



## **Overview**

Throughout the ages, the fundamentals of retail have remained surprising consistent. It's very simple, have the right merchandise, at the right time, in the right place. It is that foundation that enables a company like Wal-Mart to beat street projections year after year. They know that future growth is not likely to come from building additional stores, as they have already blanketed much of the U.S. Growth must come from inside. When you have 3,200 stores, making each one even 5% better goes straight to the bottom line. That's why they've invested so much money and energy into developing sophisticated systems to help ensure each store can be maximized.

That said, Wal-Mart and other retailers have so many sku's to monitor, that it is nearly impossible for them to maximize each and every sku in each and every store. That's why they call on their vendor partners to help them do their job.

**Scenario:** A leading Women's Wear manufacturer has a 50 sku pant program at Wal-Mart. The program is in roughly 3,000 stores. Color and size ratios vary by store. How can the manufacturer improve the in-stock percentage of each store, and ensure a consistent flow of merchandise?

**Data Source:** Wal-Mart's Retail Link System. A 150,000+ row report with sales and inventory for each sku, for each store.

Extrapolating 150,000 rows into actionable information is no easy task. The first step is to import the data into Desktop Analyst. Once complete, we can now review each sku's store execution statistics. Via Weekly Analyst, we can run reports that rank stores based on sell through, inventory levels or high volume. Next, we can place each store in a particular list based on its behavior (high sell through, out of stock, etc). Each list can have its own parameters for calculating replenishment needs. This is strong point of the system. Most retailers' auto replenishments systems act in a static environment- there is no logic to let the system know if a particular sku is missing business, or has not reached its true potential.

Once store lists are set up, we can use the Replenishment Advisor to calculate each store's inventory needs for each sku. Replenishment Advisor has several methods of determining needs including sales curves (that takes seasonality into consideration), average weekly sales, pack size and fixture capacity. The Replenishment Advisor also needs a WOS (weeks of supply) model to work from. Each retailer usually has a baseline they like to work from- Wal-Mart usually likes less than 8 weeks of supply on hand at any given time. For this particular program, 8 weeks of supply are allowed, the pack size is 1 unit (this manufacturer can pick and pack single units), and a seasonal sales curve will be used. After the parameters are all selected, the system does all the hard work.

After a few minutes, the reports are generated. There is one report for each sku that shows each store's sales and inventory position, the current coverage, annual potential and calculated needs. A second report is a recap of all sku's by door with just one column- their replenishment needs. The purpose of the recap is to make it easy for the buyer to implement the replenishment recommendation. Once they are comfortable with how the numbers were derived the key is to make it as easy as possible for them to take action.

From start to finish, downloading a report from Retail Link, importing it into Desktop Analyst, defining the parameters and running replenishment reports, we turned 150,000 rows of data (or 50 skus in 3,000 stores) into actionable information in under an hour. This is a process that use to take the vendor 2 days to complete by hand.

**Result:** Every Monday, within an hour after sending replenishment recommendations to the buyer, a reorder is generated. A consistent flow of merchandise has been established, and the vendor can more easily plan their inventory needs with the factory based on consistency. In-stock levels increase to 99% and sales increased by + 15% because every store has the opportunity of reaching its potential. It has also freed more time for the analyst to spend looking at other issues to improve sales in other areas.