



Military Retailer leverages Hyperion and Palladium's Pace for Merchandising to save over \$10MM!



This multi-channel retailer runs more than 3,100 facilities on military bases in about 30 countries, 49 US states, and five US territories, as well as offering catalog and online shopping. Its outlets range from tents to shopping centers that have retail stores, fast-food outlets, movie theaters, beauty shops, and gas stations. The company serves active-duty military personnel, reservists, retirees, and their family members. Although it is a government agency, it receives no funding from the government, and its staff consists mostly of military family members and other civilians.

Situation

With the deployment of U.S. military troops to Iraq, this retailer encountered a unique situation where its customer base was diminishing quickly. As a result, sales were decreasing, and inventory levels were high. The buyers needed a way to get their arms around an increasingly ominous inventory problem, and this highlighted the company's lack of a formal merchandise planning and open-to-buy process. After a detailed merchandising process study, it was concluded that the company needed to purchase technology to support a new merchandise planning and open-to-buy process.

From a technology standpoint, the company was heavily invested in the Hyperion suite of products for planning and analysis. Already implemented were a variety of scorecard, reporting and analytic applications on the Hyperion platform. They were implementing Retek to support the transaction level detail of merchandising processes, primarily for allocations and replenishment. Management envisioned the ultimate integration of planning and analysis across all departments, and wanted to continue their use of the Hyperion platform for merchandise planning, reporting, and analysis. Palladium's Pace for Merchandise Planning was selected to meet both process and integration requirements.

Key Project Statistics

Users: Over 1000 across all applications, up to 250 users for this merchandising application

Time to Implement: 9 months

Applications Used: Pace for Merchandise Planning

Database Technologies Used: Hyperion Essbase with Essbase Integration Server (EIS)

Benefits:

- The implementation of PaceMP is projected to save the company \$10–50MM annually
- Sales increased 1.5%

The project had very well defined goals, with three of the key objectives outlined below.

1. **Design and document new merchandise planning processes to support strategic goals.** The current merchandise planning had evolved over time. There was little visibility across roles, and most people worked independently. In order to improve performance, everyone needed to understand their role and tasks in the larger process, and how they impacted results.
2. **Identify data and system requirements to support the new processes.** While a wealth of information was being captured and stored in the Retek Data Warehouse (RDW), not all information was accessible in the right way for merchandise planning. It was important to identify and overcome gaps in both the data itself and its presentation.
3. **Provide a robust merchandise planning environment that supports creation of a more detailed plan.** Before this initiative, there was no true open to buy for the merchants. Performance, including inventory and gross margin, needed to be planned and managed down through the product hierarchy.

Solution

The solution for this project required more process design than software implementation. Many significant process interdependencies were reviewed, and incorporated into the initial design, which also accommodated for the future of a fully integrated planning solution. It was also critical that the new merchandise planning processes were designed to align the operations of the organization with best practice process activities. Because the Pace for Merchandise Planning application is configurable to a company's process, there was more opportunity to embed company specific activities and achieve an even greater return. This also enabled a more simply trained, user-friendly planning experience.

The Pace for Merchandise Planning system itself included four categories of views for this company:

1. Merchandise Planning and Forecasting views for projecting Sales Curve
2. Merchandise Planning and Forecasting views for projecting Inventory positions
3. Merchandise Planning and Forecasting views for projecting Gross Margin results
4. Open to Buy views in dollars available at corporate down to sub-category levels

The system also provided visibility across the merchandise planning environment, and supported the hierarchies used by Retek and the newly designed planning process. Example views are shown below.

The image displays two screenshots of the Pace for Merchandise Planning software. The left screenshot shows a 'Supplier Cost %' view, which is a detailed spreadsheet with columns for 'Supplier Plan', 'Last Year Actuals', 'SPP', 'SPP Chg's', 'LYS', 'Mfg's', 'Sales Units', and 'Total Mark's'. It lists various product categories and their associated costs and sales data. The right screenshot shows a 'Planning View' with columns for 'Sales \$' and 'Sales Units' across four weeks (WK01, WK02, WK03, WK04). It provides a high-level overview of sales performance over time for different product lines.

Benefits

Overall, the implementation of PaceMP is projected to save the company \$10-50MM annually in a number of ways, including:

- **Inventory Holding Cost Reductions:** Based on improved visibility to aged and slow moving product and improved planning for inventory, merchants expected conservatively to reduce inventory held by approximately 2.5%
- **Gross Margin Improvements:** Merchandise planning enabled the merchants to buy more appropriate products at a better price, and sell through merchandise more quickly, reducing markdowns and ultimately improving gross margins
- **Personnel Cost Reductions:** Because the system eliminated much of the manual spreadsheet work that was previously required, many administrative support functions were combined or eliminated
- **Increased Sales:** Because the merchants were able to capitalize more quickly on sales trends and customer buying patterns, sales increased. A 1.5% increase in sales is expected

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