The Ultimate Checklist for Collaborative and Profitable Assortment Planning

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Successful assortment planning is a combination of art and science. While it is standard for data to drive the scientific side of decision-making, analytics can also guide creativity, providing a springboard for decisions otherwise made on gut instinct alone.

Given the number of decisions – and decision-makers – involved in the assortment planning process, a collaborative approach is imperative to maximize profits while minimizing headaches, circular conversations, and potential losses.

Use the following checklist to create an assortment that is both customer-centric and profitable, with a collaborative approach that ensures inter-department alignment.

And, to truly maximize margins, harness the power of machine learning with **assortment planning software** to optimize your inventory and minimize stockouts.

+ Identify Stakeholders

Begin by identifying any stakeholders involved in the decision-making process.

There are numerous departments involved in creating your assortment: Set yourself up for success with transparency from the start – before a surprise executive opinion throws you for a loop.

Who will be giving feedback? Who needs to give approval before the final sign-off?

Decision-makers may come from a variety of departments, including:

- Planning
- Merchandising
- Allocation
- Design
- Finance
- Marketing

Bonus tip: *Once you've identified stakeholders, build a timeline for reviews with specific deadlines. When possible, request approval – not opinions – to reduce the likelihood of contradictory feedback and circular revisions.*

+ Align on Goals for a Collaborative Approach

Each department has its own objectives, which may at times feel conflicting.

Align on goals from the beginning, then document them – with a hierarchy if needed – to refer to as the assortment evolves.

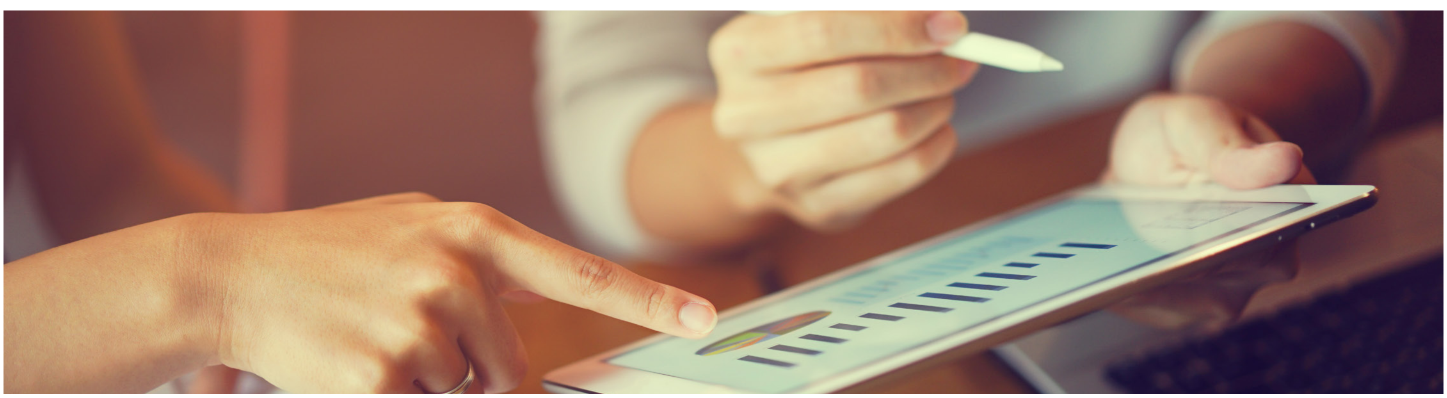
Goals to consider and prioritize when creating your assortment include:

- Profit margins
- Sales targets
- Cost reduction
- Customer satisfaction
- Minimizing stock-outs
- Maximizing shelf profitability
- Customer acquisition and retention
- Increasing market share
- Branding and customer expectations (Level of trendiness, etc.)

Consider the following methods to document goals and responsibilities:

- **Objectives & Key Results (OKRs):** Start by identifying the primary objective. Then determine additional cascading objectives, and the owner and associated performance metric for each one.
- **RACI Chart:** A RACI chart identifies who is responsible, accountable, consulted, and informed in each task. Identifying stakeholder involvement for each task supports collaborative communication despite fast-paced decision-making.

Bonus tip: *Once goals and deadlines are determined, circulate the finalized document. A unified "source of truth" on goals gives you an objective reference to guide decisions when opinions differ.*



+ Consider External Factors and Stakeholders

In addition to internal stakeholders, remember to address the external people and factors involved in creating a successful assortment.

These include:

- Vendors and supply chain partners
- Availability of products and raw materials
- Climate and weather patterns for localized assortments
- Lead times
- Seasonality
- Market trends
- Customers (!)

Bonus tip: *Remember, the most profitable assortments are driven by a customer-centric approach. High-profit margins mean nothing if the customer doesn't want – or buy – the item.*

+ Compile and Analyze Your Data and Research

Accurate assortment planning requires data-driven decisions.

Remember to use both internal and external data, and be on the lookout for groupthink or accidental assumptions: Keep each other in check, asking "why" and turning to facts whenever possible.

Don't depend on quantitative data alone: Qualitative data from the people who buy your products provide the in-depth insights you can't find in a spreadsheet.

Types of data and research include:

- POS data
- Data from customer loyalty programs, the store app, etc.
- Customer demographics
- Previous re-order points
- Common characteristics of top performers

- Store location and size
- Sales by channel (online or off)
- Seasonal sales
- Marketing campaign results
- Assortment width and depth
- Store or category clusters
- Product classification
- The consumer decision tree
- Influencers
- Social sentiment
- Customer focus groups

Bonus tip: *Don't overlook the benefits of having all demand-generation systems in the same platform. From open-to-buy to item plans and forecasting, real-time insights minimize the frustrations of dirty data and provide benefits that improve decision making, productivity, and collaboration.*

+ Identify Factors Impacting Historical Data and Future Forecasting

Historical data is – by definition – based on the past, making perfect predictions near impossible.

Given the direct correlation between accurate demand forecasts and profitability, you must understand any factors which may have impacted past sales data.

In addition, remember to identify any recent or upcoming changes not reflected in historical data which will impact future demand.

Questions to ask include:

- Have there been any changes to your store's online interface or user experience? If so, how have they impacted sales to date?
- Did the weather have any impact on your sales?
- Are there any new initiatives, such as buy online pick up in-store (BOPIS), which have the potential to increase demand?
- Are there any market trends or economic factors that will affect the assortment?

Have there been any changes to the overall company strategy, and does the assortment align with them?

What campaigns does marketing have planned? Will they be targeting any new audiences and/or locations?

Will products be sold in any new channels? (Social selling, livestreaming, the metaverse, etc.)

Bonus tip: *Retailers need every advantage possible when winning share of wallet.* ***Retail planning software*** *provides the competitive advantage of advanced algorithms to more accurately predict future demand.*

Incorporate Digital Commerce and Omnichannel Retail Into Your Assortment Plans

Customers' need for speed has never been higher, and rapid fulfillment can make or break short-term purchase decisions and long-term brand loyalty.

Digital commerce and an omnichannel world also mean you must consider the subsequent costs and opportunities to win customers with your assortment and allocation plans.

Consider the following:

What are delivery times and costs from each fulfillment point? Are there any new rapid-delivery opportunities (including partnerships, fast-shipping subscriptions, etc.) that could increase demand?

Can any stores be turned into fulfillment centers for ship-to-store or BOPIS?

If a location is facing stock-outs, how fast do you need to re-allocate inventory to meet demand? What are the related shipment speeds and costs?

Are sales of any product categories more popular via specific channels? What are the fulfillment and delivery time expectations for each channel? Remember to include apps, online, in-store, social commerce, and marketplaces.

Are there any items that are imperative to have in stock both online and in-store?

Destination pieces – the staples customers count on – require you to carry SKUs or sizes the math might not recommend. If out of stock, you risk losing brand trust, market share, and customer lifetime value.

Bonus tip: *Don't just look at your own omnichannel strategy: Remember to identify any changes, technical improvements, or new campaigns from the competition which may pose a threat.*

+ Quantify the Effects of Your Decisions

From identifying risks to uncovering opportunities, understanding the details – and numbers – behind each item in the assortment ensures you keep your eye on the prize: maximum profitability.

At the same time, it allows flexibility to incorporate the qualitative insights and creative components of assortment planning.

Questions that lead to quantifiable insights include:

- Is the depth and breadth behind the assortment financially viable?
- What is the correct financial model (such as open-to-buy) when building out the assortment?
- Does the POS data reveal any slow-movers which can be replaced with high performers?
- How transferable is demand? Will the customer pick another product – or pick another store?
- Where is there give and take to ensure the numbers add up and you're on track to meet your financial targets? (For example, are there ways to reduce the cost per item? Alternatively, can the merchandising team commit to x more in sales?)

Bonus tip: *Math does more than maximize margins: It helps keep office politics to a minimum. When you're getting down to the wire, and team members would like to add a new item to the assortment, you don't have to say no. Instead, find out what it would take to say yes. For example, is the request viable if the cost per item can be reduced by $2.50?*

+ Leverage Technology

When combining the art and science of assortments, it's easy to get caught up in tedious tasks and endless iterations.

Rather than continually re-working your spreadsheets, let supply chain planning and forecasting tools do the heavy lifting (and manual work) – leaving you free to focus your time where it will have the most impact.

The algorithms also provide improved accuracy in your forecasting, ensuring you maximize assortment profitability.

Use supply chain planning, demand forecasting, and assortment planning software to:

- Combine demand and forecasting data from multiple sources
- Leverage store profiling and localization features to match assortments with customer demand
- Identify return rates to factor into your planning
- Use probabilistic demand planning features to get a range of potential outcomes – and their probability of occurrence
- Ascertain the ideal receipt planning for the inventory you plan to purchase
- Foster inter-department collaboration in a variety of areas, including pricing, promotions, and merchandise financial planning
- Guide your strategic merchandising decisions and reconcile key metrics

Bonus tip: *Assortment planning tools help you meet the revenue objectives defined during the merchandise financial process. For example – use your software to determine the appropriate assortment width and depth within store clusters, across both product categories and attributes.*

+ Continually Test and Refine

Assortment planning is anything but "set and forget." It is a continuous circle of testing and refining what generates the most revenue – and customer satisfaction.

After your assortment has come to life, monitor your data to determine retrending plans, understand if you need to add or remove promotions, and identify what items to discontinue or markdown.

When analyzing the assortment's success, to understand what worked, what didn't, and why, questions to ask include:

- Should any adjustments be made to the assortment depth or breadth moving forward?
- Were there any anomalies missed when analyzing historical data?
- Have there been any changes in consumer buying behaviors/channels that will affect future allocation and assortments?
- Did the competition run any campaigns which affected your sales?
- What/how many items needed to be reallocated or replenished?
- Were there any changes to the demographics of your core customer base?
- Did any cost-saving initiatives have a negative impact in quality, sales, or brand affinity?
- Did the team make any assumptions during the planning process that were incorrect?
- Do you have any social listening software to gauge customer sentiment / social media shares of items within the assortment?
- How accurately did you balance staple items with trendier products?
- Were any locations more successful? If so, why?
- Were there any price changes that impacted the rate of sale?

Bonus tip: *Don't let data limit the creative components of assortment planning. Instead, let it fuel your plan and your profits. In the words of Orsen Wells, "The enemy of art is the absence of limitation."*

+ Capitalizing on the Art and Science of Assortment Planning

While assortment planning is far from easy, it's the combination of art and science (and satisfied customers) that make the job so rewarding.

Maximize your margins and ensure alignment by leveraging the science from powerful machine learning tools, then use those insights to amplify and drive the artistic side of the planning process.

Learn more about how to drive business growth with [assortment planning software,] or [talk to our retail planning team] and discover how to unlock inter-department alignment, reduce your workload, and unleash revenue growth.

Talk to a Team Member Today →

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