

Improving Merchandising Profitability through three key levers in the Concept to Consumer process

Recent earnings releases highlight the challenges faced by numerous apparel and department store retailers: “Sales did not hit target because we missed on key trends”, “Margins were reduced significantly as we clear unproductive merchandise”. “Large markdowns were required to clear left over inventory so that our inventory is clean going into the crucial Holiday season””. The result for these retailers is a significant impairment to Operating Earnings, while customers are greeted with a “sea of deep discounts”

Retailers and brands are facing three complex challenges in the “Concept to Consumer” Process due to calendars requiring them to make commitments to buy product as far as nine months in advance of the season:

- too many unproductive SKUs
- missed fashion trends by buying too far ahead of demand; and
- lack of a balanced assortment based on what the consumer wants to buy

The end result is higher markdowns and missed sales.

Vertical retailers, brands and private brands need to develop and implement three key value-creation levers to increase top-line sales and related merchandise margins

- a well-defined assortment architecture to drive the product design / development process to create a more productive assortment.
- Re-engineer the Concept to Consumer process to create a new, shorter time-line and buy closer to the time of demand; and
- An open-to-buy process that provides flexibility in adjusting open receipts in the buy based on what the customer is actually buying as well as emerging trends

HRC makes Three Key Recommendations to Maximize Sales and Maintained Margins

1. Develop a balanced and well-defined assortment architecture to create a more profitable line

Do merchants have a defined assortment architecture with clear direction on choice counts across the fashion and pricing pyramids as they build their line plan? Is the assortment balanced across product attributes, informed by history and trends? Will the assortment deliver anticipated financial goals (sales, margin and inventory position)?

Beginning the product development process with a clear assortment structure will better meet consumer needs while improving merchandising profitability.

2. Buy closer to Customer Demand by streamlining the Product Design and Production Process

Merchants must more closely align financial, assortment and line planning activities with the supply chain so that the assortment can be developed closer to the time of consumer demand. A streamlined “product to market” time-line aligns activities to rapidly develop “on trend” product. Supplement the core product development process with a faster “Fast Track” program to enable buyers to react to emerging trends and customer reaction

3. Improving Flexibility of Open-To-Buy Management

Managing the definition and allocation of Open-to-Buy is key to enabling flexibility in bringing “in-demand” product to respond to customer demand variability while ensuring a consumer-right assortment? Managing a flexible Open-to-Buy process allows buyers to take advantage of buying opportunities closer to customer demand.

Addressing these three levers to redefine the way you develop and buy product and make it available for sale across channels can significantly improve profitability. HRC Advisory has developed a rapid, flexible Concept to Consumer process that supports the realization of these benefits



For more information about how HRC Retail Advisory can assist your retail chain to improve the effectiveness and profitability of your omni-channel and your inventory optimization efforts, please contact

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