

# Sort It Out

Four Critical Strategies for Managing Assortments in Today's Omni-Channel, Customer-Centric Retail Environment

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**T**oday's demanding shoppers expect gratification in real time thanks to omni-channel commerce. Many diverse retailers across multiple channels are available, all competing for a share of the shopper wallet. Shoppers can research and explore product details, share thoughts, opinions and experiences, and make purchases anywhere, at any time. This oversaturated, always-on selling environment has made retail brand loyalty a rare commodity. Product proliferation and market trend assessments make crafting the optimal product mix more complex. The result is often inadequate or poorly assorted products leading to disenchanted customers. So how can retailers build, deliver and analyze the most effective assortments to yield the highest results?

Today, more than ever, retailers' mission-critical objective is to gain a greater understanding of who their customers are, what they buy, how they shop and in which channels. They must also view assortments comprehensively across all functional aspects including planning, supply chain, pricing and visual merchandising. To drive success, retailers should consider the following four strategies for managing assortments in an omni-channel, customer-centric environment:

- Know the customer and provide personalized/localized assortments and promotions
- Leverage physical and virtual space to maximum advantage
- Infuse supply chain excellence as a critical assortment management component
- Foster consistent processes and a flexible culture eager to embrace change

### Know the Customer and Provide Personalized/Localized Assortments and Promotions

The focus on shopper insights and segmentation is more important than ever in addressing assortment challenges. Differentiation in assortments requires a core focus on personalization instead of traditional one-size-fits-all approaches. Customers now demand both personalized engagement and a direct relationship with the companies in which they do business. They want to know that a retailer is listening to their input, is aware of their specific needs and is taking action to customize its assortment accordingly. As such, retailers must seek to foster an environment that places customer engagement and personalization at the center of all merchandising activities.

With deep customer knowledge, retailers can tailor promotions and sales tools to specific preferences. Many customers will buy from a broader assortment often at higher prices as long as the retailer devotes a proper selection based on the relationship. Equally, these customers are less likely to shift to a competitor if they feel that their needs are being reflected in the assortment and that they are personally valued. Conversely, there are other customers who will "cherry pick" the assortment based on tactical factors such as price and promotional deals. Therefore, effective segmentation, frequent assortment changes to keep selections fresh, and a clear understanding of shopper behaviors and desired relationships with the retailer are critical elements in creating personalized, localized assortments and promotional offerings.

### Leverage Physical and Virtual Space to Maximum Advantage

Many retailers still offer broad-brush assortments that are uniform across channels. However, leading retailers are leveraging the opportunity available in virtual space via the Web to test results of early adopters and shape these findings into more accurate, tailored assortments across their other channels. An emerging practice is to carry a broader assortment in the e-commerce channel. This helps showcase brand strength and breadth while offering another valuable demand signal to the retailer. At the store level, they must leverage visual merchandising expertise when executing localized assortments into physical store and fixture space in order to further enhance the customer experience. The space must be properly managed to provide retailers the opportunity to offer new, localized assortments within their stores.





### Infuse Supply Chain Excellence as a Critical Assortment Management Component

Operating in a multi-channel retail model amplifies supply chain implications. Competencies in supply chain planning and execution must be a core retail capability and cannot be compromised. Retailers must take a strategic view of the supply chain as it relates to assortments instead of regarding it as just a cost of doing business. They must understand that properly managed supply chains represent a strategic differentiator in optimizing assortments to the end customer.

Being out of stock at the point of engagement is no longer acceptable or tolerated. With multi-echelon supply chain visibility, retailers can support the increasingly personalized assortment process. For example, a retailer might not carry or may be out of stock of an item in a particular store that a shopper visits. However, with the proper supply chain visibility and execution, the retailer can see that the item is in stock in another store or channel, enabling the customer's order to be captured and fulfilled in real time. This further establishes the retailer's commitment to the customer relationship.

Managing and fulfilling agile, on-demand assortment choices that satisfy customers — whether in a store, on the Web or another channel — requires effective supplier collaboration. Leading retailers are leveraging technology to strategically and tactically collaborate with suppliers. This enhances overall efficiencies by improving supply chain speed and flexibility while growing their variable import strategies across a global supply chain. Innovative supply chain solutions such as cycle-time optimization enhance collaboration, foster stronger supplier/retailer relationships, and optimize manufacturing capacity and raw materials. This results in reduced overall lead times and costs while enabling faster response to trends.

### Foster Consistent Processes and a Flexible Culture That Is Eager to Embrace Change

Through the advent of technology, retailers can examine lower levels of detail that were impossible just a decade ago. This includes defining finite store clusters, planning across multiple business channels, integrating e-commerce and brick-and-mortar stores, and providing accurate size scale and pre-pack recommendations to vendors. But technology

is just one of three components in optimizing the assortment function — retailers must also cultivate a flexible, open and nimble culture characterized by consistent processes across various brands and business units. They must not overlook the change management aspect of adopting the new methodologies, technology and processes that are critical to successfully evolving their organizations.

Savvy retailers are open to these new paradigm shifts. Organizations are redefining outdated practices and rethinking business processes, embracing the flexibility to do things differently. Adopting even the most scalable, best-in-class technology in an inflexible corporate culture can impede project progress, lower morale, decrease adoption rates and may even lead to dissention. An open, flexible culture that facilitates internal and external collaboration is critical to better managing assortments and the supply chain.

It is also important to establish a realistic, consistent and unified assortment process across the organization. Retailers that retain disjointed processes are unable to cross-pollinate or synergize across functions, missing out on the critical benefits of end-to-end integrated planning and execution. In moving toward more universal standards and processes, retailers become more effective and discover improved answers to critical assortment questions such as depth

and breadth, number of options, and localization and personalization by store, by channel and — above all — by customer.

In conclusion, assortment management today is much more than determining what products to showcase each season. It requires a true understanding of the customer and a personalized strategy across shopper insights, planning, analysis, promotions and distribution. Today's retailers are succeeding in reaching their customers with tailored product offerings, pricing and promotional demand shaping, and advanced supply chain enablement — all while enhancing customer relationships at the best profit margins. ■



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