retail consulting and industry thought leadership

Bringing Planning, Allocation & Replenishment Together: From Unit Movement to Contribution Intelligence

Traditionally companies have looked at planning, allocation and replenishment as three distinct disciplines within the business.

This is wrong and misses a significant opportunity to reduce inventory, improve service levels and increase revenue. Working together and focusing on a few common metrics, these three groups can change the value you create for your shareholders.

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The Vision

Think contribution, margin and service strategy. We need to rethink the traditional approach to allocation against pre-season plans and min-max replenishment models that reward unit sales. The opportunity is to plan against product net profit contribution, reduce pre-allocation processes to only those products that have short cycle times and go direct to store and re-calculate net need at the last possible minute in the supply chain to distribute product. And the algorithm used to allocate against net need needs to factor service level by channel, gross margin contribution by location, product life cycle and capacity. This vision will change the way companies work and the solutions that enable them.

Getting From Here to There

Making the leap from siloed organizations, measured independently and using disparate solutions to a single process based on product contribution intelligence, is going to take some effort. The first step is defining the process from end to end and determining the common metrics on which to measure the process. This will depend on the current state of your systems and the visibility and information available to your planners, allocators and replenishment analysts as they perform their work. This will also depend on the flexibility of your allocation engine and your ability to add variables in to the model.

From an organizational perspective, this change will require buy in from both the buying/merchandising and supply chain executives in the company. However, they both benefit in the short term. The buying executive gets better visibility to demand and maintains higher service levels, the supply chain executive reduces overall inventory in the network and carrying costs.

Final Word

It is incredible we haven't yet solved this problem in the industry. With over $3 billion in inventory in the supply chain at any point in time and more than $1 trillion in logistics cost each year in the US, it's time for a change.

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The Parker Avery Group

The Parker Avery Group is a boutique strategy and management consulting firm that is a trusted advisor to leading retail brands. We combine practical industry experience with proven consulting methodology to deliver measurable results. We specialize in merchandising, supply chain and the omnichannel business model, integrating customer insights and the digital retail experience with strategy and operational improvements. Parker Avery helps clients develop enhanced business strategies, design improved processes and execute global business models.

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