Merchandise Financial Planning

Traditional retail strategies for establishing differentiation and creating growth are ineffective in an environment dominated by increasing economic pressures and unpredictable consumer behavior. To remain competitive, retailers must adopt a new approach that synchronizes inventory and space with profitability and customer demand. Success requires an easy-to-execute, closed-loop advanced planning process that enables retailers to realize sales, margin, and inventory improvements while delivering a superior shopping experience.

i2 Merchandise Financial Planning™ (MFP) is a highly scalable, end-to-end merchandise financial planning solution. With i2 MFP, retailers can build and reconcile financial, product, and store plans, as well as develop a pre-assortment options plan that provides top-down guidance on the assortment breadth and mix, based on targeted selling price, time on offer, and rate of sale. Supported by configurable best-practice workflows and proactive exception management, the solution enables retailers to improve revenues and margins by achieving greater consistency and speed in their planning process.

A Closed-Loop Approach to Merchandise Planning

i2 MFP provides a comprehensive, aligned planning tool that enables retailers to:
- Align strategic, merchandise, store, and options plans
- Manage global enterprises at the right level of detail
- Gain visibility into exceptions
- Manage winners and losers, and dynamically re-plan in season
- Implement rapidly with low risk

Customers from major retail segments, including department stores, specialty stores, and mass merchants, are benefiting from the solution's flexibility and scalability. The flexible framework supports the requirements of catalog and online channels, as well as brick-and-mortar businesses — all in a single planning environment.

Align Strategic Merchandise, Store, and Options Plans

i2 MFP enables top-down, bottom-up, middle-out, or combination planning to support unique practices at each step of the merchandise financial planning process. For example, customers can develop long range, three-to-five-year strategic plans to set financial goals for the company. Using top-down capabilities, these financial targets can be allocated to merchandise groups, divisions, departments, and classes. Store planning can take advantage of the solution's bottom-up planning capabilities to validate the strategic financial plan. This mechanism to link plans together is designed to facilitate both enterprise-wide visibility and real-time reconciliation.

"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."
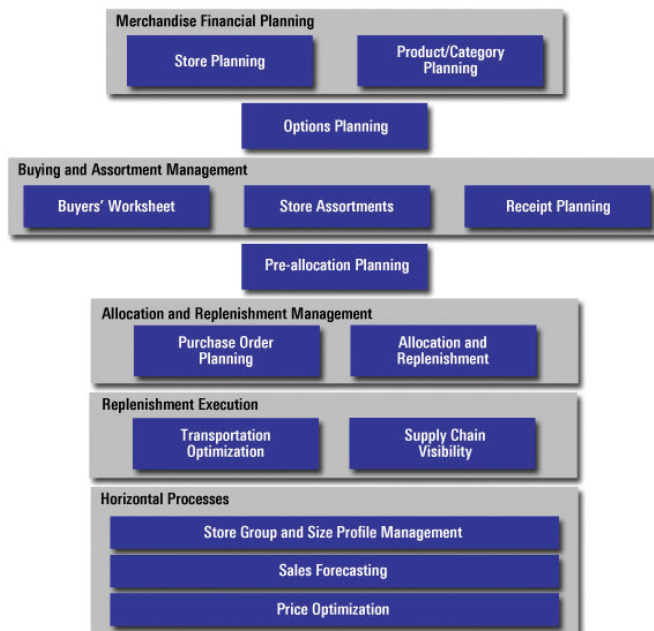
—Peter Callaway
Director of Planning and Trading
House of Fraser

i2 MFP can also help planners establish top-down direction for the downstream process of assortment planning, setting targets for assortment depth and breadth by store or store cluster and the unit "buy" plan. In addition, other business-specific plans, such as promotion plans, may be designed to meet the unique needs of each retailer. Through a disciplined, structured process, the tool ensures that the detailed execution plans are aligned with the company's strategic financial goals, and that the options plans are consistent with both store division plans and product category budgets. This coordination pays off in terms of improved planning accuracy.

Manage Global Enterprises at the Right Level of Detail

i2 MFP's web-based architecture uniquely supports large-scale planning without compromising attention to detail, data maintainability, or collaborative process integrity. With a linearly scaling architecture designed to handle plans of almost unlimited scale, the workflow facilitates "micro-merchandising" even for large retailers. Local store selling patterns and demographic information may be incorporated to improve store planning. Average retail, time on offer, and rate of sale may be evaluated at a class/store-band level in options planning to provide inputs to assortment planning.

i2 Merchandise Financial Planning's customizable metrics and views enable modeling of specific business processes.

Merchandise Financial Planning
- Store Planning
- Product/Category Planning
- Options Planning

Buying and Assortment Management
- Buyers' Worksheet
- Store Assortments
- Receipt Planning
- Pre-allocation Planning

Allocation and Replenishment Management
- Purchase Order Planning
- Allocation and Replenishment

Replenishment Execution
- Transportation Optimization
- Supply Chain Visibility

Horizontal Processes
- Store Group and Size Profile Management
- Sales Forecasting
- Price Optimization

Whatever the level of detail needed, the solution enables retailers to manage the details and reconcile the numbers to maintain the big picture. With i2 MFP, large global retailers are able to cater to local markets while addressing their financial goals and strategies. Unlike other solutions, which need to break up large plans into smaller pieces in order to scale, the solution is able to handle large plans in a single instance. Also, the solution's architecture facilitates centralized planning and collaboration.

In the peak of in-season planning, hundreds of planners can work concurrently — with a focus on analysis rather than maintenance. There is no need for additional reintegration and reconciliation of disparate plans. With i2 MFP, plans are managed centrally and can be reconciled automatically since all users are working from the same information. As a result, data maintenance is minimized and plan integrity is ensured.

Gain Visibility into Exceptions

With i2 MFP, users may choose from predefined, best-practice exceptions or define any exception criteria needed for their particular business processes. Exception searches can be conducted along any dimension and hierarchy range. And, for user-defined exceptions, custom search criteria may be used so that planners are able to focus effectively on a prioritized list of problem areas.

Manage Winners and Losers; Dynamically Re-Plan

Flexible exceptions handling combined with sophisticated viewing capabilities provide visibility to business-specific exceptions. Planners can focus on variances to plan without being overwhelmed by too much information. In addition, i2 MFP's server-side automation offers a unique shortcut for rapid acquisition of key information necessary for acting on exceptions. For in-season planning, these tools ensure the ability to track winners and losers and provide the information necessary to react accordingly. In short, these tools enable an agile response to critical exceptions — before they become issues that would impact profitability.

Shortcuts to Key Information

With server-side automation, scripts can be run to put information quickly at the fingertips of the planner. Server automation can also be used to eliminate errors in more sophisticated but routine business processes. In addition, automated shortcuts can be used to gather data from the current plan or any other plan or to kick off a formatted report.

Implement Rapidly with Low Risk

With a successful history and more than a decade of experience, i2 MFP has proven value across a variety of retail segments and channels. Leveraging this experience, i2 has developed a best-practice "quick start" template to ensure rapid implementation and quick return on investment.

> "The benefits were targeted to be achieved over a four-year period with 50 percent of this achieved in the first year after implementation. The reality however has been that we achieved 80 percent of the targeted benefit in the first year after going live — thus substantially exceeding the stated business case targets."
>
> — *Noelene De Villiers*
> *Forecast Manager*
> **Woolworths**

Solution Capabilities

Capabilities of i2 MFP include:

- Flexible end-to-end planning framework for strategic, merchandise (product), store, options, key-item, dollar and unit, cross-channel, and intra-enterprise planning
- A common retail data model that enables cross-application sharing of retail data via the i2 platform
- A web-enabled architecture featuring a scalable design and centralized control
- A flexible data structure in the time dimension, which allows for traditional, overlapping, and rolling seasonality
- Multi-level, attribute-based clustering and dynamic grouping along the product, location, and time dimensions
- A browser-based front-end with structured workflow navigation for pre-season, in-season, and post-season process support
- Easy-to-use Microsoft Excel®-based reporting and graphs
- Support for "what-if" analysis and rapid re-planning

For more information on i2 MFP and other i2 solutions, visit www.i2.com.

The Supply Chain Company®

11701 Luna Road
Dallas, Texas 75234, USA
Phone 1.877.926.9286
Email info@i2.com
Web **www.i2.com**