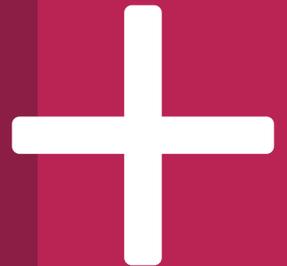


**taking forecasting and
category management
from art to science.**



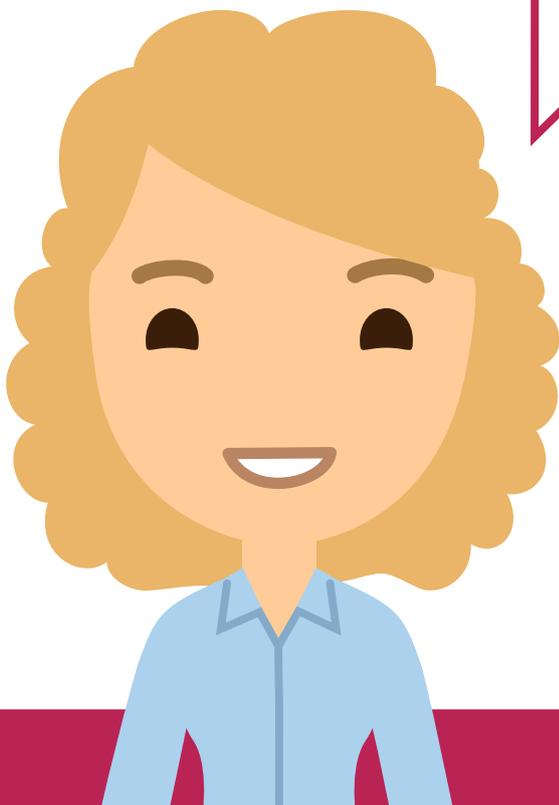
introduction.

Shifting market dynamics are increasing the urgency for supply chain digital transformation. However, one area of supply chain management missing the boat is category management. We explore how new tech is making the most of supply chain talent, helping retailers enhance existing supply chains and create new ones as well as adding money straight to the bottom line.

category management & forecasting - art not science?



Category managers have a challenging role. Forecasting the amount of stock needed at any given time in each store across an entire network is not easy. Particularly with the rise of personalisation and the increase in products that this brings. As Leigh Laramy, supply chain senior principal at REPL says: **“there are hundreds of types of shampoo in one range which raises the level of complexity. How does a category manager decide how many to put where? What should they reserve as an online exclusive? Where do they need to drive that traffic? In what areas of the country does this product sell better than others?”** Many category managers have been doing their job for a long time, they’re very skilled and they know their customers’ and local demand inside out. However, their role is to ensure enough product is available, online or on the shelves. And, says Leigh: **“more often than not, this leads to category managers over-ordering to ensure that stock is available when customers want it.”** The reason for this approach is that failure to provide customers with what they want leads to bias. We’ve all had that annoying experience when you find the perfect outfit but you need the larger size and the shop assistant can’t locate it for you. This kind of supply chain failing shatters the customer’s experience and creates a negative view of your business. Not only is the buyer put off that retailer, but they’ll share their experience with friends or through social media and a personal and social bias starts to form. Emotions like this have a strong impact and can affect future purchases. Which is why category managers can be tempted to over order. Obviously, under or over ordering comes at a cost making it preferable to hone forecasting accuracy to order the right amount of the right stock.



advanced forecasting software helps category managers make better decisions?

As supply chain demands become more complex and the amount of data being analysed ever greater, humans aren't the only or best solution for effective forecasting and category management. Increasingly, forecasting solutions need to be able to:



analyze data, identify patterns and anticipate future scenarios



provide simulation, statistical modeling and forecasting



apply machine learning (ML) to continually improve interpretation



establish a course of action to meet a predefined objective



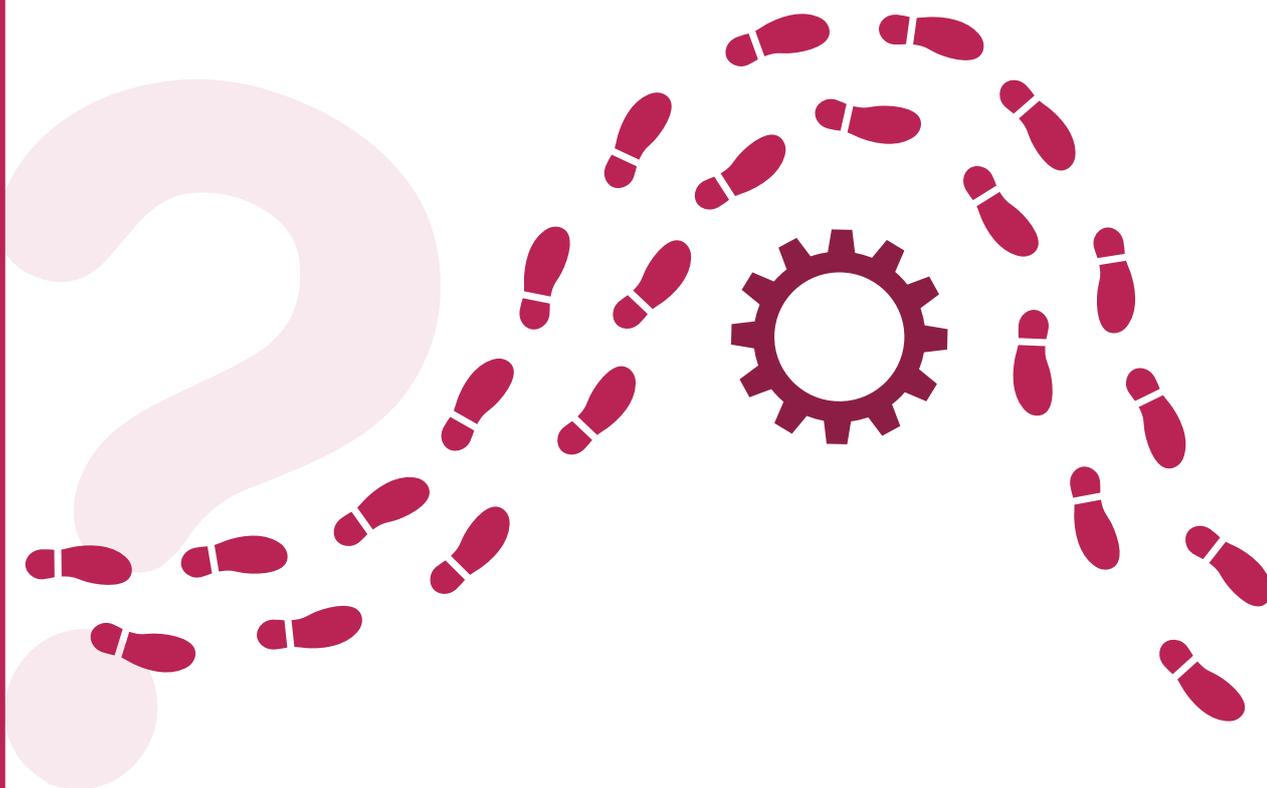
remove human bias

As supply chains strive to become more proactive, advanced analytics are also being deployed to assess sales data and weather patterns to support forecasting and dynamic pricing and replenishment. By extrapolating data to reflect the current environment, retailers will better understand future scenarios, make more profitable decisions and mitigate against future adverse events. What does this look like in reality? It depends on your sector, as Leigh explains: **“working in fresh fruit is very different to seasonal handbags. With fruit, your forecasting can be based around elements like weather prediction, crop yield, how well the crop is lasting this year and current pesticides.”** That's a very different set of forecasting criteria to high-end retail where it's all about fashion trends and what social media has started pushing. **“All of a sudden,”** says Leigh, **“a particular celebrity or member of the royal family has a dress or a pair of shoes and you've got to start getting extra thousands of that product in quickly and out to the supply chain.”** This means that category managers will be able to put down part of their role as Leigh explains: **“there will be more instances where people are being shown data that identifies what's really happening in their environment. Once category managers can see that artificial intelligence (AI) and ML provide the right amount of product for the right period of time, they'll be able to accept the forecasting software's recommendations with confidence.”** While data is key, there's always room for talent. It takes a human to keep on top of the news and social media, and to identify the latest must-have toy for Christmas or the latest health food fad. That's where technology, data and humans intersect: by delivering better predictions. Forecasting software gives category managers more time to apply their knowledge and insight, driving even greater optimisation.

how should retailers progress?

New forecasting solutions have the potential to improve and disrupt existing supply chain operating models. So it's important to understand whether your business is ready to explore, pilot and possibly adopt new tech. The best technology consultancies will help you assess whether your business is ready, and the likely impact of new technology on people, processes, business objectives and IT systems. **“The first thing to understand is where are you experiencing pain points?”**, says Leigh. **“Which particular problem are you struggling to resolve? Are you struggling with category management or with something elsewhere in the supply chain?”** Because sector plays such a big part, there's no single best practice approach when it comes to implementing the right forecasting solution. Instead of forcing retailers down one route, Leigh believes that technology consultants should apply their own expertise while: **“adapting the methodology to each retailer depending on how they want to work.”** Once sufficient detail has been gathered, a proposed solution should be outlined. **“That could include data science, artificial intelligence, or it could look at issues like interfaces because there might be some challenges around inaccurate data due to issues with system connectivity,”** says Leigh. The next step is to come up with a measurable proof of concept that will prove whether your forecasting solution is doing the right thing. **“You need to make sure the proof of concept runs its duration”**, says Leigh, **“and that it gives the results that are required.”** This usually means that the forecasting software enhances the bottom line by saving product waste. But, as Leigh notes: **“it's also about time and how you can make somebody's job more efficient.”** To put retail businesses on the front foot, supply chain leaders need to adopt a mindset that embraces perpetual change. One that's open to continually re-evaluating their business model, resources and supporting technology. And with the aim of constantly innovating, integrating and delivering. Only then will retailers keep up with market dynamics and keep customers happy while protecting the bottom line. Optimise your supply chain with cutting edge forecasting solutions.

Get in touch with one of our supply chain experts on +44 (0) 808 200 7375 or at info@replgroup.com.





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