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Hobson & Company

REPORT

Proven ROI for Retailers:

The Business Case for a Comprehensive Retail Planning Solution

Retailers today operate in an increasingly competitive environment. Consumers have never had more options or control over how, when, and where they make purchases.

Thriving in the current market demands that retailers have the right products in the correct locations when consumers want them. However, retailers must still manage the practical realities of ordering, shipping, and distributing inventory.

To be successful in the current market, retailers must increase the efficiency and accuracy of their demand planning, merchandise financial planning, assortment planning, and allocation capabilities.

Traditional demand planning processes have been labor-intensive and prone to inventory error. Inventory shortages of popular items or surpluses of lower-demand products are common. And, organizations without retail planning tools are unable to leverage historical sales information to more accurately project future sales trends.

To help overcome these challenges, thriving retailers have implemented industry-leading retail management software solutions to more effectively plan for future consumer demand. Improving the demand planning process has enabled these leading organizations to grow their revenue and profits while controlling the costs associated with inventory planning, leading to a fierce competitive advantage.

Based on the ROI analysis outlined in this paper, a retailer with roughly $1B in revenue deploying the broad suite of ToolsGroup solutions would see a payback in 7.8 months and generate an ROI of 265%.

A retailer with approximately $1B in revenue deploying the suite of ToolsGroup solutions is poised to generate an ROI of 265%.

Hobson & Company, a research firm focused on return on investment (ROI) and total cost of ownership (TCO) studies, worked with ToolsGroup to explore these metrics.

The goal of this report is to highlight examples of operational and business benefits that can be realized with ToolsGroup solutions.

Research consisting of in-depth interviews with customers found that ToolsGroup solutions addressed customer challenges and delivered measurable results with a high return on investment.

Retail Planning Objectives

Customers interviewed noted a consistent set of retail planning objectives required to compete in a rapidly changing and competitive market.

// Increase Sales by Consistently Delivering a Better Customer Experience

Retailers need to leverage their understanding of customers and deliver an effective omnichannel retail experience. Customers want a seamless experience between channels and will reward retailers that meet those expectations with their business and continued loyalty.

Increased competition requires that successful retailers more accurately plan and execute to have the right products available at the appropriate retail location to meet consumer needs.

// Control Inventory Costs Through More Effective Planning

Effective retailers must strike the right balance between having the correct mix of products available for consumers and minimizing the cost of inventory on hand.

In order to accomplish this objective, retailers must purchase the right products in appropriate quantities, effectively allocate inventory to the correct locations, and replenish that inventory in a timely manner. This level of inventory planning and execution requires comprehensive analytical and planning capabilities as well as accurate real-time visibility into store-level inventories.

// Drive Productivity Through Automation and Standardizing Planning Processes

Retail planning teams are required to process massive amounts of data at granular levels to effectively create, execute, and manage inventory plans. Many retailers lack the capabilities required to efficiently aggregate and analyze data, which forces planners to execute that work manually.

Effective retailers are implementing systems that automate the aggregation and analysis of demand planning data, enabling staff to spend more time making data-driven business decisions versus lower value data aggregation activities.

Customers identified benefits of the ToolsGroup retail planning solutions in the areas of:

Increasing revenue

Improving margins

Streamlining processes

Increase Revenue

// Reduce Lost Sales Due to Inaccurate Allocation Planning

ToolsGroup Allocation capabilities enable planners to more accurately project sales trends and allocate inventory amongst fulfillment points thanks to historical sales data, store demographics, and other factors.

"For our replenishment items, ToolsGroup has helped to reduce lost sales due to stockouts by roughly 10%."

- Planning Executive, Broad Category Retailer

10%

Customers interviewed reported:
10% reduction in lost sales on replenishment items

// Increase Inventory Turns by Purchasing the Appropriate Mix of Inventory

ToolsGroup Replenishment segments inventory and optimizes replenishment orders with the appropriate quantity and mix of core and basic products. This enables retailers to achieve higher levels of sales with minimum inventory investments.

"We have found that our replenishment items have roughly one inventory turn per year more than our non replenishment items, which is attributable to ToolsGroup."

- Planning Executive, Apparel Retailer

20%

Customers interviewed reported:
20% increase in inventory turns for replenishment items

// Enable Growth Through Standardized and Streamlined Planning and Purchasing

ToolsGroup automates planning, purchasing, and merchandising functions, enabling organizations to standardize planning processes, which is critical for growing organizations to ensure that planning processes are executed consistently globally. ToolsGroup also automates manual processes, enabling planning staff to focus on higher-value activities.

"We have had years of double-digit growth that would not have been possible without ToolsGroup."

- Planning Manager, Broad Category Retailer

0.5%

Customers interviewed reported:
0.5% increase in revenue growth due to ToolsGroup

Improve Margins

// Lower Inventory Costs for Seasonal and Fashion Items

ToolsGroup Demand Forecasting and Allocation enable buyers to forecast and distribute the right mix of products to the appropriate stores more accurately, reducing the cost of inventory on hand and inventory carrying costs.

"ToolsGroup has helped make our forecasting more accurate. More accurate forecasts reduce excess inventory. Since implementing ToolsGroup, our overall inventory levels have gone down."

- Planning Executive, Specialty Retailer

10%

Customers interviewed reported:
10% increase in efficiency of purchasing allocation inventory due to ToolsGroup

// Reduce Inventory Overstock Costs for Replenishment Products

ToolsGroup Replenishment drives down inventory purchasing costs by leveraging historical sales data. This enables consistent ordering of the appropriate quantity of products to meet service levels and avoid stockouts. More accurate planning for replenishment items also reduces the cost of inventory on hand and inventory carrying costs.

"With ToolsGroup we have been able to reduce the supply of inventory at the store level by more than 25% while maintaining service levels."

- Planning Executive, Specialty Retailer

20%

Customers interviewed reported:
20% increase in replenishment purchasing efficiency

// Improve Overall Selling Price or Margin

ToolsGroup Allocation, Assortment Planning, and Promotion Management capabilities enable retailers to more accurately forecast demand and precisely target discounts to move inventory, increase brand awareness, and combat competitive pricing challenges.

"Since implementing ToolsGroup, we have been more disciplined in assortment planning and have seen a 2% improvement in margins by not moving over purchased items to clearance."

- Program Executive, Broad Category Retailer

1%

Customers interviewed reported:
1% increase in Maintained Markup (MMP)%

Streamline Processes

// Reduce Level of Effort Required to Conduct Planning, Allocation, and Replenishment

ToolsGroup Merchandise Financial Planning, Replenishment, Allocation, and Assortment Planning intelligently automate and streamline the product planning process. This automation alleviates manual planning activities, freeing planners to focus their time on items and inventory that need the most attention and offer the most opportunity.

"ToolsGroup helps us more efficiently and effectively manage the complexity of planning. Without ToolsGroup, we would probably require 20-30% more planners to accomplish the same work."

- Planning Executive, Apparel Retailer

25%

Customers interviewed reported:
25% increase in planning efficiency

// Reduce the Effort Required to Manage Pricing

ToolsGroup Promotion Management and Pricing solutions enable pricing managers to efficiently execute pricing changes by enabling a single point of entry across systems, stores, and channels.

"The effort required to manage pricing data was reduced by over 80% because ToolsGroup is easier and more efficient to use."

- Program Manager, Specialty Retailer

30%

Customers interviewed reported:
30% increase in pricing administration efficiency

In summary

A disrupted supply chain gives additional challenges to the already complex inventory optimization process, but customer expectations remain high.

Digital technologies continue to fuel how consumers shop, and an effective omnichannel strategy requires optimal and accurate inventory levels for both online and in-store purchases.

By leveraging the power of retail planning tools, retailers can ensure the right product is in the right place at the right time – and, at the right price.

Not only does this improve customer satisfaction and strengthen brand trust, it helps retailers meet their own goals: Reducing lost sales and lowering costs, while increasing inventory turns, revenue, and profits.

Measurable Value

Reduce Lost Sales	Grow Revenue	Increase Profits	Reduce Lost Sales	Reduce Cost	Increase Inv. Turns
Through more accurate replenishment planning by **$2.6M** / year	Through standardized and streamlined planning and purchasing by **$5.3** / year	Through more effective pricing and discounting execution by **$1.3M** / year	Through allocating non-replenishment items more accurately by **$1.0M** / year	For replenishment inventory by purchasing more accurately by **$0.8M** / year	Through more effective replenishment planning by **$0.8M** / year

Based on independent interviews by Hobson & Company with ToolsGroup customers.

ToolsGroup Solutions

ToolsGroup customers interviewed during this project have implemented a broad range of selected ToolsGroup solutions including:

- **Merchandise Financial Planning (MFP):** Set strategic financial targets in a flexible, powerful user interface that supports advanced demand forecasting, multiple plan types, scenario planning, and version control.
- **Assortment Planning:** Create holistic, omnichannel assortments on a continuous basis, driving localized assortments and optimizing purchases to maximize margin.
- **Allocation:** Create demand-based, forward-looking strategic plans to effectively manage products, while adapting to shifts and adjusting allocations in real-time.
- **Demand Forecasting and Planning:** Combine probabilistic demand forecasting and machine learning automation for improved forecast accuracy that maximizes inventory optimization, guides supply chain planning, and curtails demand uncertainty.
- **Replenishment:** Add ease and efficiency to your replenishment process with highly accurate, time-phased automated replenishment plans that prevent lost sales, minimize costs, and enable optimal inventory levels.
- **Promotion Management** and **Pricing:** Manage product lifecycle pricing from initial price setup through in-season promotions and end-of life price markdowns, while evaluating financial impact and reacting quickly to market conditions.

Explore more ways to surpass the competition with the solution that maximizes margins and customer experience at **www.toolsgroup.com.**

About ToolsGroup

ToolsGroup is how organizations improve product availability while right-sizing inventory, no matter how complex their supply chain is or how much demand changes. In a world that rarely follows the rules, our retail and supply chain planning suite optimizes and automates supply chains from production to purchase, enabling manufacturers, distributors and retailers to be ready for anything. That's why global leaders like Absolut, BP and Harley-Davidson rely on us year after year.

For more information, follow ToolsGroup on or visit **www.toolsgroup.com.**

About Hobson & Company

Hobson & Company helps technology vendors and purchasers uncover, quantify and validate the key sources of value driving the adoption of new and emerging technologies. Our focus on robust validation has helped many technology purchasers more objectively evaluate the underlying business case of a new technology, while better understanding which vendors best deliver against the key value drivers. Our well researched, yet easy to use ROI and TCO tools have also helped many technology companies better position and justify their unique value proposition. For more information, please visit **www.hobsonco.com.**

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