

Assortment Planning, Line Reviews and Risk: Striking the Right Balance of Risk and Opportunity



Striking the Right Balance of Risk and Opportunity.

Understanding market trends, consumer preferences and financial performance are all part of developing a line and building a seasonal assortment. Depending on the category of product and manufacturing lead time, your ability to successfully interpret this intelligence is critical to your success. Fundamentally, you are trying to drive the brand, comp and non-comp sales and achieve profit targets. The challenge is ensuring the line and planned assortments don't become a repeat of last year's product. You need to understand the attributes and risk of the portfolio against your overall brand strategy.

The Vision

Think building lines and assortment strategies against risk and product attribute targets. Build a process that allows you to strike the right balance between forward investments and basic product. Identify attribute targets by category and mix and manage assortments against these targets. Set target risk variables for each buyer to ensure the line and assortment has enough new product to energize your markets.

Let's outline a specific example. In the early stages of reviewing LY performance, you form an opinion of the amount of new product that should be part of next season. You think of this as a percentage; i.e. 30%. You also have a perspective of the type of risk you need to take (perhaps, by category) to grow the business based on overall market performance and the competitive environment. This number is usually more subtle, but it does exist. You might think in terms of 'high/low', but you can quantify it: 20%, 40%, etc.

At the same time, based on information available, you can determine which attributes are riskier than others. For example, pant leg width versus color. You then assign a number to each attribute that represents its level of risk. If you do this, you can calculate the aggregate risk of the assortment against the total risk objective you set.

This approach empowers management to direct conservative buyers to develop a more aggressive line and aggressive buyers to find a better balance. It provides a quantifiable means to balance the total portfolio and position the company to deliver on its brand promise.

This analytical approach takes advantage of the intelligence we have today and will become a valuable input in to the full line building and assortment planning process.

Getting From Here to There

Assortment planning is one of the most dynamic arts inside of retail. Combined with product development and the definition of new lines, this is an iterative and collaborative process that requires constant oversight and direction from senior merchants and executives. However, we still haven't provided the executives the right aggregate means to measure and steer the process. We provide financial targets, key item targets, customer preference analysis, etc, but this is information, not a framework.

Providing a means to set attribute targets and risk objectives by category and across the portfolio will require changes to the process and potentially, the organization model. New steps will need to be added to the reconciliation and line review process to ensure the total portfolio is in line with the risk and attribute objectives.

The first step is to assign attribute targets at the category level and build assortments against them. The second step is to determine risk factors by attribute and build the models to analyze and review the portfolio risk. From there, the process will tune itself each season as the intelligence about attribute performance and risk variables improves.

Final Word

Merchants and Planners have a great opportunity to improve the way they build lines and create exciting new assortments. Thinking in terms of aggregate attributes and risk variables should be part of any advanced assortment planning process.

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.

Learn more about us at:

www.ParkerAvery.com

for more details
contact:

3200 Windy Hill Road Suite
950 West
Atlanta, Georgia 30339

t: 770 882 2205
f: 770 882 2006
e: contact@parkeravery.com