



The Supply Chain Results Company™

Centralizing Purchasing Processes at House of Fraser

With 48 department stores and a wide variety of product lines, House of Fraser found that managing its purchasing processes with manual and disparate methods was highly inefficient. The retailer chose to implement i2 solutions to help it integrate and centralize the entire merchandise planning function across the company. As a result, House of Fraser has reduced stock levels and markdowns, and has seen sales margins grow for seven consecutive seasons.

As consumer behavior grows more unpredictable and unforgiving, the need for retailers to have the right product available on the store shelf becomes more vital than ever. But capturing and responding to consumer demand remains one of the most difficult challenges that retailers face.

This challenge is particularly prominent for department stores, which must stock everything from cosmetics to cutlery. With 48 department stores across the United Kingdom, House of Fraser recognizes that merchandise planning can be a highly tenuous process.

House of Fraser strives to target its products to all of its specific customer types by offering a broad range of designer brands. To provide that broad range of wares, the retailer runs more than 800 departments at the lowest level for each of its stores. With this level of complexity, House of Fraser recognized the need to centralize and standardize its merchandise planning processes.

"We had a central office with a large number of buyers and merchandisers planning merchandise into our stores using a variety of methods," said Peter Callaway, House of Fraser's Director of Planning and Trading. "Because there was a variety of methods, it was actually quite difficult to get a central view of the plans, the stock levels, and the ranges that we had been targeting to our stores. It became clear to us that we needed



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Challenges

- Centralize and standardize merchandise planning processes
- Eliminate manual spreadsheets
- Drive profit and sales

Solutions

- Establish merchandise planning system that accounts for varied departmental requirements
- Create weekly and monthly planning and reporting processes
- Establish sales targets to drive profits

Results

- Grew sales margins for 7 consecutive seasons
- Reduced stock levels with better control of markdown
- Established a consistent best practice planning process across company

Company Description

House of Fraser sells clothing, accessories, housewares, linens, cosmetics, perfume, jewelry, furniture, and electrical goods in 48 stores throughout the United Kingdom. With approximately 8,000 employees, House of Fraser operates stores under several trading names, including House of Fraser, Dickins & Jones, Kendalls, and Army & Navy. House of Fraser's annual sales total nearly £880 million (US\$1.6 billion).



“Without Merchandise Planner, I don’t think we would be able to centrally run the buying function so that we can truly reflect the customers’ needs in the stores.

*As we go through the season, **Merchandise Planner enables us to plan for each product type, taking into account all of the variables, such as seasonality, the weather-related changes that we see in performance, and the various holiday movements.***

We can plan those things at a much lower level of detail than we would ever be able to do without such a sophisticated system in place.”

*—Peter Callaway
Director of Planning and Trading*



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a central way of merchandising all of our products, from our initial planning right through to the delivery in the stores.”

House of Fraser began looking for a merchandise planning solution that would enable the retailer to centralize the entire merchandise management process including planning, ordering, and delivering.

Why i2?

House of Fraser carefully defined its product requirements and looked at numerous vendors offering merchandise planning solutions. After careful assessment, House of Fraser, in 1996, selected i2 Merchandise Planner.™

Retailers use Merchandise Planner to marry financial plans to category, location, and assortment plans. This harmonized planning drives consensus among merchandising, store operations, distribution, and financial stakeholders, and ensures that open-to-buy money is properly invested and aligned with margin and inventory goals and demand plans.

*“We’ve been able to create new product offers in the stores, driving better use of stock, which has resulted in more profit margin,” Callaway said. **“By using Merchandise Planner, we are able to support the buying and planning processes, and along with all the methods we use in House of Fraser, we have consistently now shown margin growth for about seven consecutive seasons.”***

“I am happy to say that it has been clear that i2 is committed to Merchandise Planner,” Callaway said. “There has been a collaborative process between i2 and House of Fraser, whereby we are developing the product the way that the customer uses it and to satisfy the customer’s needs.”

i2’s Contribution

With 200 active users, House of Fraser uses Merchandise Planner to plan the sales and space in its stores, as well as to conduct strategic planning for the business.

Merchandise Planner helps House of Fraser to manage all of its departments—each of which has different purchasing characteristics and lead times.

“We needed a system that could satisfy all of those different buying requirements within the business,” Callaway said. “We use Merchandise Planner to do top-down strategic planning, and we balance that against bottom-up planning at the lowest level of a department or sub-department. As we look ahead at the business, we can use Merchandise Planner to support modeling of the merchandise and the sales opportunities in stores for a number of seasons in the future. As we move toward those seasons, we break that plan down into a real buying plan for all of the product departments and product types at a weekly store level.”

Planning for future seasons with Merchandise Planner is done in several stages. House of Fraser’s purchasing team initially does extensive modeling for future seasons at the highest category level for each store. Once sales targets are established, that information is sent to individual purchasing departments, where buyers determine the best way to profitably drive sales for their respective areas.

“Once they plan the sales for product areas by week, they then plan all of the other parameters that drive profit, including intake margins, discounts, and markdowns,” Callaway said. “After we have determined that those merchandise plans are delivering the appropriate profit for the next season, we cross-match those with the store plans and break those sales and profit numbers down at department levels, by week, for the stores so that we have one plan for the business.”

As House of Fraser enters each season, the retailer uses Merchandise Planner to draw information, including sales, stock, profits, and markdowns, from other business systems on a weekly basis. That information is used to create a weekly report on the company trade and performance.

The merchandise and buying departments then use that weekly report to re-forecast, using Merchandise Planner to drive sales and deliver on the profit plan. That weekly process is rolled up on a company level once a month, enabling House of Fraser to conduct a monthly review of how the business is delivering against the plan and what changes need to be made.

This systematic process is a departure from House of Fraser's approach to merchandise planning prior to implementing i2 solutions.

"House of Fraser used a variety of spreadsheets, and there were different ideas of how to best drive profit and sales," Callaway said. "With such a diverse business, it was very difficult to get a central view of the final sales plan and the plan stock at any one time because it was all held at a low level in spreadsheets and at the planning stage. Prior to Merchandise Planner, it was virtually impossible to get a central roll-up of the numbers."

House of Fraser's Results

Merchandise Planner has enabled House of Fraser to clearly establish the stock levels that are needed to satisfy its customers—while keeping costs to a minimum.

"We were able to challenge the amount of stock we needed to drive sales," Callaway said. "We were able to challenge the ranges we were putting into the stores, so we could definitively see that there were opportunities for reducing stock levels in the business. That enabled us to reduce markdowns during the season, and to see how all of the various product areas were performing against each other much more clearly."

Merchandise Planner has enabled House of Fraser to gain visibility into information such as sales and gross profit densities achieved, which helped the retailer amend the sales plan for each department in each store.

"We've been able to create new product offers in the stores and to drive better use of stock in the stores, which have produced more of a profit," Callaway said. "By using Merchandise Planner, we are able to support the buying and planning processes, and, along with the methods we use in House of Fraser, we have consistently now shown margin growth for about seven consecutive seasons."

With Merchandise Planner in place, House of Fraser is able to plan at an exacting level of detail.

"Where Merchandise Planner is giving us the edge is in the ability to centrally coordinate the buying across a very diverse range of products and numerous departments across a chain of 48 department stores," Callaway said. "Without Merchandise Planner, I don't think we would be able to centrally run the buying function so that we can actually reflect the customers' needs in the stores."

"As we go through the season, Merchandise Planner enables us to plan for each product type, taking into account all of the variables, such as seasonality, the weather-related changes that we see in performance, and the various holiday movements. We can plan those things at a much lower level of detail than we would ever be able to do without such a sophisticated system in place."



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