Leading in a Time of Crisis – How to Modify Oracle Retail Merchandise Financial Planning OP In-Season
PURPOSE STATEMENT

This document provides recommendations on how the effects of modifying an Original Plan in the Merchandise Financial Planning (MFP) solution. This paper includes possible outcomes and is intended solely to assist you assess your options during this difficult time.

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MODIFYING THE MFP ORIGINAL PLAN IN-SEASON

We understand many Merchandise Financial Planning (MFP) customers are experiencing challenges managing plans during this unprecedented era in Retail. Depending on the impact to your business, you might be discussing the need to revise your Original Plans In-Season. This paper discusses the effects of changing financial plans once a financial season has begun. By highlighting the potential consequences, the Oracle Retail team intends to provide you with relevant factors to assist in your decision making during and after a health crisis period.

1. **Terminology:** Each Retailer has uniquely defined business process and financial systems that support these requirements. The following terminology reflects common labels and functionality available in our MFP solution template. Your MFP solution may reflect different terms, nomenclature, time frames and functionality than detailed in this paper.

   A. **Original Plan (OP)**
      I. These plans are results from the Pre-Season process, the manager has approved the values and locked them in place before the season starts.
      II. OP plans provide a guideline for In-Season forecasts. They are a snapshot version that never actualizes as time elapses.
      III. Typically, this is the version that provides a baseline for an individual’s performance reviews.

   B. **Current Plan (CP)**
      I. These are the forecasts that occur In-Season, they may be approved by the manager, but they reflect financial projections based on current trends.
      II. CP plans are compared to OP plans to understand trending business to financial targets. They actualize in elapsed time frames, so the aggregation of calendar reflects the sum of Actuals + CP forecast values.
      III. This version provides a rolling forecast of trending sales and the impact to inventory and is typically reviewed with management on a scheduled basis.
C. Pre-Season
   I. A fiscal time frame that has not started; OP plan versions are still being created, adjusted, and reviewed with management.
   II. Both Pre-Season and In-Season, MFP financial plans are divided into the same time frames based on the fiscal calendar. These time frames can be Seasons (Halfs) or Full Year.

D. In-Season
   I. A fiscal time frame that has started to elapse; OP plan versions are locked. Planners are forecasting plans into the CP plan versions.
   II. Both Pre-Season and In-Season, MFP financial plans are divided into the same time frames based on the fiscal calendar. These time frames can be Seasons (Halfs) or Full Years.

2. Discussion Points: Each Retailer must evaluate the advantages and disadvantages of modifying their financial plans after a financial season has commenced. Best practice is to never modify OP In-Season, but these are unusual times and we must be flexible. The following questions can provide discussion points to aid in your decision making.

   - When will I truly understand the impact on the health crisis and begin to revise my financial plans?
   - Where are we in our planning calendar? How many months remain in our ‘In-Season’ forecast process? How many months do I have to live with invalid OP plans? When do we start a new Pre-Season planning process?
   - How big has the financial impact of the health crisis had on our business? How invalid are my Original Plans?
   - How many weeks/months will this health crisis impact? Will my business quickly return to normal? Are my financial plans for Back to School and/or Christmas invalid?
   - Does the impact differ by Product and Location? Are these partitions easily analyzed and revised in our MFP plans? I.e. base intersection of Week x Class x Channel.
   - What are the downstream impacts of invalid Original Plans? Which external business solutions utilize this information? I.e. Location Plans, Assortment Planning, Store Operations, Human Resources for personnel reviews, etc.

3. Advantages of modifying OP In-Season: Depending on your individual financial planning process, these points may vary for you. These comments reflect a standard MFP configuration.

   - If the In-Season process has just commenced, modification of OP provides a strong guideline for all future forecasts (CP version) and all metrics of sales, margin and inventory.
   - An updated OP enables the user to reproject future events (Back to School, Christmas, etc.) against an updated baseline on a continuous basis.
Provides new targets for an individual's performance review.

4. **Possible Ramifications of modifying OP In-Season:** Depending on your individual financial planning process, these points may vary for you. With individualized custom rule groups of your MFP configuration, different outcomes will result. Generally, these outcomes fall into two (2) categories: OP updates in elapsed time frames or OP does not update in elapsed time frames.

**A. OP updates in elapsed time frames**

<table>
<thead>
<tr>
<th>Original OP</th>
<th>Elapsed Time Frame - Original Pre-Season Values</th>
<th>Unelapsed Time Frame</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org OP BOP</td>
<td>1500 1500 1750 2000 2300 2200 2400 2500</td>
<td>Wk 8 2850 3100 3350 3600 3850</td>
</tr>
<tr>
<td>Orig OP Reductions</td>
<td>3500 250 250 300 400 300 250 250</td>
<td>Wk 10 250 250 250 250 250</td>
</tr>
<tr>
<td>Orig OP Additions</td>
<td>6100 500 500 600 300 500 400 300</td>
<td>Wk 11 500 500 500 500 500 500</td>
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<tr>
<td>Orig OP EOP</td>
<td>4100 1750 2000 2300 2200 2400 2550 2600</td>
<td>Wk 12 2850 3100 3350 3600 3850 4100</td>
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<table>
<thead>
<tr>
<th>WP Actuals/Plans</th>
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<tbody>
<tr>
<td>WP BOP</td>
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<td>Wk 8 2999 2999 2999 2999 2999 3024 3024</td>
</tr>
<tr>
<td>WP Reductions</td>
<td>924 224 255 270 25 0 0 0</td>
<td>Wk 9 0 0 25 25 50 50</td>
</tr>
<tr>
<td>WP Additions</td>
<td>2349 549 475 650 500 0 0 0</td>
<td>Wk 10 0 0 25 25 50 50</td>
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<tr>
<td>WP EOP</td>
<td>3024 1924 2144 2524 2999 2999 2999 2999</td>
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**B. OP does NOT update in elapsed time frames**

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- Elapsed time frames update for OP version with actualized values.
- OP aggregations across the calendar will be a sum of Actuals + Revised OP values. This will impact all metrics and calculations (sales, margin, and inventory values). You must determine the impact to individuals' annual reviews, etc.
- Visibility to performance against the Original OP during this elapsed time frame will be lost.
OP aggregations across the calendar will be a sum of Original OP + Revised OP values. This will impact all metrics and calculations (sales, margin, and inventory values). You must determine the impact to individuals’ annual reviews, etc.

There will be a disconnect in the EOP inventory roll calculation between the Original OP EOP and the Revised OP BOP for the week when a new OP is created and approved. The Revised OP BOP is populating from the WP BOP actualized value.

Once created/approved the New OP values will calculate EOP inventory correctly; the disconnect is a one-time event. However, aggregations of calendar will be impacted for inventory metrics of Average Inventory, Turn, and GMROI.

5. **Executing the modification of OP In-Season:** Each MFP solution has unique and personalized functionality based on the Retailer’s business process. The steps to update the OP In-Season will vary but the general process is detailed below.

**A. Create the MFP Modification Plan**

I. Test the process. Utilize your stage environment to understand the process and the impact to modifying your OP In-Season. Determine if managers should create Executive targets to communicate new financial strategies.

II. Detail the appropriate steps for your planners to modify their OP. This includes a planning calendar and delivery of updated financial strategic targets.

III. Communicate the modification plan and expected results to all stakeholders. Ensure a complete understanding about the resulting values at calendar aggregations.

**B. MFP Solution Process Steps**

I. Disable the MFP OP Lock. As a final Pre-Season process step, the MFP Solution Administrator had locked the OP plans. This needs to be disabled at the appropriate calendar level. Approval of any plans will now update both OP and CP versions.

II. Update MFP Plans. Planners employ their standard planning process and create new WP plans based on the communicated strategic targets. These plans are submitted to executives for approval. This standard process copies the Working Plan (WP) version into Waiting for Approval (WA) version.

III. Approve OP. Executives/Managers review the WA values and approves when appropriate. This copies the WA values into CP and Revised OP versions for all unelapsed time frames. Elapsed time frame updates to OP will vary based on your configuration.

IV. Relock the MFP OP Lock. Approved plans now only update CP version.

**C. Forecast as normal**

I. The typical In-Season forecasting process is now available against a new Revised OP baseline. The normal re-projection process will continue for your fiscal season.
6. **Conclusion:** In summary, there are several considerations that need to be evaluated when determining if OP should be revised In-Season because of the health crisis.

- **If the current fiscal season has a limited time frame remaining,** managing financial forecasts via your normal In-Season forecast process might be appropriate. CP aggregations across the calendar continue to be a sum of Actuals + CP forecast values. Inappropriate OP values as a strategic guideline will only be available for a short time.
- **If the current fiscal season has many months remaining,** updating OP versions to provide a revised guardrail might be required. The results of updating OP in your MFP solution should be tested and the outcome evaluated to determine if this is the right decision for your business. Any updates to the OP plan values will also be copied into your CP plan version until CP is modified per normal In-Season forecasting process.
- **Soon, for a new fiscal season,** the standard Pre-Season process will create new financial targets as OP values. When we need to anniversary the health crisis time frame, different conversations will need to be held to determine the appropriate seeding source for 2021 MFP plans.

The Oracle Retail team is here to help and is standing by its customers and solutions during these difficult and challenging times. If you have any questions regarding this bulletin, or the MFP solution, please feel free to email us at retail-central-consulting_ww@oracle.com and one of our specialists will be in contact with you.
Managing your forecast through the health crisis
June, 2020
Author: Guiming Miao
Contributing Authors: Oracle Retail Consulting