



# Cegid

## Expert View

### From merchandise allocation to replenishment



Effective management of merchandise allocation and replenishment results in optimal stock levels throughout the supply chain, from warehouse to store. Yet many retailers aren't maximising the potential gains that efficient allocation and replenishment strategies can offer, by looking solely at sales and not taking into account assortments, product lifecycles, stock shortages, stock on order or lost sales.

With potentially significant returns, that include an estimated average 30% increase in sales of best-selling products, this clearly should be a strategic area of focus for today's retailers.

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# From merchandise allocation to replenishment

How many retailers can say that they are successfully optimising their inventory and replenishment processes, and how many integrate the following criteria into their decision-making?

- Changes and developments in assortments (introduction of new products, increase/reduction in distribution, new store openings etc.)
- Marketing campaigns and promotions
- In season budget reconciliation

Despite the importance of merchandise and replenishment planning in modern retailing, many retailers are not making use of advanced planning and replenishment tools. Yet we all know that it is impossible to have the same products and ranges in all stores.

We believe that store allocation and replenishment should be aligned with ideal stock levels and demand forecasts. Current replenishment strategies such as 1 to 1 or ideal stock are based on long timescales. Given the predominance of shorter seasons, retailers need to be much more proactive and much more ambitious. A dynamic replenishment strategy which analyses stock levels is just the beginning.

## Personalised criteria

Seasonality, varying consumer spending patterns across different countries/regions, demographics and assortment renewal all have a bearing on stock level management, purchasing and replenishment. For example, the sales for one store may be the best in its region for sportswear but the worst for suits and office wear. A modern allocation plan must take these variables into account. An effective merchandise planning solution offers retailers complete visibility over stock levels and provides them with the necessary information on which to base replenishment and purchasing decisions. A successful allocation plan centralises purchasing but also gives retailers the flexibility to make their own decisions at a local or product level. Decision-making can be centralised or decentralised, to support corporate and micro-market demands.

An efficient allocation and replenishment system should take into account a store's capacity, the maximum number of references per store, the assortments selected for the store's profile, planned promotions and the product strategy: price, target market, colours and sizes.

+25  
languages

+65  
countries

20 000  
retail stores



## Predicting the future from the past

Using past experiences can help us predict the future. This approach uses the store's sales history within the supply chain management, merchandising and product lifecycle management systems. Two to three days after new products have been introduced to the stores, sufficient data should be available to Merchandise Managers to anticipate future demand and intelligently allocate merchandise.

Fast-selling products will require higher stock levels, underperforming predicted best sellers will require immediate stock level or allocation adjustments, some will be removed from assortments and others deliberately put on an "out of stock" status.

An advanced planning and allocation system offers even broader possibilities. It suggests when to introduce a new product, when to withdraw certain goods from the store and the best assortments based on promotions, seasonality, climate changes, local preferences, store capacity etc.

## The benefits for retailers

The benefits can be experienced across a variety of sectors; from household appliances to DIY, textiles, homeware and leather goods, and on multiple KPI criteria, including turnover, margin, stock turn, markdowns, residual stock and productivity of Merchandise Managers.

Other estimated benefits include a reduction in forward stock cover across the network of several weeks, a 1% to 5% increase in residual stock value and a 25% to 40% increase in "best-seller" sales. How? By anticipating and reducing the risk of stock-outs in-store and performing accurate forecasts which take into account lost sales and actual weekly sales profiles, lifecycle discrepancies, supplier replenishment, store delivery lead times and order frequencies. These are just some of the areas where you can increase your profits with a state-of-the-art merchandise allocation and replenishment solution.



« Advanced allocation and replenishment techniques can reduce forward stock cover by several weeks and increase the value of residual stock by between 1% and 5% ».

## About .Next Allocation and replenishment

.Next is a unique supply chain and decision-support solution from Cegid that optimises inventory and replenishment by adjusting store stocks and calculating future sales and ideal inventory levels for each SKU. It monitors store and product performance, automatically suggesting adjustments to maintain optimal stockholding in-store. .Next forecasts future sales, and automatically calculates supplier lead times and order cycle lengths.

## About Cegid

Cegid Group is a leading international enterprise management software provider, with €248M revenues, 2,000 employees and 350,000 users worldwide. Combining international expertise and reach, the company has offices in Paris, New York, Barcelona, Madrid, Milan, Milton Keynes, Casablanca, Shenzhen, Tokyo and Singapore and a network of resellers throughout the world supporting our customer's international expansion.

## About Cegid Retail

Cegid's best in class retail management software solutions are proven to improve the productivity, performance and profitability of speciality retailers. Solutions include merchandise planning, manufacturing and sourcing, merchandise management, wholesale, advanced replenishment, EPoS, CRM and business intelligence.

Over 1,000 retailers and 20,000 stores in more than 65 countries are currently using Cegid's retail management solutions to drive their businesses forward.



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