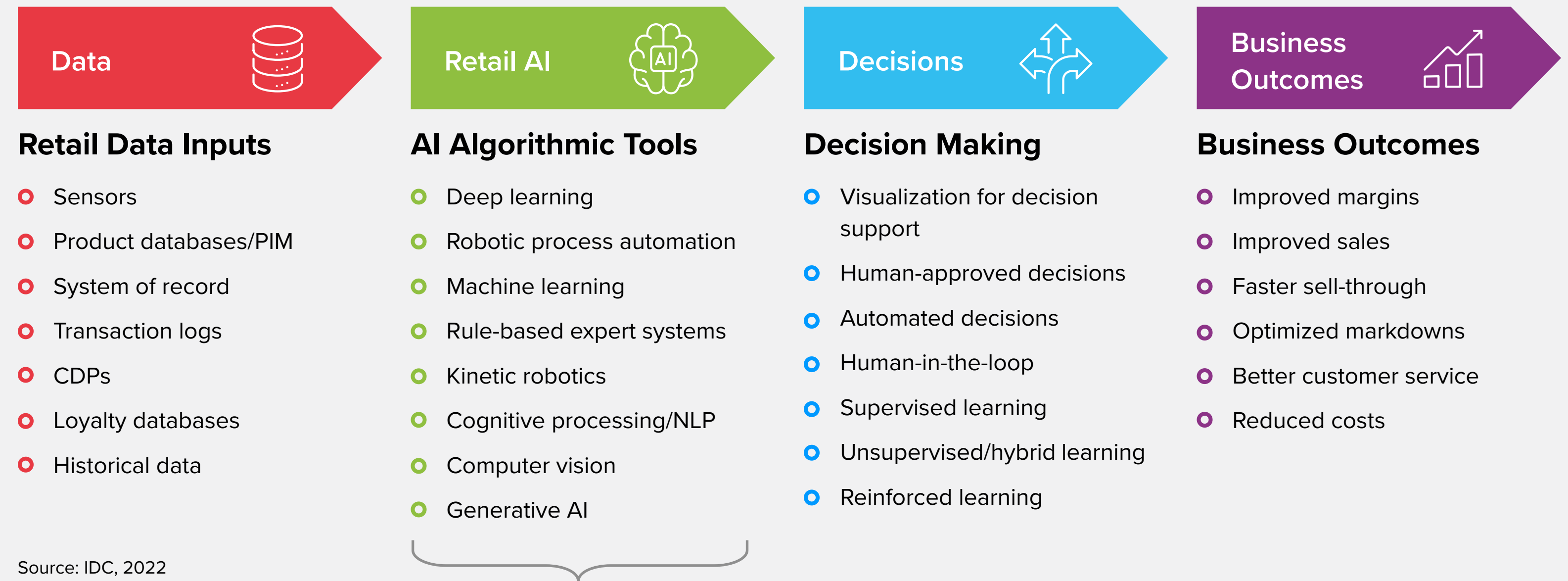
# Framework for Intelligent Retail Can Be Applied to Focus on Outcomes



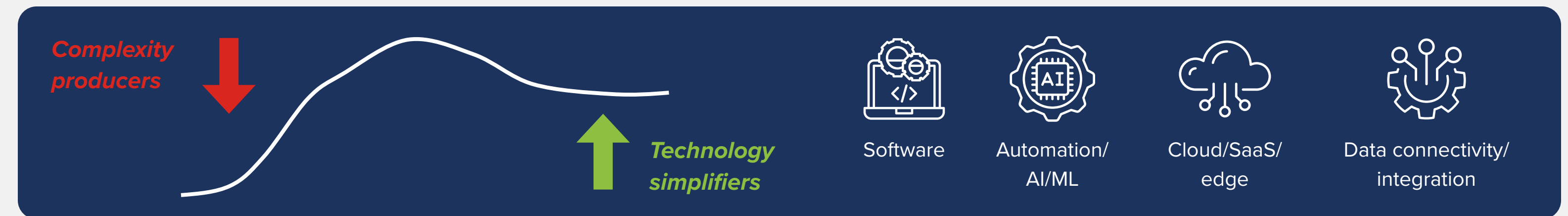
The right decision-making framework is critical to convert data into actual business outcomes. The intelligent retail framework provides a four-step process to visualize outcomes.

Technology simplifiers such as AI-driven merchandise planning, assortment planning, allocation and forecasting software enable easier, faster, and better decision making.

## Intelligent Retail Converts Data to Decisions

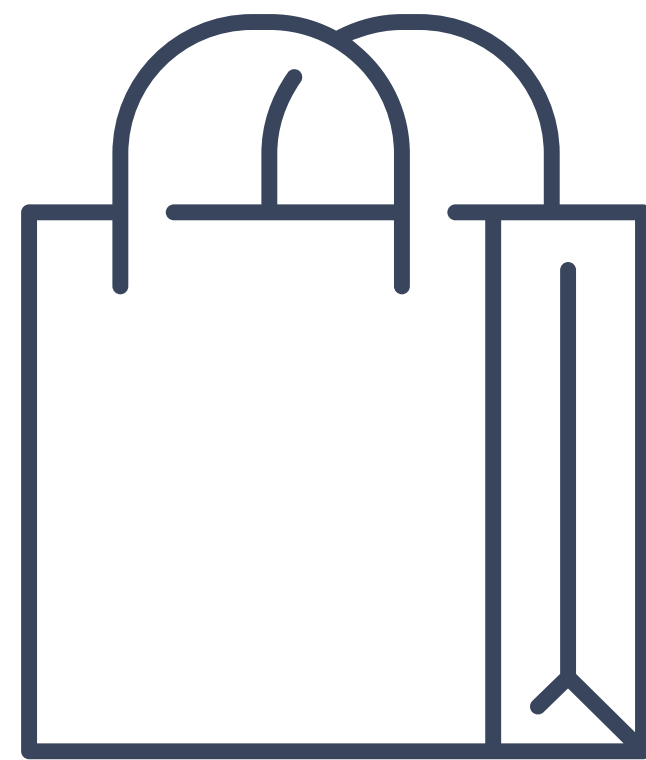


Source: IDC, 2022



### Application I

National fast-fashion chain



To achieve great things, two things are needed: a plan and not quite enough time.



Leonard Bernstein, composer



## Transforming From Spreadsheets to MFP Tools

- Limited planning in the past, with ad hoc buying and inventory purchases
- Seeking top-down, bottom-up WSSI planning pre-season with expected stock intake, shifting to adjustments in-season with OTB planning



### Objectives

- Planning capabilities for store-level planning
- Automated adjustment in-season for OTB
- More frequent review and updating of plan



### Challenges

- Planning tied up in spreadsheets
- Limited flexibility
- Limited scenario planning
- Increased risk



### Resolution

- Automated MFP solution and process
- Coordinated buying
- Faster, more efficient planning
- Reduced markdowns up to 10%

MFP tool enablement drives strong decision making and outcomes.

### Application II Regional grocer



**The goal of forecasting is not to predict the future but to tell you what you need to know in the present.**



Paul Saffo, Stanford professor



## Improving Demand Forecasting Accuracy

- Data sets tracked from historical demand data
- The data is updated to incorporate new inputs and current market conditions, leveraging AI/ML tools



### Objectives

- Accurate demand forecasting
- Scenario planning across consistent data



### Challenges

- Poor demand forecast accuracy
- Siloed data
- Decision making downstream



### Resolution

- Improved sales targets with higher revenue realized
- More accurate forecasting
- Reduced planning costs

**Improved demand forecasting enables logical decision changes across seasonal selling.**

### Application III

Global apparel and accessories chain



**The biggest lesson that I've learned is that fashion is this tightrope where you have to be consistent but inconsistent.**

Michael Kors, chief creative officer, MKH Ltd.



## Establishing an Assortment Planning Strategy

- Applied SKU rationalization to reduce SKU count from 35 SKUs in a key category
- Company drove new store clustering using AI to identify localized groupings of stores



### Objectives

- Profitability
- Increased store comp sales



### Challenges

- SKU rationalization
- Reset store clusters using AI tools
- Localization



### Resolution

- Localized to five key store clusters that were not intuitive, but AI/ML selected
- Increased revenues by 18%

**Optimization of assortment through intelligent retail tools drives clear decisions and KPIs.**

# Recommendations to Achieve Retail Planning Excellence



## Set your data house in order

Consolidate siloed data. Enable a single source of truth. Leverage a toolkit that integrates multiple data sources and a holistic view.



## Prepare a planning process and schedule

Initiate a WSSI tracking process. Establish both top-down and bottom-up store-based planning. Ensure your tools are flexible enough to simplify your processes.



## Stick to your plans

Incorporate contingency buying contracts. Build an OTB path that works for your budget. Automate planning and decision-making workflows.



## Measure your outcomes

Capture assortment trends and data. Enable smart indicators and KPIs. Ensure that your tools can measure, prioritize, automate, and scale with your business.



## Prioritize your focus

Leverage AI technology to automate and prioritize the most impactful seasonal planning changes. Focus on your most critical strategic goals, whether it's sell-through or profitability.

# Message from the Sponsor

“At Board, we understand the unique challenges faced by retailers today. That’s why our retail solutions are tailored to your specific needs and objectives, harnessing the power of intelligent planning to drive transformation across core retail activities. We collaborate closely with you, gaining deep insights into your existing systems, seamlessly integrating data sources, and developing robust processes that deliver continuous value. Our dedicated team provide unwavering support to ensure success at every step of your merchandising transformation.”

**Matt Hopkins**, Global Retail Marketing Director, Board

Unlock the full potential of intelligent planning and transform the way you approach retail planning. With its exceptional ability to analyze vast amounts of data, extract valuable insights, and make informed decisions across multiple planning cycles, intelligent planning is poised to revolutionize the retail industry.

[Learn More →](#)

As trusted partners, Board has joined forces with over 100 retailers worldwide, spearheading planning transformation in merchandising, demand planning, and supply chain planning. Join forward-thinking retailers that are reaping the benefits of our proven expertise and embrace the opportunity to revolutionize your retail planning endeavors with intelligent planning.

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