

Where Leaders Are in 2020

As we head into last quarter of 2019, we're not just closing in on the end of the year, but also the end of a decade. While the end of any year is always a good time for reflection, the end of a decade—particularly this one—brings a new level of contemplation. The year 2020 once sounded very futuristic, and years ago we all heard numerous corporate strategies developed with “2020” included in their title, no doubt to demonstrate how forward-thinking they hoped to be.

Yet here we now stand, with the year 2020 just a few months away. For most of retail, do we feel like “the future” is here? Does it seem futuristic now? In some areas, perhaps yes. In other areas, not likely. One could argue that most online and mobile shopping features are somewhat futuristic, even though people have been able to shop online for years. Unfortunately, for most retailers, the “heavy lifting” associated with tracking purchase orders and ensuring detailed inventory quantities are accurate is likely fairly old-school. Further, the definition or acceptance of what “accurate” means is surely not up to 2020 specifications in many cases.

To be sure, retail technology providers are beginning to incorporate artificial intelligence (AI) and machine learning (ML) into their solutions—and these can certainly enhance certain processes—but many retailers are just fine with advanced or even just basic analytics in most functional areas. The more important question then, regarding futuristic capabilities, is **where does it matter to be further out into the future?** Where is good “good enough,” versus where do leaders need to be the Amazon compared to the competition’s AOL? Let’s look at a sampling of areas where we feel retail leaders need to be well into the 2020’s, versus those that may be fine remaining in the earlier part of the century.

Service and Experience. Regardless of your business model, value proposition, or capabilities, **the customer must always remain at the forefront of every retailer’s vision and strategy.** With today’s consumer more connected, informed, and fickle than ever, forward-thinking focus and resources absolutely must target:

- Delighting the customer
- Expanding and personalizing shopping options
- Enhancing the in-store experience
- Augmenting loyalty and promotions

Data and Analytics. Going beyond knowing your customers (but certainly not at the expense of it), **analytics must dig deeper into the retail organization** to take advantage of insights around merchandising, assortment planning, inventory management, supply chain, and more. Yet a focus on leveraging existing data and systems is paramount. Begin by:

- Understanding and cleansing existing data
- Taking inventory of your current analytic capabilities
- Growing what you don’t have (e.g., extended attributes)
- Adding analytical tools and inserting them into your business

New Thought Leadership



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processes

Assortment Planning (and Clustering). Driven by the focus on "the last mile" fulfillment and intensified consumer product demands, **capabilities supporting assortment planning and store clustering must optimize what you offer and where your products are** to meet your shoppers' need for instant gratification. This involves:

- Blending the classic art of the assortment with data and analytics
- Expanding and focusing on product and location attributes

Product Development. With consumer trends changing almost as quickly as technology, speed to market is critical. Despite this, many brands continue to use a myriad of spreadsheets and aged, disjointed legacy systems to manage product development. **Forward-thinking retailers should investigate modern product lifecycle management (PLM) systems** that can provide capabilities to:

- Enable speed and efficiencies throughout the product development process
- Support import/costing especially in the new era of dynamic tariffs

Merchandise Planning. Taking nothing away from the importance of a strong merchandise financial planning process supported by a modern solution, some of the concepts, functions, and approaches really haven't changed much in years. **Preseason planning and in-season OTB management need to be in a common solution, with agreed metrics and consistent process and cadence.** Role alignment and management of the plan between buying and planning is key. The most recent focus is ensuring planning supports omnichannel capabilities—meaning the ability to plan sales and inventory by channel (while managing transparently across channels) and utilizing analytics to understand and capture demand.

Allocation and Replenishment. For the most part, some solutions have received tweaks and enhancements, but if you implemented an allocation and replenishment solution in recent years, you're likely ok. Some caveats:

- Depending on the environment, both solutions benefit from a modern forecast at the appropriate level of detail, and the forecast needs to be managed regularly (not "set it and forget it"). Forecasting solutions and approaches have improved dramatically in recent years.
- Integration is critical for both—for up to date information for inventory, on order, and sales—and clean integration is always a challenge. An advanced layer of integration, based again on omnichannel capabilities, is around accounting for true demand sources across multiple shopping channels; e.g., where the order is fulfilled from is many times not the same as the demand source.
- Some retailers are blurring the lines between allocation and replenishment; rather than categorizing a product as either allocation (fashion) or replenishment (basic), they think more in terms of product lifecycle—a product may move from one to the other over time. Being able to do this in one solution versus two can be beneficial.

Taking a glance at the above discussion points, it is highly relevant to talk about managing disruption, change, and general retail chaos. While such a conversation may seem unrelated to the more solution-based capabilities above, the leadership ranks of any retail company must be committed and engaged to new ways of thinking and operating if they expect to remain competitive in the future. Further, with increased diversity of age, gender,

Experience

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ethnicity, and so on, today's modern workforce needs to be increasingly resilient and adaptable to constant change. **Best practice retailers will ensure their management is able to confidently lead through change**, support their teams through disruption, and foster ongoing learning. Like it or not, the future—or at least the year 2020—is almost here. If you'd like to explore your company's readiness for the future—overall or in any particular area—we'd love to [start the conversation](#).

Sincerely,
Clay Parnell
President & Managing Partner



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Retail Radar

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Guest Blog from Parker Avery: BOPIS and BORIS

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Chasing Retail's Shiny Objects

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