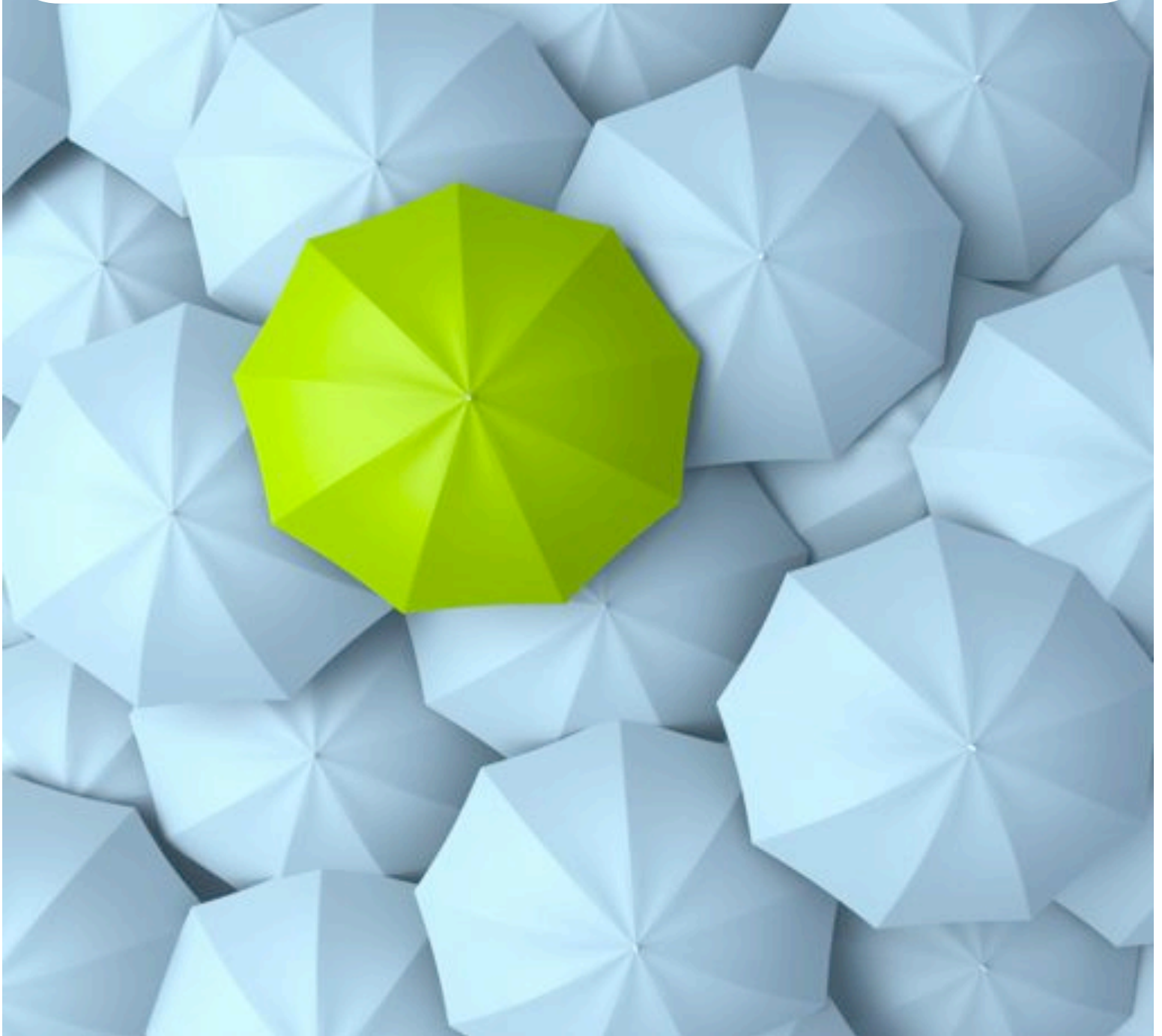


Fashion vs. Basic Assortment Planning: Developing the Appropriate Product Mix and Inventory Level to Maximize Sales and Profit



Assortment planning is a process whereby products are selected and planned to maximize sales and profit for a specified period of time.

The assortment plan considers the financial objectives and seasonality of merchandise to ensure proper receipt flow. Outputs of assortment planning include initial purchase quantities and the receipt flow across time that will inform the allocation process. The level of detail in the assortment planning process will differ depending on the type of product being planned. For the purpose of this discussion, products are categorized into one of two product types - fashion or basic.

The purpose of assortment planning is different for fashion product versus basic product.

Fashion product follows the concept of assortment planning, with the objective of developing a product mix, whereas basic product utilizes the process of category management, with the goal of determining inventory levels.

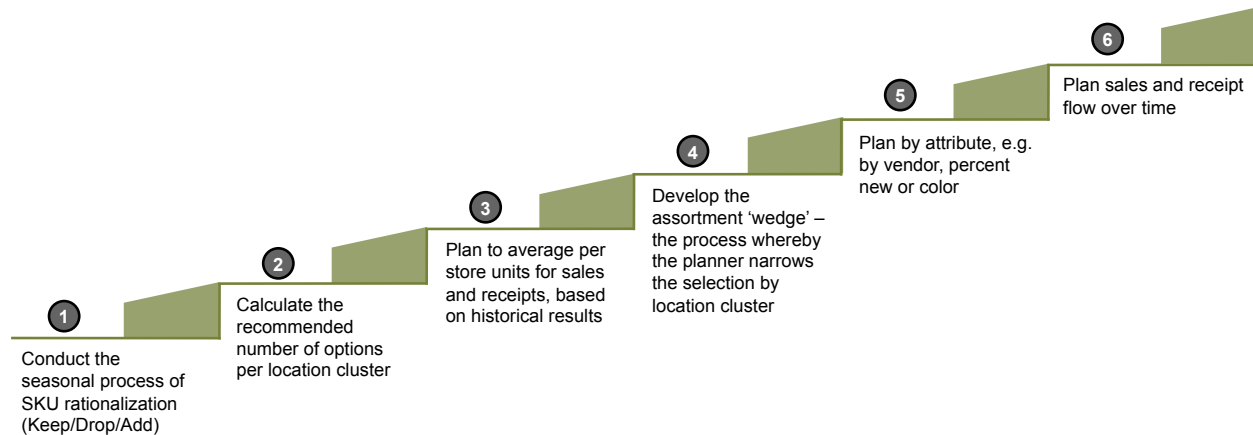
Figure 1: Fashion vs. Basic Planning



Fashion Product Definition

Fashion product can be either softline or hardline and is **identified as fashion if its lifecycle is short, i.e. the product's lifecycle will include a single selling season or less**. Fashion products change frequently; the product delivered for a new season may be similar to product delivered in the past, but it is not the identical product. For example, colors may have changed for an outerwear jacket, or features may be updated for a boat. Fashion products require the assortment planning process to determine the amount of required receipts, which once derived are input to the allocation system.

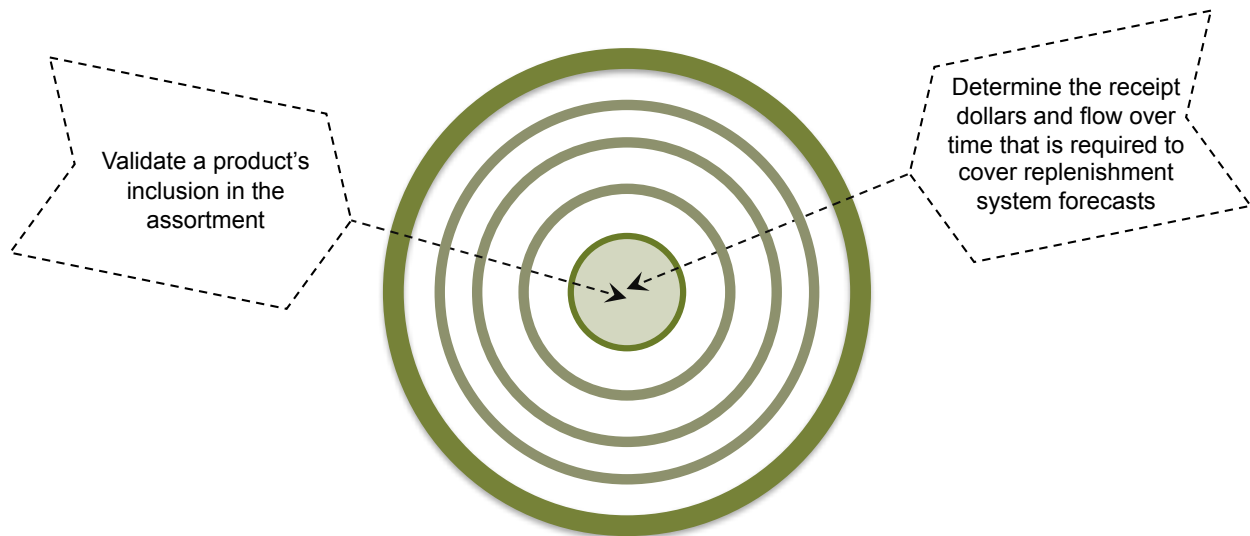
Figure 2: Fashion Product Assortment Planning Process: Fashion product utilizes the full assortment planning process that includes the following steps,



Basic Product Definition

Basic product can also be either softline or hardline and is **identified as 'basic' if its lifecycle is long, i.e., the identical product will be delivered several times over the course of multiple seasons.** Basic products essentially do not change; colors and features remain constant over the product's life. Sales and inventory for basic products are managed through the replenishment system. The assortment planning process serves as a checkpoint to determine if the product meets performance criteria and should continue to be included in the assortment.

Figure 3: Basic Product Planning Process: Inventory management for basic products occurs in the replenishment system. The assortment planning process for basic products is modified,



Basic products can be included in assortment plans, thus providing a complete picture of the multi-channel retailer product offering. This complete picture is necessary for the proper management of the merchandise assortment, and it can be difficult to make decisions about fashion products - i.e. what to include and what not to include - without understanding the entire product mix. It is important to note that detailed plans for each basic product should not be developed, as the time and effort to plan each basic product in assortment planning is redundant and may be counter to the replenishment system. Basic products should be planned at an aggregated level, i.e., the portion of basic products in each class. This approach allows the appropriate resources to be devoted to developing fashion product assortment plans.

Annually, each basic product's performance should be reviewed against the parent category's established sales and margin threshold by to determine if the product should be dropped from the assortment or continue in the assortment. Any product performing below the threshold is dropped from the assortment. The process of dropping basic products ensures freshness in the product offering and maximizes return on inventory investment.

Figure 4: Advantages & Disadvantages of Fashion vs. Basic Assortment Planning

Advantages

Appropriate level of detail by product type

Detailed assortment plans are the only plans developed for non-key and non-replenishment products.

Simplifies assortment planning

Planning is focused on Fashion products

Appropriate use of planning resources

Since basic product is managed in the replenishment system, it is redundant to develop detailed assortment plans for this type of product



Disadvantages

Inconsistent process

Different processes across the organization result in differing skill sets within the planning community, presenting a training challenge when personnel shift between Fashion and basic product.

Requires all products to be attributed

In order to gain the ability to assortment plan basic products at the aggregate level, all products must have a "fashion" or "basic" attribute assigned. Attribute management can be a time consuming process, to ensure all products are properly assigned.

Final Word

Based on the advantages, and disadvantages detailed above, The Parker Avery Group recommends multi-channel retailers take a bilateral approach to the assortment planning process, utilizing a full assortment planning process for fashion product and a modified assortment planning process for basic product.

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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