DELIVERING ON YOUR PROMISE:
Optimizing Merchandise Management With Intelligence And Foresight
Efficient and effective merchandising is vital to a highly functioning retail operation. Retailers are taking a look at where they stand regarding their merchandising strategies, and many are planning near-term upgrades. Surprisingly for some, underperforming inventory is the top merchandising business challenge for retailers surveyed in the 2010 Retail Systems Research (RSR) Merchandising Benchmark Study, with 56% citing it as their greatest merchandising concern. Out-of-stocks garnered second place in the ranking, at 40% of retailers; and fractured planning process — which had previously been No. 1 — came in third at 37%.

As part of an overall growth strategy, the implementation of merchandising solutions helps improve top-line and bottom-line performance by establishing a more flexible technology foundation. By removing previous constraints, retailers achieve process improvements across the business, resulting in more profitable assortments, improved promotion effectiveness, reduced markdowns and greater inventory effectiveness.

“Understanding how to improve overall inventory position and what tools are available (such as new software) is essential,” stated supply chain consultant Tomkins Associates in its report titled Top 11 Priorities for Profitable Growth in 2011. “Over the last two years, reduced inventory levels have become typical for retailers. This has created historic investigation, dedication, and execution efforts to reduce inventory at the store and distribution center.”

Retailers also are rethinking strategies around product assortment. The RSR survey revealed that 35% of retailers believe they are “stuck in our product selection: some retailers out-price us, some out-style us.” Another 35% say “consumers expect more localized assortments than we provide.”

Given these concerns, retailers are wise to turn to the latest technology solutions for help. By improving merchants’ ability to manage, control and perform crucial day-to-day merchandising activities, these solutions contribute to optimizing item performance and same-store sales. However, even the best merchandising solutions cannot produce optimal results until retailers are truly in control of their data. That’s where Business Intelligence (BI) and analytics come in.
USING ANALYTICS TO HARNESS THE POWER OF INFORMATION

To create the most successful opportunities for optimized merchandising, retailers need to better utilize incoming data. New offerings in business intelligence and analytics empower retailers to make smart choices to positively impact the top and bottom lines. These solutions can help retailers answer key questions related to the most compelling concerns about the health of the business, store and supplier performance, evaluation of pricing strategies, and product performance, such as:

✓ How are my products selling and why?
✓ How are my stores performing and why?
✓ How effective are my promotions and why?
✓ How are sales and profit trending and why?
✓ What are my current and potential out-of-stock situations?

To help retailers in this area, Oracle Retail has developed Oracle Retail Analytics (ORA), its next-generation Business Intelligence and Data Warehousing solution. The first of five planned modules, Oracle Retail Merchandising Analytics (ORMA) specifically addresses vital merchandising capabilities. ORMA includes packaged integration with the Oracle Retail Merchandising product family and relevant analytics with Oracle Business Intelligence. Oracle Retail Analytics can run on high-performance database servers such as Oracle’s high-volume, high-performance Exadata database server.
ORA is a fully integrated solution, allowing users to easily collect and analyze information from one system and use it to optimize business operations through other systems. Designed with continuous input from the retail community, ORA offers the best of both worlds: an enterprise system combined with a best-of-breed IT strategy. A few distinguishable highlights of ORA include:

- Approximately 280 defined metrics/KPIs to support self-service analysis;
- Approximately 40 packaged reports and role-based dashboards;
- 18 supported languages;
- Based on the Oracle BI Applications framework, to enable cross-domain, retail + ERP and CRM analytics;
- Packaged integration with five Oracle Retail applications:
  1. Retail Merchandising System (RMS) v13.2
  2. Retail Sales Audit (ReSA) v13.2
  3. Retail Invoice Matching (ReIM) v13.2
  4. Retail Price Management (RPM) v13.2

### INTELLIGENCE SUPPORTS TECHNOLOGY IMPLEMENTATIONS

With valuable business intelligence information in hand, retailers can feel confident enough to make the best decisions on technology investments. In a challenging economic environment, inventory nuts and bolts become a great concern for retailers. Many retailers are facing the reality that their core merchandising systems, often built over decades, cannot cope with the rapidly changing market. Pressure to grow in any way possible — new products, new markets, new business models — is difficult to achieve in their legacy environment. In this case, the more challenging implementation of a new merchandising system is often necessary to make sure the foundation information and transaction execution capabilities are able to support the business moving forward. However, other retailers may not be ready or able to take on a transformation project.
With that in mind, many companies are finding that point optimization solutions can quickly address inventory and other merchandising issues in their existing environment. Additionally, the implementation of new technology solutions can offer a quick ROI in many cases, which is just the boost companies need coming out of an economic downturn. This type of modularity and flexibility in the deployment of merchandising solution is key to meeting the unique requirements of each retailer. In fact, for many retailers, rapid ROI from optimization solutions often generates enough business value to justify a fundamental core systems change.

The No. 1 business opportunity to improve overall merchandising effectiveness, cited by RSR respondents, is the utilization of **pricing and markdown optimization** to boost sellthrough, with 97% citing it as very important or somewhat important.

“Pricing is getting increasingly complex, relative to the traditional method of having one national price,” reported NRF in Retail Horizons. “An increasing proportion of retailers in this year’s study indicate that they are varying prices between stores, markets, and regions. This marks a fairly significant rise over last year and points to concerted efforts retailers have made in configuring more dynamic pricing strategies. That flexibility can allow them to be more responsive both to changing market conditions as well as to local and regional customer demographics.”

In addition to pricing, retailers are following through on their plans to boost the bottom line with other optimization implementations. **Demand planning, assortment optimization, promotion optimization** and **markdown optimization** are all in play for 75% to 90% of retailers surveyed by RSR.

**REAL-WORLD EXAMPLES: RETAILERS REALIZE THE BENEFITS OF CORE MERCHANDISING IMPLEMENTATIONS AND BEYOND**

Across the U.S. and the world, retailers are realizing the importance of implementing Oracle’s best-in-class merchandising solutions. Often retailers start with a primary focus on making sure their foundation data and their key execution platform are in place, and then complement them with strong planning and optimization solutions.
Advance Auto Parts, a leading automotive aftermarket retailer, has implemented the Oracle Retail Merchandising System to localize offerings and improve profitability at 3,500 stores in 39 states, Puerto Rico and the Virgin Islands. Oracle helped the retailer integrate Oracle Retail Merchandising System and Oracle Retail Price Management with existing systems, adopt new business processes and convert approximately 760,000 SKUs from disparate legacy systems to a single SKU master. Oracle Retail Price Management gives store and merchandising teams greater flexibility and control over pricing strategies, including zone and category pricing. Advance Auto Parts also is implementing Oracle Retail Allocation, and will use the application to help to optimize inventory and streamline supply chain, planning and allocations processes across all locations.

Stein Mart has implemented a suite of Oracle Retail Merchandising and Planning applications to support its strategy for delivering the latest seasonal merchandise and improving profitability across its 267 department stores. The implementation is part of a larger business transformation that the retailer is undertaking to improve margins and bolster overall performance. The applications are expected to help Stein Mart optimize store performance by enabling the retailer to identify merchandise that aligns with customer demand, plan assortments, allocate inventory and execute advanced pricing and promotion strategies.

Reitmans, Canada’s largest specialty retailer, has selected the Oracle Retail Merchandising System to help transform its merchandising and supply chain operations, as well as support growth across seven brands and more than 950 stores. The suite of applications provides out-of-the-box integration with supply chain operations, making it easier for staff to support and upgrade the systems. The retailer expects to use the Oracle Retail applications to improve critical aspects of its merchandising and supply chain operations, such as gaining better analysis of item attributes, fine-tuning case packs to align with store-level size demand, and automating order execution, as well as improving order quality, status visibility and context around the allocation. Reitmans also uses other Oracle technology and applications, including the Oracle Database, Oracle PeopleSoft Enterprise Financials and Oracle Retail Planning applications.

Kirkland’s is working to create efficiencies across merchandising and store operations with the implementation of Oracle Retail Merchandising System, Oracle Retail Merchandise Financial Planning, Oracle Retail Assortment Planning and Oracle Retail Allocation. “We are in the midst of a major systems transformation that will assist growth and improve financial performance,” said Robert Alderson, President and CEO of Kirkland’s. Kirkland’s is a leading specialty retailer of home décor, operating approximately 289 stores in 29 U.S. states.
Operating 1,300 clothing, footwear and textiles stores in South Africa, Edcon has a long history of successfully relying on Oracle Retail Merchandising Solutions. Edcon has recently selected Oracle Retail Merchandise Financial Planning, Oracle Retail Size Profile Optimization, Oracle Retail Item Planning and Oracle Retail Assortment Planning to help facilitate a more integrated approach to merchandise management. The Oracle solutions are expected to help Edcon create a standardized planning platform with embedded process workflow across its multiple brands. In addition, Edcon is using Oracle Retail Advanced Inventory Planning and Oracle Retail Replenishment Optimization to enable better management of inventory within the complex supply chain and the numerous variables connected with demand, supply and replenishment across the business.

Working to create an integrated workflow for its more than 3,000 stores in China, Fujian Septwolves implemented Oracle Retail Merchandise Financial Planning, Oracle Retail Assortment Planning and Oracle Retail Merchandising Solutions. With the solutions in place, the apparel retailer and manufacturer is looking toward rapid growth and expansion across international markets, focusing on SKU-level planning. With better visibility into seasonal trends and market demand, Septwolves is now able to provide its key distributors with value-added services including ordering advice, inventory management suggestion and pricing guidance.

Indiska, a Swedish retailer of fashion and home furnishings, is using a core retail platform based on Oracle Retail merchandising applications, the Oracle E-Business suite release 12, and Oracle Fusion Middleware. The selection of Oracle Retail Merchandising System, Retail Price Management, Retail Trade Management, Retail Sales Audit, Retail Invoice Matching and Retail Allocation has replaced legacy merchandising systems with a single, scalable infrastructure supporting a common set of retail processes. In addition, Indiska has implemented Oracle fusion middleware components including the Oracle WebLogic suite, WebCenter suite and BPEL Process Manager. These middleware components deliver further operational efficiencies through improved management of the data exchanges between the Oracle merchandising environment and other legacy applications including its point-of-sale and warehouse management systems.

European fashion retailer WE Fashion has implemented Oracle Retail Merchandising System, Oracle Retail Allocation, Oracle Retail Price Management, Oracle Retail Warehouse Management System and Oracle Retail Trade Management to enable European expansion. Using Oracle Retail, “We have immediate visibility of stock across the group,” said Koen Aben, Information Services Director at WE Fashion. “Our Oracle systems will allow us to support expansion introducing partnership models, while there are big expectations for rolling out our e-commerce site. With further expansion planned for other countries, the integration of technology will help us reach our long-term objectives.”
Galeries Lafayette, one of the world’s largest department stores, deployed Oracle Retail applications to create an integrated retail platform to support long-term growth strategies and core merchandising capabilities at its stores. Galeries Lafayette manages more than 500,000 square meters of store space, including the world’s largest shoe department at Galeries Lafayette Paris Haussmann, across its 62 department stores in France and Berlin (Germany). The implementations included Oracle Retail Store Inventory Management, Oracle Retail Merchandising System, Oracle Retail Price Management, Oracle Retail Invoice Matching, Oracle Retail Sales Audit and Oracle Retail Allocation.

WHAT TO LOOK FOR IN A RETAIL MERCHANDISING SYSTEM

A solid foundation in merchandise operations and business analytics, coupled with strong planning and optimization solutions yields the most effective results. Best-in-class retail management systems offer a comprehensive set of tools to help the merchant improve all aspects of business operations using a single version of the truth.

Oracle’s Merchandise Operations Management delivers on three primary goals:

1. **Increasing productivity and business agility:** “We are in the midst of a major systems transformation that will assist growth and improve financial performance. We selected the Oracle Retail applications because of their stability and proven ability to help drive performance through best practices in merchandising, supply chain, and planning operations,” said Robert Alderson, President and CEO, Kirkland’s.

2. **Reducing costs and increasing responsiveness:** “With Oracle Retail Merchandising in place, we see item information down to the stores and can execute merchandise and pricing strategies much faster,” said Geraldine Schleuter, Vice President of Information Technology, Advance Auto Parts.

3. **Cutting down on Total Cost of Ownership (TCO):** For Galeries Lafayette Oracle Retail has enhanced retail price control and definition and provides the capabilities to identify the impact of pricing and manage this process quickly and efficiently. The French department store retailer manages more than 4 million items within its stores, and any pricing changes previously created significant transactional volume.

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CONCLUSION

A successful merchandising strategy is a vital component of business success in today’s challenging retail environment. Realizing the need to implement process improvements, retailers also know that they need the right information in hand to make the best decisions going forward. Being able to work with a company that offers a full menu of capabilities—including planning and optimization solutions as well as the business intelligence to back them up—gives retailers the strength and security they need to move forward with a successful business strategy.

Combining Oracle Retail’s comprehensive Merchandise Operations Management tools with its Exadata database server and the capabilities of Oracle Retail Analytics (ORA), retail organizations can feel confident that they are in the best hands when it comes to executing their current strategies and preparing for future expansion.

About Oracle

Oracle is the No. 1 provider of innovative and comprehensive industry software solutions for retailers. With software that spans planning, merchandising, supply chain, store systems, enterprise applications and infrastructure, Oracle enables organizations to serve their customers better by applying insight into daily business decisions for more profitable results. Oracle partners with the world’s leading retail companies, including 20 of the top 20 retailers worldwide, to transform the economics of retail.

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Hardware and Software, Engineered to Work Together