![Island Pacific logo] **Island Pacific**
The one that works

Where to START in your movement from Spreadsheets to Software for Planning?

5 practical points to consider.

To find out more or request a demo please contact us on:

Island Pacific USA	+1 800 994 3847
Island Pacific UK	+44 1 279 874545
Island Pacific AU	+61 2 9369 8500
Island Pacific NZ	+64 9 980 4595
Island Pacific India	+91 44 2254 0109

E-mail: info@islandpacific.com
Website: www.islandpacific.com

 facebook.com/IPGlobalRetail

 twitter.com/IPGlobalRetail

 linkedin.com/company/islandpacific

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Executive Summary

Retailing has undergone seismic shifts over the past five years and there is a strong belief that further fundamental changes are just around the corner. By 2020, it is likely that shoppers will have to pay for home delivery, traditional points-based loyalty cards will become a thing of the past, pure-play retail will largely cease to exist and checkout-less stores will become a reality.

Leading retailers now recognise the benefits of working together both in a bid for differentiation and providing a better service for the customer. More retailers will join forces by 2020, primarily through instore concessions or collection points for online orders.

Fulfilment is just expected now by consumers. Recent research shows that nearly 50% of global shoppers are now influenced by a retailer's ability to offer convenient collection points for online purchases. Click & collect is no longer a nice-to-have, it's now a prerequisite.

In our white paper – "Is NOW the right time to move from spreadsheets to software for planning, we talked about 10 practical points to consider. For example, what key processes are supported by spreadsheets, what are the benefits of moving, how do spreadsheets fit into the current IT roadmap etc?

During a breakfast briefing conducted by Drapers in London in October 2016 with many Merchandise and Planning Directors these points were discussed and it was agreed that one of the 10 practical points around "Which of the processes are the first and most critical when moving from spreadsheets" warranted further and deeper discussion. As said, many retailers have struggled

to know which part will bring the biggest benefit and just where the best place to start is? For example, a lot of large retailers have publicised that they are currently delivering Merchandise Transformation Projects but Assortment Planning still seems the hardest part to deliver successfully.

Every company starts at a different point in the Planning processes. Many have different challenges from Assortment, Size and Packing, Allocation & Replenishment or Budgeting. No one route will be appropriate for all especially given a Retailers' legacy landscape of solutions.

Therefore this white paper takes this topic and with feedback and comments from that meeting and delves further into these difficult decisions as to where to START? Island Pacific and Columbus Consulting want to share some insights gained through our work with numerous prominent retail clients, both in North America and Europe. Many of these clients had to make that tough decision of where to start. Merchandise Directors & Planners told us that due to the increased complexity of their business with the diversification of channels (movements international through franchise, wholesale, wed, TV shopping etc.) that they were outgrowing Excel and needed to make the change.

However there were concerned about costs, budgets, timelines and the ability to "future proof" the solution when retailing was moving so fast. Excel allows flexibility and agility but also comes with errors and data integrity issues therefore there is the need for more control but where to start and how to implement quickly so that the world hasn't moved on whilst you were trying to implement.

Excel succeeds in many areas but fails in three key areas i.e. Team collaboration, the potential for human error and in real time 'heavy lifting' for hours spent updating in silo.

If you have used the "Why Now" paper to walk through some practical points to consider and concluded that "Yes" it is the right time but you don't know where to start, then we propose 6 simple considerations to take into account.

Then you will be ready to make the decision of "where to start" with your move from spreadsheets to software:

1 What are the characteristics that make up your business? Design, demand or a blend?

2 What tools today stop you delivering your strategic goals?

3 Where can you drive the biggest benefits to your customer in the Plan-Buy-Move-Sell cycle?

4 How will different teams adopt these changes?

5 Does the 3-5 year Strategic Plan mean you need to "future proof" areas first?

This document explains each of these points. It emphasises current challenges within an organisation regarding over reliance on spreadsheets and how this maybe limiting your growth and ability to implement your channel strategies. Spreadsheet reliance causes many issues across all areas of retail and this document will focus principally on the Buying and Merchandising teams, but also to the Marketing, Ecommerce and any Channel teams.
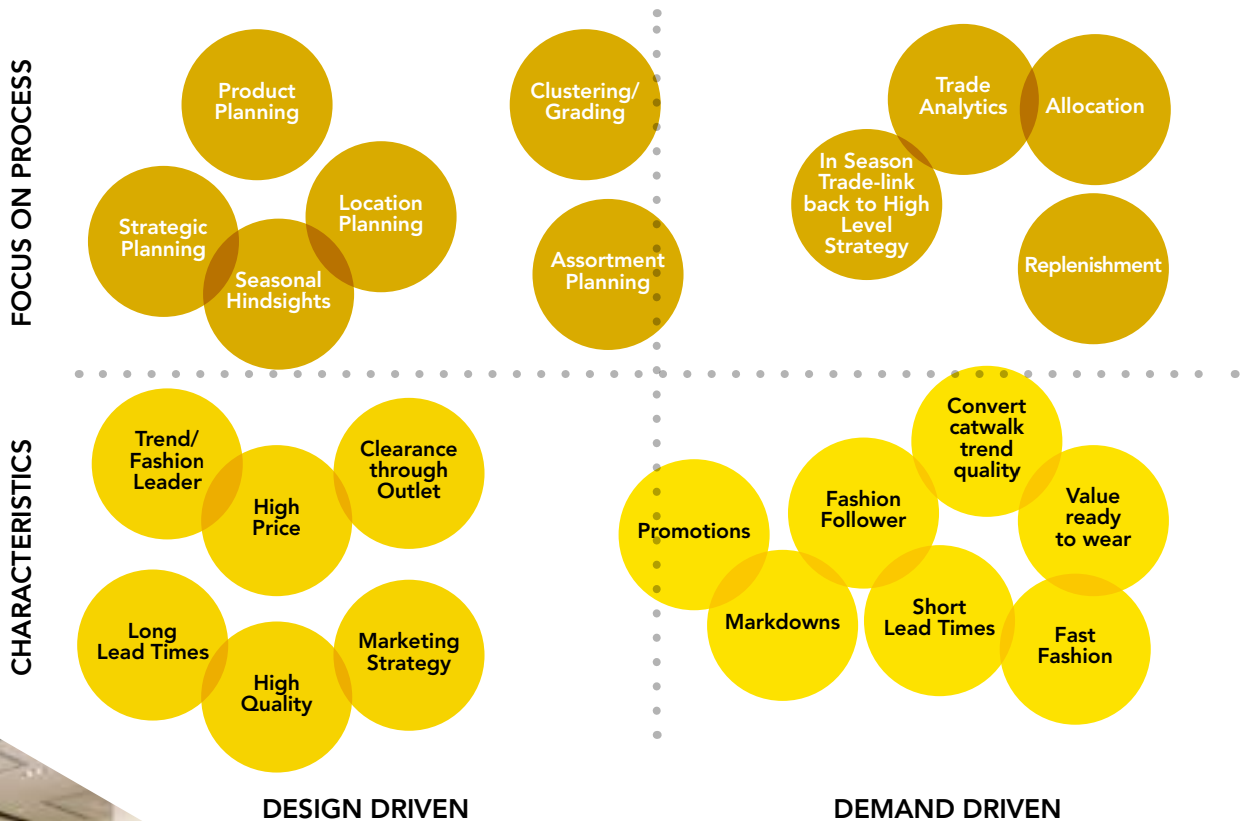
Where to start?

All Retailers strive to be customer responsive delivering trust & authenticity. As Steve Jobs said "You've got to start with the customer experience and work back toward the technology – not the other way around." And "Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves."

Retailers tend to fall broadly into two camps, those that are design driven with longer lead times, high prices, exceptional quality, leaders of fashion and those that are more demand drive with shorter lead times, lower prices fashion follower or copier. This can be one of the key drivers about where to start and your customer needs are different and therefore more focus on planning or more focus on execution might be the key to your success.

As well all know, there are really 4 pillars to bringing products to market – PLAN, BUY, MOVE and SELL. Every retailer has to buy and move and so those processes are very much in the middle of the cycle. If you are Demand Driven then usually there is more planning taking place to get the right product to the right place at the right time due to longer design, fabric and production lead times. Demand driven retailers will of course still do planning but maybe not to the same extent as more focus is placed in move and sell to make sure the right product is where it should be and of course replenishment.

Therefore knowing and understanding the characteristics that make up your brand and where on the spectrum you are, might help to decide where to start. Obviously there are always retailers that offer both like Zara being very design orientated but short lead times due to the vertical nature of their supply chain.

FOCUS ON PROCESS

- Product Planning
- Strategic Planning
- Location Planning
- Seasonal Hindsights
- Clustering/Grading
- Assortment Planning
- Trade Analytics
- Allocation
- In Season Trade-link back to High Level Strategy
- Replenishment

CHARACTERISTICS

- Trend/Fashion Leader
- High Price
- Clearance through Outlet
- Long Lead Times
- High Quality
- Marketing Strategy
- Promotions
- Fashion Follower
- Convert catwalk trend quality
- Value ready to wear
- Markdowns
- Short Lead Times
- Fast Fashion

DESIGN DRIVEN

DEMAND DRIVEN

The 1980's saw a big shift away from design and quality to value, consumers expected on-trend clothes and items for less. Discount stores boomed – the 1980s saw the rise of Wal-Mart, which dominated the industry in the '80s and '90s. Prices dropped to the basement – then lower. Brands trimmed every ounce of excess imaginable to accommodate the new world of retail.

Luckily the pendulum did swing the other way with the entrance of global high quality, fantastically designed products from key brands like Abercrombie, Lululemon etc. that became very desirable and shifted the consumer away from value. Or was it away, did the consumer just not have both types of products in his/her wardrobe as we saw celebrities wearing Zara with Burberry.

Retailers need to think differently about how they create and deliver products in the New Retail Economy. Instead of agonizing over price, can brands instead drive consumers to buy by staying ahead of trends and offering a better product than anyone else? Where does a retailer even start down this path?

5 points to consider

If you are wondering where to start, the following 5 points are for consideration and to help create a plan of action which will ensure first things first to help evaluate and deliver the right place to start when moving away from a reliance on the spreadsheet:

1 What are the characteristics that make up your business? Design, demand or a blend?

2 What tools today stop you delivering your strategic goals?

3 Where can you drive the biggest benefits to your customer in the Plan-Buy-Move-Sell cycle?

4 How will different teams adopt these changes?

5 Does the 3-5 year Strategic Plan mean you need to "future proof" areas first?

To help decide where to start, let's walk through these questions one by one and look at the practical, meaningful and valuable learning points.

1 What are the characteristics that make up your business? Design, demand or a blend?

As said in our first white paper, there used to be a world of "push" retail where the "product was key" and now we have moved to a world of "pull" where the "customer is king". Retailing has moved from pushing products out to trying to meet the customer where they are so supply chain networks are aiming to move products closer to the customer. PLAN, BUY, MOVE and SELL has become even more important to deliver what you customers want whether you are design or demand driven.

The key differences lie in what the customer expects from the two spectrum; Design has to be about aspiration, personalisation with shopping becoming experiential; Demand is all about "now- the moment", immediacy, relevance, price, fashionability etc. matching the customer speed is key, retailers must be able to bring new products to market, faster.

The digital revolution put the consumer in a position of power like never before. Before the digital age, consumers had to "go with their gut" in terms of shopping decisions and usually took friends & family along to make more informed decisions. Today shopping is still similar in terms of wanting "opinion" but how consumers get that opinion is very different.

No longer are consumers beholden to the information that retailers provide; instead, they have the ability to conduct their own research and come to a purchasing decision better informed than in decades past. Information has become very powerful, and the empowered consumer can choose what to buy on the basis of price, quality, customer reviews, ethical sourcing and environmentalism, and endless other criteria that brands/retailers must consider. Therefore for Design led retailers, I still believe the Product is key and so planning and assortment planning, aligned with collaborative sourcing have become key to deliver what those consumers want to make sure of availability and service. Brands cannot afford to bring shoddy or unpopular styles to market because consumers can no longer be talked into purchasing subpar items.

These types of design driven retailers have learnt that bringing their customer's right into the forefront of the planning decisions is key. The best way to be competitive in the face of the educated and discriminating consumer is to build communities, or tribes, that include their trusted partners from up and down the supply chain. Using loyalty and communities to input into product design early in the process, means that your consumers feel involved and invited into the Brand and create their own "blog" and communities. The impact and analysis of digital and social network information is vital to prescriptively develop and deliver new products taking into account customer preferences. Consumers want personalized experiences that account for their preferences and constraints.

These types of retailer will thrive if they focus on the heart of their business: offering great, unique products consumers can't get anywhere else, with a great customer service and availability. Brick & mortar retail is vital for this group and gives them a real advantage. People love to touch, feel and experience great shopping.

For more demand driven retailers, "order orchestration" or that old adage of right product, right place right time is key as their consumers want it now. Accurate allocation and replenishment is critical to customer satisfaction and the connected customer journey. Accuracy is vital in producing a unified vision of the entire purchasing process, on demand to model replenishment down to store level, prioritising locations that need stock quickly – to get the product to the consumer how they want it. As the selling channels are merging in the consumers' eyes then the retailers need to align with the customer journey, and therefore merge the stock silos behind the scenes.

Frictionless shopping is critical for these "demand" consumers in the omnichannel world. Whether this is in-store or online, consumers don't want to be asked for lots of decisions or key in lots of data, they just want to shop and shop quickly. Amazon are driving a vision of a no-click future, once a shopper has made their brand or item choice, it will work behind the scenes to ensure the lifetime consumption of that choice is as frictionless as possible.

Online retailers really thrive in this sector as they can provide the immediacy e.g. the rise of ASOS and Amazon moving into fashion. Their customers want things faster with less commitment. Specialist retailers can still thrice against the likes of Amazon and ASOS by creating value by reducing the stress of the shopping mission. Shopping on an Amazon (or any of the ecommerce mass merchants) can often result in choice fatigue due to the huge assortment. There will be resurgence in the category specialist that can convey their expertise through accurate assortment that helps reduce shopper angst.

Whether design or demand driven, in markets which is being relentlessly squeezed by the discounters and challenged by the continued growth of omnichannel retail, brands need a forensic approach to gaining insight on their customers to be able to survive. Through clever marketing, retailers can reach the panacea of success for example Public Desire pushing out promotions through social media rather than discounting and see and 800% increase in traffic in the first hour or promotion, keeping the brand fresh and exciting to their growing customer base.

The overwhelming consensus was that the consumer is owned by marketing, with strategies on how to retain and recruit customers and maintain brand advocacy. Therefore, retailers need to find new ways of engaging with customers in a way that benefits them with relevant information, convenience and entertainment to create a true customer centric environment.

With today's shopper and their new shopping journeys, it's becoming more important than ever to optimize a shopper's visit to store or site. This can be through an understanding of what they're shopping for and ensuring there's available inventory on site, or at least a very convenient option – to the shopper – to deliver products to them.

Specific to retail stores, because of the lower frequency of shopping trips and store visits, the imperative arises to deliver an authentic, seamless, branded shopping experience – from the most optimal shopper interactions with staff to zero points of friction in the shopping process. Those are the things that will establish one as a 'retailer of choice' and keep them coming back.

Many retailers are a blend but primarily if Design lead with the product being king, focusing on Plan and Buy, delivered with exceptional customer service and creating communities who feel empowered to input into product design and evangelise about the brand. For Demand, focus on Move and Sell, it is all about the "now" for these consumers, with the consumer really being king driving how and when they want to shop.

2 What tools today stop you delivering your strategic goals?

Consumer's expectations are driving the demand for numerous shopping options, access to a large amount of product data, retail comparisons, competitive offers, constant availability of brand options and so on. Due to this rising demand, retailers need to increase their efforts to set up a fully integrated system to not only meet their customers' needs, but also allow for flexibility, and support new ideas with little disruption to their profit and sales.

At the core of this model is supply chain and inventory management. While the typical interaction is with POS and ecommerce systems, retail businesses need to have this data to hand, easily, accurately and readily for the buying and merchandising teams to make informed customer decisions. Out of Germany has come the term Industrie 4.0 referring to the fact we are on the cups of

the 4th industrial revolution. The 1st came with water, the 2nd with electricity, the 3rd with computers and now the 4th with cyber-physical/digitisation.

The future for retail will involve an integrated eco-system to ensure complete visibility and efficient supply chain management. The world is slowly moving away from a linear economy to a circular or shared economy. Supply chains and their solutions now need to include the last yard, so not just getting the product to the consumer but actually understanding and ensuring that the products are "consumed"

So what does that mean for you? What tools do you have today? Are they outdated?

In point 1 we have discussed the different characteristics around design or demand driven and whether to start with PLAN & BUY or MOVE and SELL. Therefore when analysing the tools your teams have today and the potential IT roadmap, it is key to understand the main pain points and biggest wins in terms of tool changes.

Retailers need to create a focused direct-to-customer relationship to protect profits and guard against new rivals. For Design driven that is all around product and buying the best product for your customers, therefore what tools do your teams have to support this process

and the collaboration with your suppliers? How do you involve your customers more into the product design process and create communities. Can you share initial product designs for new seasons with a targeted group to gain input and feedback? What inspirations from catwalk shows etc. do you take?

Having product lifecycle management tools and Planning/Assortment Planning tools ensure that teams can be much more strategic and efficient with their time, making informed customer driven decisions to deliver excellent products to your customers. Stocking up on more merchandise won't cut it anymore. An increasing number of retailers are learning that having more products won't necessarily win over customers. Shoppers these days are already overwhelmed with too many choices, so widening your range can sometimes do more harm than good.

This could be one of the reasons why there has been a rise in subscription services that curate products for customers. Such services make it easier for customers to discover and select products, thus saving them time and preventing decision fatigue. Going forward, Buying &Merchandising teams will learn that they need to thoughtfully curate items, rather than simply stock more merchandise. They'll win over customers not because they have the widest selection, but because they have the best and most relevant assortments for their target

market, and they're able to deliver those products using the preferred retail channel of each customer.

Teams need to move from a "channel" mentality" to a "customer touchpoint" mentality whereby the customer moves into a cycle of Purchase-Trust-Evangelise-Friend and so retailers much map touchpoints to channels and put the customer first and ensure that they have tools and solutions that can support this movement as they transform.

For demand driven retailers, some of the above is relevant but more effort is usually placed on supply chains and the move, sell scenarios. This could be achieved through your own supply networks or through market mediation where retailers can connect consumers with the need to supply chains with the products, a key example of this is Uber and Airbnb where there is a rise in the business model of "sharing" and matching supply to demand.

Supply chains have to move from a trade-off model of service-cost-capital and capacity to an alignment model where the customer is at the heart and growth-fulfilment-inventory and efficiency are aligned. Supply chains need to be optimised for the customer, not optimised for the retailer and the tools that your teams use need to support this, which is some retailers is quite a mind shift.

SUPPLY CHAINS NEED TO EVOLVE TO FOCUS ON WHAT THE CUSTOMER NEEDS AND EXPECTS

	TRADITIONAL MODEL	CONTEMPORARY MODEL
Driver	Cost	Customer
Cost Orientation	Manufacturing Cost	Total Landed Cost
Batch Size	Large	Of One
Manufacturing Location	Global	Local
Social & Environmental Sustainability	Low	High
Customer Quality	Limited to Conformance to Quality Standards	Superior Quality Delivered through Personalised Projects

3 Where can you drive the biggest benefits to your customer in the Plan-Buy-Move-Sell cycle?

Retailers that have moved to better Planning and Assortment tools have seen the following benefits:

- Increase in Gross Margin Dollars by 1-7%
- Reduce inventory by 1.5-3% , improved visibility of excess inventory
- Plan assortments to meet customer demand, maximize sales and meeting localised demand
- Strengthen customer loyalty
- Increased sales at full price by targeting the inventory in stores and categories that have a higher propensity to sell at full price
- 10-12% increase in on shelf availability in areas of greatest sales potential
- Improved Turns: optimizing the width and depth of assortments to invest more in high producing items.

Retailers that have moved to ensuring that supply chain, allocation and replenishment processes and tools put the customer first have seen good return on investment as follows:

- 1-3% Increased Sales, due to improved availability
- 1-2% Higher Margins, improved sales at full retail price. By avoiding the need for markdowns to clear redundant inventory, more reward for the same initial investment
- 10-30% a reduction in safety stock and 2.5-7.5% store inventory
- 5-10% Reduced Store Transfer Costs, and higher order and delivery volumes resulting in lower freight costs
- Preserved Brand Presentation, users get a broad view of how the whole assortment is being distributed, this allows constant alignment with corporate brand strategies.

4 How will different teams adopt these changes?

Many retailers who have been through these types of merchandise transformation processes, talk about the criticality of adoption and the need to pick teams that accept change more quickly as your first advocates who will then floor walk and motivate other users to accept the change. Change has to be driven from the top, right through the business with courage and discipline.

For example, a major high street retailer embarked on a new assortment planning process and tools, all users were trained, all users were tested and supported through floor walking etc. 6 months after the new process was put into place, the CEO could at any time walk onto the buying and merchandise floors and ask to be taken through a team's current assortment plan and process. If the team did well in that play back, a team meal out was the prize, if not then a re-test was likely. This may sound harsh but it showed how important Assortment Planning was to drive change and sales increases into the business.

5 key tips for change are:

- Create a goal for the future (attainable, clear, understandable, desirable)
- Anticipate challenges, confusion and resistance
- Be prepared to make changes, learn from mistakes and build on successes
- Respect problem-raisers
- Publish early successes to build confidence.

5 Does the 3-5 year Strategic Plan mean you need to "future proof" areas first?

Many retailers are now talking about "seeing beyond the horizon", envision 10 years, plan for 5 years and act on 3 years and be as agile as possible to change with the plan in mind.

So when thinking about moving away from spreadsheets and where to start, "future proofing" can be top of mind. It is hard because technology is moving so fast. Retail Analysts believe that Shoppers will have to pay for home delivery, loyalty cards will become a thing of the past, pure-play retail will cease to exist and checkoutless stores will become a reality. So how can processes and tools keep up with the change?

Teams who have gone through these transformations before had the same worries and didn't want to include "every eventuality" into the processes or the tools as often less is more. What is key was finding a technology partner who understood the past pace of change; but who would work at their cadence. Cultural fit between the two collaborating teams is vital (as said above, it is no different from co-collaboration in the retail sense). Both teams can then deliver a simple, timely, efficient solution and processes that can then grow with the business as these become embedded and evolve. Recommendations, say deliver technology agilely and rapidly because the world moves on in the time of delivery.

Retailers must follow their own golden rule by putting the customer first. For many, this will require collaboration with some unconventional partners to improve speed and quality of service while providing additional choice for customers. The key will be to collaborate with non-competing chains that share an overlap in customer demographics, thus allowing the retailer to benefit from increased footfall and shopper satisfaction without the risk of sales cannibalisation. It's for this reason that more retailers competing in different sectors - e.g. fashion and beauty - will join forces in the name of providing a best-in-class click & collect service.

By Island Pacific in collaboration with **Charlotte Kula-Przezwanski**, Partner & Director of EMEA at Columbus Consulting International

October 2016

About Columbus Consulting

Columbus Consulting was founded in 2001 with a vision of being a high quality consulting service provider in the retail sector. Our vision was never to be the biggest practice, but rather to provide superior services in a unique manner. Our mission statement reflects our vision of delivering outstanding results for our clients and ourselves.

About
Island Pacific

Island Pacific is a global leader in retail merchandising and store operations software solutions. For 30 years, Island Pacific has been a thought leader in retail software solutions, and has developed a reputation for delivering high-quality, high-reliability software to the retail industry. As a result, Island Pacific is a leading resource for scalable, flexible and affordable solutions for retailers around the world.

Island Pacific, a division of 3Q Holdings Limited (www. threeq.com.au) was founded in 1978. The company is headquartered in Santa Ana, California, and has offices in the United States, the United Kingdom, Australia and New Zealand.

Island Pacific
SmartPlanning

Overview

With consumer demand increasing across retail, wholesale and e-commerce, it is now more important than ever for businesses to ensure inventory is in line with demand. Island Pacific SmartPlanning is a sophisticated, intuitive and integrated support tool that helps with merchandising across all channels, from planning right through to assortment, allocation, and replenishment of stock.

Island Pacific SmartPlanning is extremely versatile modular software. Modules can be taken separately or as an integrated solution, depending on what best suits your needs. The software has been specifically designed to integrate with all other modules from Island Pacific or your existing ERP systems and databases, providing complete control over merchandise management. Modules can be configured to fit easily with your retail planning processes. Planning work flow, structures and performance measures to support your pre-season planning, in-season re-forecasting and of course; the all-important analytics, using both standard and attribute hierarchies to plan your business the way your customers shop.

With over 30 years' experience providing world class merchandising and store operations software to the retail industry, Island Pacific will partner with you to ensure the Island Pacific SmartPlanning solution is customised to work seamlessly for your merchandising needs. To find out more, or for a product demonstration, contact us today.

Island Pacific
SmartPlanning

- Planning Analytics
- Allocation
- Replenishment
- Assortment Manager
- Merchandise Planning

Benefits

- **Multi-channel:** Manage merchandise planning for all channels using a single integrated solution
- **Configurable:** Provides best practice retail planning with business specific configuration
- **Save time:** Reduced manual input and integrity of data with one version of all activity
- **Proven track record for return on investment in critical areas such as:** Improved stock turn, increased mark-ups, lower average inventory, increases in gross margin and cash flow
- Full life cycle management from planning to operational systems for purchasing, allocations and master data management
- **Improve Forecasting:** Ensure smooth product launches, using accurate analytics that draw on past trends, present data and measurable KPIs
- **Flexible:** Select the modules that best meet your needs and planning objectives

Features

- **Top down, bottom up pre season and in season merchandise planning as well as key item forecasting across multiple channels**
- **Assortment Manager:** Transition seamlessly from high level planning into Assortment Planning
- **Open to buy management and control**
- **Allocation module:** Streamline your cross channel – making the process faster and more efficient than before
- **Replenishment module:** Manage stock replenishment, using dynamic calculations that can be amended based on past trends and future sales projections
- **Planning Analytics:** For key performance analysis across all planning and third party data for detailed and exception reports
- **Intuitive user interface**