

Monitor. Alert. Recover. Optimize. Monitor. Alert. Recover. Optimize. Monitor. Alert. Recover. Optimize.

Managing Critical Value Points Creating Greater Value from your Merchandise Flow

By: Rick Chavie, Chris Hooper and Jason Denman

Spring 2005

Value Timeline:

How quickly can you get this new value point approach put in place? Whereas many implementations of new technologies and approaches are cast in terms of years, the lowered obstacles means the timeline to value capture is cast in terms of "next month" and "next season". Viewlocity's software is web native and can be deployed in phases, each of which brings tangible, incremental value to an organization.

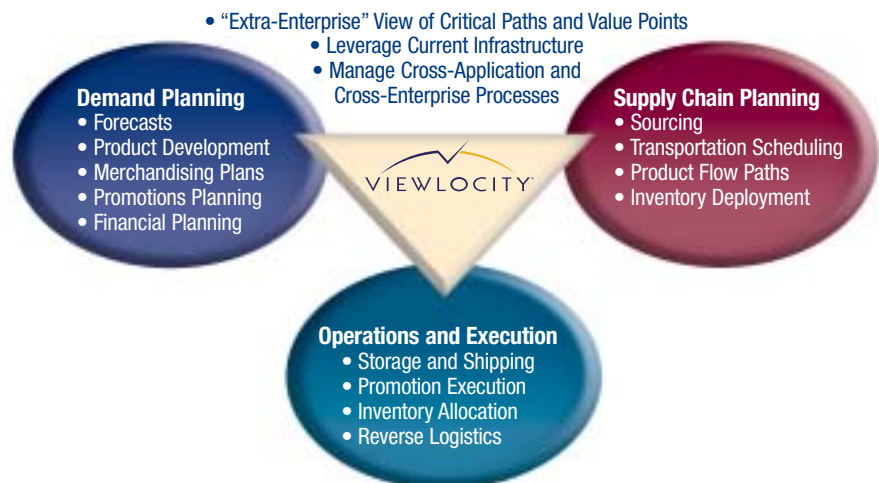
The Backdrop

"Wal-Mart...pulled back this year on its usual post-Thanksgiving promotions in a bid to shore up margins — only to see sales suffer and its stock suffer as a result."* In a retail market where: Wal-Mart with all of its noted planning and collaboration capabilities can be surprised by competitors and where best in class forecasts are only 75% accurate, can you take advantage of a new approach to enable more rapid response in decision-making and execution?

Value Points & Decision Windows

While most retailers have spent the last decade deploying better forecasting technology, the next wave of improvements in retail operations will be driven by the ability to respond to changing supply and demand conditions 'on the fly,' once goods are already moving. Profit opportunities on merchandise flows can be seized, or profit leakages reduced, by making key trade-off decisions faster and earlier than is possible for many retailers today. There are a

Many retailers have already deployed foundational elements needed to support High-Performance Merchandise Flow



Viewlocity provides the framework to connect and harvest them to enable high performance and create sustainable value



Three Levels in the Value Point Philosophy and Technology

1 *They make a different decision based on their experience*

2 *They utilize trade-off models that present a clearer view of the consequences of a changed decision, fortifying their own instincts when making the decision*

3 *Advanced analytic engines in the Viewlocity solution are used for more complex situations where greater precision is required*

number of critical “Value Points” that can be identified where a retailer has a profit-improving “Decision Window.” To see that window, you need to:

- Know what your critical value points are and where they lie along the merchandise flow
- Have live insight into those situations where deviations are causing value to be destroyed or where changes present opportunities for value to be created
- Be able to determine the ripple effects of alternative courses of action and the net profit impact
- Have the ability to make the required decisions and execute the needed actions before the window closes
- Have “live” scorecarding both of the execution of the actions and the final effect of the changed decision vs. the expected results

What is new about this? The capability now exists to create critical path models for retail decision-making, fed with near real-time data from multiple sources. And to do so only for those critical events that make a real difference in profitability.

For instance, suppose an advertising group is putting together an ad flyer for a major promotion of women’s private label cashmere sweaters that are sourced in China for an event in the eastern U.S. market. Something goes wrong with the delivery of fabric into the apparel plant and the window for delivery won’t be met for two thirds of the shipment. Often, the advertising group will hear about the delay well after the fact (the fabric supplier didn’t notify the plant which didn’t inform the private label group which didn’t yet tell the merchant who didn’t know to tell the ad flyer team).

A New Type of Solution

With Viewlocity, the moment that the fabric shipment misses the delivery window, the advertising group is alerted and can change the promotion focus instead of disappointing customers. Alternatively, the merchant can focus the event only in the Northeast and source alternative product for later breaking winter markets, or could just raise the price in the ad if no other product were available.

In such cases, a profit-oriented decision window is presented to the person **who** needs it, **when** they need it. There are three levels in the value point philosophy and technology, presented to the left and above, from the least to the most complex.

*What is **not** needed to achieve improved results is:*

- MODELING OF MANY OR MOST PROCESSES AND EVENTS
- ACHIEVING COMPLETE PRECISION IN ESTIMATING BENEFITS OR RIPPLE EFFECTS
- SYNCHRONIZING THE ACTIVITIES OF THE PLAYERS ALONG THE MERCHANDISE FLOW
- GETTING IT RIGHT EVERY TIME



About Viewlocity

Companies widely viewed as running the world's most finely tuned supply chains are now learning how to adjust their operations "on the fly." Realizing that the best forecasts are often only 75% accurate, Viewlocity helps companies identify "Value Points" where, as information and goods are moving through the supply chain, adjustments can be made during brief "Decision Windows" to increase profits and raise customer service levels.

Viewlocity is the most widely deployed product of its type on the market today. To find out how companies like Dell, the Ford Motor Company, and over 70 other leading companies use our products to improve their operations, call 1-877-512-8900 or visit our website at www.viewlocity.com.

Who benefits?

For the **Buyer/Merchant**, under constant pressure to predict consumer tastes well in advance, the product has multiple benefits:

- **Scarce products in high demand** - be advised of re-allocation opportunities, new supply sources, or opportunities to change pricing
- **Product that is late arriving** - be able to choose faster shipping or changing the initial mark-up to reflect a late arrival in the season
- **Testing neighborhood assortments** - ensuring execution of tailored supply by all the participants (stores, vendors, ad and in-store promotions)
- **Managing ensembles/coordinate groups** - making sure that the entire outfits and groups come together

For the **Advertising/Promotions Group**, trying to coordinate promotions with logistics and the availability of goods:

- **Knowing in advance** - of goods availability issues and being able to react by substituting items in flyers, changing page positions, pricing, or ad timing when items are in short supply
- **Earlier booking of media** - change the mix or timing of media based on decisions to promote earlier or later than planned

For the **Supply Chain and Logistics** professionals, who need to balance costs with goods availability, promotions and stock out concerns:

- **Saving shipping costs** - by booking or changing shipping modes earlier than currently possible
- **Intervening in routing** - for "hot" products, such as diverting it as soon as it arrives at the port instead of routing through a distribution center, or bumping products ahead of it in the queue
- **Improved allocation** - to DCs or stores based on earlier knowledge of pending shortages

For **Store Operations** professionals, who are on the front lines of retail, and are often frustrated by a black hole of information about product availability the status of inbound shipments:

- **Increased sales** - by receiving more advanced notice of changes in promotions, and more information regarding arrival times for new products
- **Faster & smoother set up of new stores** - through better coordination of products, vendors, fixtures, etc.

Now that you know the possibilities, isn't it time for you to consider this new approach?

**Retailing: Playing the Discount Game", Business Week, December 13, 2004

