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Leading in a Time of Crisis – How to Use Oracle **Location Planning** In-Season

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PURPOSE STATEMENT

This document provides recommendations on utilizing Location Planning to enhance financial merchandise forecasts during the In-Season projection process. This paper includes suggestions on managing your location forecasts and is intended solely to enable you to maximize your Location Planning solution during this difficult time.

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LOCATION PLANNING IN-SEASON IN A TIME OF CRISIS

We understand many Location Planning (LP) customers are experiencing challenges in managing forecasts during this unprecedented era in Retail. Typically, LP is embedded within the Oracle Merchandise Financial Planning (MFP) solution and augments the merchandise planning capability. This paper discusses different Location Planning functionality that may enhance your In-Season financial forecasts during and after a health crisis period.

TERMINOLOGY

Each Retailer has uniquely defined business processes and financial systems that support their requirements. The following terminology reflects common labels and functionality available in our MFP/LP solution template. Your MFP/LP solution may reflect different terms, nomenclature, time frames, and functionality than detailed in this paper. This is not a comprehensive list of LP functionality; just desired talking points related to possible process needs.

A. LOCATION PLANS

- Looking at the store's financial plans at the lowest level of the location dimension, the base intersection of product and calendar dimensions vary depending on the individual Retailer configuration (Class, Dept to Week, Month, etc.).
- The planned metrics vary from sales to a full balance set of sales, margin, and inventory. The versions of plans may or may not include Pre-Season and In-Season variants.
- Objectives include informing merchandise plans of location strategies that impact financial plans when aggregated, typically to Channel level.

B. MERCHANDISE PLANS

- The lowest level of product financial plans provide the basis for merchandising strategies at the location dimension level of Channel (typically). The base intersection of product and calendar vary from SubClass, Class to Week, Month.
- The planned metrics include a complete balance set for sales, margin, and inventory; various Pre-Season and In-Season versions are available.
- Location plans are reviewed against merchandise plans for analysis and to ensure that the different merchandise and location plans align appropriately. Most configurations display the approved LP plans in the Merchandise Plan workbooks for soft reconciliation.

C. PLAN VERSIONS

- Versions are different variants of financial plans that are available for review and comparison throughout the process.
- Pre-Season financial plans are called Original Plans (OP). They align with corporate targets and require approval by an executive. As snapshot versions, these plans never actualize as time elapses. They provide a guideline for In-Season forecasts.
- In-Season financial plans are called Current Plans (CP). These plans reflect forecasts that occur once the financial season. CP plans are compared to OP plans to understand business trends to financial targets. They actualize in elapsed time frames, so the aggregation of calendar reflects the sum of Actuals + remaining CP forecast values. As a rolling forecast, they are reviewed with management on a scheduled basis to analyze sales, margin, and inventory projections.
- All plans are modified via the Working Plan (WP). WP versions exist for each role as the only editable plan.

LOCATION PLANNING: PHASED STORE RE-OPENINGS

Each store location is expected to have different re-opening dates depending on their differing local government and corporate guidelines. Some Internet-based locations may not have been closed; many ecommerce channels are flourishing. Re-open dates for each store will have to be determined in an external process with Store Operations. Forecasting sales by location provides invaluable insight in projecting new financial sales and the corresponding impact to inventory. As business returns to the stores, creating new Location Plan CP forecasts from the bottoms up will provide crucial guidelines for the Merchandise Plan In-season forecasts.

A. LOCATION TARGETS

If weekly Location Targets are available, managers can reproject topside sales corporate targets that reflect store closure and re-opening dates. Once published, targets are shared with planners. The planners may utilize these updated Location Targets in various manners dependent upon their configuration. These manners include:

- Location Plans may be re-seeded with Location Targets to provide a new baseline.   The impact of new seeded values will need to be evaluated since previous plans will be overlaid. If seeded values are calculated based on last year's product contribution to total company, appropriate and revised plans will be lost. Only unelapsed time frames will be re-seeded; calendar aggregations will include original target values for elapsed time frames.
- Planners analyze updated Location Targets as strategic corporate direction on weekly flows and sales potential as guidelines for weekly flows and variances to last year.

B. LOCATION PLANS BY WEEK

If the base intersection of LP is at week, planners may forecast sales by potential as the re-opening of stores is staged. Planners can forecast sales values for open stores and zero out sales for closed stores. Additional metrics of markdowns and inventory needs to be evaluated and revised if desired.

- In the LP solution, group locations to facilitate the modification of weekly sales by inputting new values at aggregated levels. Store groupings can be created via the standard location dimension levels or by modifying location attributes.

- o The main spine of the location hierarchy typically includes geographical districts and regions. Display location dimension levels to input weekly sales for stores as determined by geography. This may require detailed manipulation if all stores within a district do not open at the same time.
  - o Repurpose location attributes by populating them with Re-Open Date values. The functionality in grouping positions (stores) by attribute will differ based on the RPAS version. If your RPAS configuration provides location attribute grouping, modify existing attribute values with Re-open Date values. These updates will require the assistance of the MFP Solution Administrator. Keep the new labeling of the attribute members simple so groups will align appropriately (i.e., June week 1, June week 3).
- Once locations are grouped appropriately, LP WP sales values can be manually modified at aggregated levels to easily zero out sales for the closed week. This will prevent the planner from having to manually update each week x store individually.
  - o Input the new weekly sales values via the RPAS' Modify Data with Cell Formula' functionality (+, -, *, or /). For example, the planner inputs the values of *0.5 into the cell, and this multiplies the last calculated value with 50%.
- The new weekly flow of sales will need strategic direction and guidance from management. These questions include:
  - o Do you expect an immediate return to normal business, or will this be a slow return?
  - o Is there pent-up demand for a specific product category that will impact the projection?
  - o Is the ecommerce trend expected to continue?
  - o Are their constraints on inventory and receipts that will impact sales?
- Markdowns are a consideration for weekly sales flows. Strategic markdowns based on aged inventory needs to be considered. Corporate direction on markdowns categories and rates should be followed.
  - o Will markdowns be executed regionally and/or by location?
  - o What is the new markdown cadence? Has the discount rate changed?
- Once sales and markdowns are planned, inventory levels are evaluated by the store.
  - o Are transfers a viable option between locations? The metrics of Transfers In/Out are useful LP tools in analyzing potential rebalancing opportunities between stores.
  - o Are distribution centers operating as normal? Will receipts flow in a normal manner to all locations? Are the appropriate distribution centers open to service the re-opened stores?
  - o Is the product available at the distribution center that needs to be re-allocated to re-opened stores?
  - o How has ecommerce sales and fulfillment impacted your Brick & Mortar stores?
- Once completed, updated LP WP plans must be approved to CP versions to display in Merch Plans.

C. OTHER LOCATION PLANNING CONSIDERATIONS
- If the base intersection of your LP is at month, an external analysis could provide the required information by calculating the contribution of weekly sales.
  - o For example, Store 1 is re-opening in June week 3 but expected to do 50 % of last year's (LY) volume. June's weeks 3-5 penetrated at 40 % of the month LY. If LY sales were $100, the same penetration would forecast sales of $20 (50%*$100*40%).

- The mix of markdowns must be considered. Many LP configurations plan total sales that aggregate both regular price and clearance together. As the standard markdown cadence has been disrupted, the impact of a new crisis-based promotional and markdown strategy will not reflect appropriately in locational history. This should be considered when analyzing the new projections.
- If In-Season Location Planning is not currently part of your In-Season merchandise forecasting process, evaluate if the Pre-Season Location Planning (LP OP) functionality could provide similar insight for unelapsed time frames.

LOCATION PLANS STEER MERCHANDISE PLANS

With stores opening in a staggered fashion, it is appropriate to use the first plan by store and then apply the aggregated Channel level values to the Merchandise Plans' In-Season projections. Once Location Plans have been updated and approved, they will be available in Merchandise Plans for analysis as LP CP. The impact of the phased store openings will be reflected by revised LP CP weekly sales projections. The Merch Planner utilizes the modified LP sales values and adjusts their WP sales, margin, and receipts/transfers appropriately. Topside decisions about inventory and markdowns may be strategized. The combination of Merchandise and Location Plans provide holistic perspectives by Channel for review and discussion with management.

- LP CP sales flows by week may be copied into the Merch Plan WP sales via the RPAS Cut & Paste functionality as desired. If values are copied at aggregated product values of the Department; they will spread to lower levels of product (Subclass) proportionally.
- If available, planners may edit a Merch Plan WP variance to LP CP measure.
- Oracle Retail Consulting recommends copying only sales into MP WP and manually adjusting other balance set metrics. LP CP values for all metrics will be available for comparison as configured. This enables the Merch Planner to project their KPIs of receipts/transfers, margin, etc. at the aggregated Channel level based on their knowledge of markdown strategies, vendor constraints, and category trends.

CONCLUSION

In summary, there are several considerations that need to be evaluated when determining how to maximize Location Planning functionality during the health crisis. Retailers who do not currently plan locations during their In-Season business process might revise this practice during the health crisis. Each Retailer must evaluate the capability of their current Location Planning tool and determine the best strategy in creating In-Season forecasts to reflect their various business considerations. Oracle Retail Consulting recommends that all strategic process steps are tested in a Stage environment before implemented in production.

In summary:

- Location Plans by Week provide significant insight into potential sales as stores re-open in a staggered manner determined by external influences.
- Existing Location dimension levels and/or Location Attributes may provide the appropriate re-open date store groupings.
- Modifying Location Plans at aggregated store groupings prevents the planner from having to manually modify each store.
- Revised Location Plans sales value may be copied into Merch Plans via Cut & Paste as desired for In-Season forecasts.

Additional reference material: Further white papers are available that detail functionality that may be used in conjunction with Location Planning.

- [Modifying MFP OP In-Season](#)
- [Utilizing RPAS What-If Scenarios](#)

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 and LP solutions, please feel free to email us at [retail-central-consulting_ww@oracle.com,](mailto:retail-central-consulting_ww@oracle.com) and one of our specialists will be in contact with you.