i2® The Supply Chain Results Company™

Improving Merchandise Planning at Argos

Consumers today have the option to make purchases on the internet, through catalogs as well as in traditional bricks-and-mortar stores. This multi-channel retail landscape continually poses new challenges as retailers struggle to harness often elusive demand signals and plan their merchandise accordingly.

Argos, a general merchandise retailer in the United Kingdom, faced the considerable challenges of a multi-channel retailer. With more than 570 stores, its catalog in more than 70 percent of UK homes, and an on-line storefront, Argos strives to provide its customers with many options to order and receive its more than 17,000 products.

While Argos' supply chain was innovative for many years, the retailer needed to find a new way to stay ahead of the game.

"About 15 years ago, our supply chain was leading edge and it was a great source of competitive advantage to us at a time when people weren't really that turned on to having a very efficient supply chain," said Caroline Bell, Supply Chain Programme Manager. "Our planning was not as integrated as we'd like it to have been. Not all plans were using the same sources of data which led to some interesting challenges."

Argos executives knew that they needed a solution to help them better manage forecasting and planning to keep costs down and to ensure that products were available when customers needed them.

Argos

Challenges
- Replace inflexible in-house supply chain systems
- Improve management of multi-channel demand
- Ensure product availability

Solutions
- Manage by exception against planned performance
- Conduct annual planning using one source of data
- Create forecasts that drive replenishment system to generate orders

Results
- Reduced supply chain costs
- Improved ability to see capacity constraints
- Increased customers' choices and enhanced shopping convenience

Company Description
Founded in 1973, **Argos** is the UK's leading general merchandise retailer with sales of more than £3 billion (US$5.5 billion). Owned by GUS plc and part of the Argos Retail Group, Argos has more than 560 stores throughout the United Kingdom and Republic of Ireland, as well as distribution centers, call centers, and its head office in Milton Keynes, England. Argos employs more than 23,000 people, and is a leading player in many markets including consumer electronics, furniture, jewelry, and sports equipment.

"Clearly, with a more efficient supply chain, you can take more stock out, you can achieve better stock turns, and you can improve your buying processes. **i2 solutions are supporting us in doing all of those things, which should help us to reduce costs."**

—Caroline Bell
Supply Chain Program Manager
for Integrated Planning

Argos

Why i2?

Argos took a best-of-breed approach to finding a solutions provider. The retailer developed an extensive list of requirements before investigating the available solutions.

"We went through a fairly rigorous process of matching our requirements to the packages that were out there," Bell said. "i2 Merchandise Planner™ came out ahead of its rivals. When it came to a forecasting package, implementing i2 Demand Planner™ made sense so that we could benefit from minimising the number of software providers."

Merchandise Planner is designed to help companies align strategic, merchandise, store, assortment, and allocation plans. It can also enable retailers to gain visibility of exceptions, to re-plan dynamically and to manage global enterprise at the right level of detail and support collaboration in planning.

Demand Planner is a feature-rich multi-dimensional solution that can enable enterprises to understand, predict, and ultimately profitably manage customer demand.

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i2's Contribution

Merchandise Planner enables Argos not only to plan for the future but to also manage performance by exception against targets outlined in the plan.

"Merchandise Planner helps us to do our operational annual planning using one source of data and to share those plans across all of the key functions that need access to them," Bell said. "Our catalog comes out twice a year and clearly we have a lot of micro-level planning around the products that are going into those catalogs. Merchandise Planner enables us to reconcile our catalog and promotional plans with our annual operational plans."

Argos uses Merchandise Planner for its annual sales and stock planning process, which sets targets across the retailer's different seasons. Argos also plans by range for each week over the course of a year's sales and stock. That data flows through to fulfillment planning, ensuring that Argos does not exceed the available capacity.

Argos uses Demand Planner to create forecasts that drive the replenishment system to generate product orders.

"We use Demand Planner to forecast by line, by week, by each of our distribution center locations," Bell said. "We have 11 distribution centers, so that is quite a sizable amount of forecasting across 10,000 SKUs."

Argos' Results

"Clearly, with a more efficient supply chain, you can take more stock out, you can achieve better stock turns and you can improve your buying processes," Bell said. "i2 Solutions are supporting us in doing those things which are helping us to reduce costs."

"Given the size of our operations, we deal with a great amount of data. To be able to share one common source is invaluable. We can also look at each other's plans and more important, we can reconcile."

This simpler reconciliation process powered by i2 Solutions enables Argos to fill in the gaps between the plan and the reality more quickly than it could in the past.

"Choice is all about more options, more ranges and more breadth and depth," Bell said. "i2 Solutions will make it easier for us to handle more options. Because we have numerous sales and distribution channels, it takes a lot of information to plan appropriately. We have built-in processes around the use of Merchandise Planner, which provides us with some of the information we need to ensure we're meeting our customer's requirements for convenient shopping."

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