



CUSTOMER STORY

# Kathmandu

Embarks on a Journey Towards Integrated Retail Planning

## Introduction

Kathmandu was challenged by a legacy forecasting and planning platform which wasn't meeting expectations and was beginning to constrain the company's growth.

## Industry

- Retail - Apparel

## Solution

- Assortment Planning
- Allocation
- Demand Planning and Forecasting
- Automated Replenishment

## Results

- Reduced stock in stores by an average of 10%
- Improved pre-clearance inventory sell-through
- Increased stock turns
- Improved cash flow
- Reduced stock-outs

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## Growth Plan Challenged by Legacy Systems

Kathmandu is a leading outdoor and adventure brand in New Zealand, Australia, and the UK with 160 stores and a growing ecommerce business offering apparel and outdoor equipment. They have a clear plan for growth in both established and international markets.



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- Caleb Nicolson, General Manager Supply Chain, Kathmandu

Kathmandu was using a legacy platform for their planning and forecasting which relied heavily on the use of Excel spreadsheets. The system lacked necessary functionality, which was hampering their growth efforts and making their processes inefficient and time-consuming.

"The range planning, financial planning, allocation, and replenishment processes were all done in various Excel decision support systems," said Caleb Nicolson, General Manager Supply Chain, Kathmandu. "We knew we needed to find a platform that could take us on a journey towards an integrated solution across merchandise planning into allocations and replenishment, and one that could address our multi-channel business."

"Lack of visibility was another issue that we were facing. We often weren't able to detect in a timely manner when something went wrong – such as out-of-stocks – and therefore weren't able to quickly and properly resolve the issue. This led to some real disadvantages from a business and financial perspective," said Jolann Van Dyk, CIO of Kathmandu. "We needed an integrated system with visibility that could alert us to potential problems so that we could proactively manage them."

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## Selecting a Partner for Success



**We chose ToolsGroup because they are a leading worldwide provider of retail planning solutions. We wanted to work with a partner that had the intellectual property and could teach us what we should be doing, align our bespoke practices and provide a single source of the truth."**

- Jolann Van Dyk, CIO of Kathmandu

Kathmandu had previously implemented Microsoft Dynamics AX, so when looking for a forecasting and planning solution, it seemed logical to turn to a Microsoft Dynamics partner. Microsoft recommended that Kathmandu reach out to ToolsGroup, a Microsoft Dynamics global retail partner, to learn about its solutions.

Once the Kathmandu team had thoroughly evaluated ToolsGroup, they found that the solution met their functional requirements and that ToolsGroup is highly regarded and used by many fashion brands worldwide.

The company selected ToolsGroup Assortment Planning, and following the successful implementation of this solution, decided to replace additional spreadsheet based processes with ToolsGroup's Demand Planning and Forecasting, Inventory Optimization, and Automated Replenishment solutions.

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## Achieving Visibility for Growth and Added Performance

"With store formats ranging from 200 square meters to 1,200 square meters, we introduced a structured store grade and assortment range planning process. This process was largely executed in Excel, and while it delivered value, it did not enable the flexibility we required and was far from best practice.

"We needed a solution that would allow us to plan at an aggregate level and then execute at a low level at a later point in time, and felt confident that ToolsGroup could provide this functionality," said Nicolson.

He added, "Another key functionality that attracted us to ToolsGroup on the merchandise planning side is the ability to plan presentation stock by store grade as part of the inventory planning process. We could then purchase stock knowing we would open a specific number of new stores by store grade during the coming season, without having to specifically associate inventory requirements at point of purchase. This ability to decouple planning at a macro level from a specific store level was very useful."



**With the ToolsGroup solution, our inventory composition in stores is based on the weighted historical and forecasted future performance of each store, ultimately locating our products where our customers are most likely to purchase them."**

- Caleb Nicolson, General Manager Supply Chain, Kathmandu

As the company operates a sophisticated warehouse and supply chain system, they required a demand planning solution that could support this complexity and work seamlessly in an end-to-end Dynamics AX environment. ToolsGroup was able to meet those requirements.

"With the ToolsGroup solution, our inventory composition in stores is based on the weighted historical and forecasted future performance of each store, ultimately locating our products where our customers are most likely to purchase them," said Nicolson.

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## Rewarding Results

Eighteen months after the initial implementation of ToolsGroup Assortment Planning, Kathmandu went live with the additional modules.

"Shortly after going live with Assortment Planning, we saw benefits in relation to the other systems we had been using – system availability being one of the key results. With the legacy platform, Mondays were consistently lost to system updates, leaving only four days for actual planning.

"With ToolsGroup, we can start planning first thing Monday morning, giving us a much bigger time window to influence demand. This is a huge benefit which helps us both setup more accurately for the following weekend's sales and improve the time efficiencies within our teams," said Nicolson.

Another key benefit that Kathmandu now enjoys is reduced stock holdings and therefore better cash flow.

With decreased stock holdings, the retailer is able to improve the store space presentation and have a just-in-time approach to replenishment, allowing them to gain efficiencies such as more store space and better stock throughput.

Additionally, Kathmandu now has the ability to put thresholds and boundaries in place in order to handle out-of-stock exceptions instead of spending costly time going through all the data and traffic to determine what is happening at any time.

"Across our entire store network, we're holding about 10 percent less stock in stores which is impressive. However, the real story is that we achieved this and improved the composition

of inventory in stores, meaning a higher ratio of key lines relative to each store's demographic performance," said Nicolson. "With ToolsGroup we're now seeing opportunities we never had before which is a huge value for us. We're getting better at forecasts and our history continues to become cleaner in a perpetual positive cycle."

"Overall we have been very pleased working with ToolsGroup and impressed with the value we've gained through the new solutions," said Van Dyk. "The results have been very clear, specifically regarding visibility into presentation stock, predictive shortfalls, and reduced stock-outs."



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– Caleb Nicolson, General Manager Supply Chain, Kathmandu

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