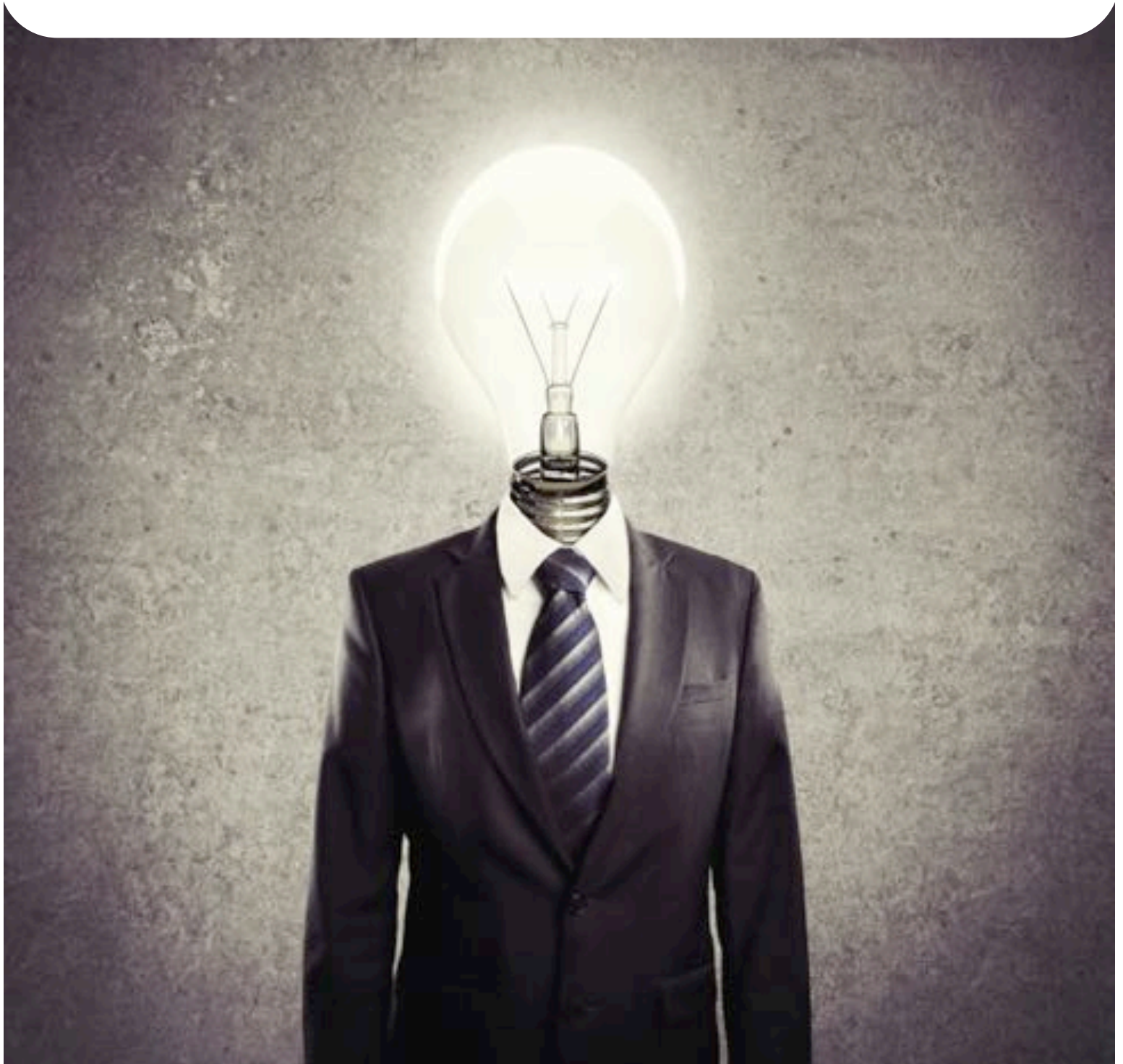


Business Excellence Teams: Fostering Merchandising Innovation



How would you rate your merchandising organization on the proactive / reactive scale?

In the world of retail, a merchant's time is often consumed by the day-to-day of managing his/her business. How are my sales performing against plan? Where do I have inventory shortages or overages? Which shipments are delayed? What items need to be marked down? All of this can be overwhelming and leave little time for focusing on the future. As a result, innovation and continuous improvement frequently become afterthoughts that a merchant hopes to find time for on the walk between the parking lot and the building. How would you rate your merchandising organization on the proactive / reactive scale? More specifically,

- How are new merchandising concepts and 'big ideas' incubated?
- How do concepts, test formats or big ideas get rolled out to the organization?
- How do you improve merchandising processes and develop new capabilities?
- How do resources get assigned to execute merchandising initiatives?
- How do you evolve your merchandise systems to adapt to new business needs?

Leading retailers recognize the difficulty merchants have in doing their day jobs and simultaneously thinking about the future.

However, they do not let the pressures of running the business relegate innovation and continuous improvement to a back seat. They frequently dedicate specific resources to focus on these objectives by creating a Business Excellence team to drive initiatives forward.

The scope of Business Excellence teams vary by company, but some of the most typical responsibilities include business concept incubation, market and merchandise testing, initiative identification, planning and execution, and merchandising system administration.

Business Concept Incubation

One common avenue retailers explore for growth is brand extensions or new store concepts. The biggest challenge when going down this path is finding the available resources to focus on this new endeavor without putting the performance of the core business at risk. This is one area where a Business Excellence team truly proves its worth. This team helps to develop new retail concepts and then provides leadership and coordination across organizational groups for the planning, testing and rollout of the concepts. They are responsible for managing the new business through the testing phase, and if the new concept proves successful, the Business Excellence team then develops alternate approaches and executes the transfer of the concept from incubator to full-scale operations.

Market and Merchandise Testing

Business Excellence teams also manage testing on a smaller scale. They frequently set up and control product, promotional and other tests to obtain insight into future merchandising direction or procedures. They develop and manage testing protocols to minimize any adverse impacts to stores and insure valid results. They develop testing proposals, recommend and obtain approval for test priorities, and coordinate and manage the testing process, including communication to impacted functional areas. Finally, they prepare and present the test results to senior leadership with recommendations on the appropriate action steps.

Initiative Identification, Prioritization, Planning and Execution

Merchants frequently identify opportunities to improve efficiencies and save costs but rarely have the time to participate in yet another initiative. Business Excellence teams ensure those great ideas don't go to waste. In addition to taking the lead on ideas generated by the business, these teams assess competitive positioning, market trends and long-range financial plans to identify other key merchandising initiatives. With a large pool of potential projects, the team sizes each opportunity, prioritizes them based on benefit, need and cost, and facilitates the project approval process.

Once projects have been approved, the Business Excellence team prepares the project plans, identifies interactions with other initiatives, establishes change management and communication approaches, and secures participation from the appropriate resources. They then lead the execution of the initiative, providing domain insights and expertise on behalf of merchandising. This includes managing the various workstreams, coordinating across functional areas, tracking progress and resource utilization, and informing the organization of project status.

Merchandising System Administration

Specialized planning, allocation, replenishment and other software has greatly improved the productivity of merchandising organizations, but these systems require significant maintenance to operate effectively. The Business Excellence team often takes on this role, serving as the IT liaison for the business community. They monitor the applications for performance problems and coordinate resolutions with other support groups. They develop training programs and materials to onboard new users and teach experienced users

about the most sophisticated functionality. They become proficient users and identify aspects of the systems that are being under-utilized. They work with business users to understand system deficiencies and to define the requirements for potential system enhancements. They also manage systems permissions and access and perform periodic administrative maintenance (e.g., calendar updates, hierarchy changes, etc.).

Final Word

If your merchandising organization is too overwhelmed managing the day-to-day business to focus on innovation and continuous improvement, you may want to consider putting a Business Excellence team in place. It might require some creative human resource management to fund the initial investment in headcount and payroll, but the ability to finally address the backlog of highly valuable initiatives and proactively look towards the future will be worth it.

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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