

Iconic Retailer Styles by Optimizing Their Omnichannel



RETAIL

The company embarked upon a strategic initiative to tailor assortments and improve in-stocks at each and every location to fulfill the needs of each customer. This transformation included investments in processes and solutions including Teradata's Demand Chain Management Forecasting and Fulfillment solution.

Omnichannel Retailing as a Competitive Advantage

A premiere department store retailer, focused on localization and an omnichannel fulfillment strategy as a competitive advantage, recognized their need for more flexible and automated capabilities to achieve their objectives. Their strategy included tailoring their merchandise assortments, space allocations, service levels, visual merchandising and special events location by location, ensuring that each store had the right selection and products in stock for the all customers shopping at any location. Key to executing this vision was replacing their legacy Forecasting and Fulfillment solution to drive sales, inventory turns and profit margins.

The Challenge

The company's existing forecasting and fulfillment solution was highly manual, poor at predicting seasonality and did not handle slow moving items well. It also delivered unacceptable forecast accuracy, and lacked time-phased, multi-echelon replenishment capabilities. The urgency was heightened by the fact that the company was quickly transitioning to becoming an omnichannel retailer, so they needed to break down silos that prevented them from leveraging inventory across all stores, fulfillment centers, and distribution centers.

The limited forecast accuracy of their legacy solution was driving lost sales due to out-of-stocks, inventory productivity challenges, and a negative impact on associate productivity. It was clear the business needed a new solution that would provide significant improvements in forecasting accuracy for their large

product assortment across hundreds of stores and drive service level and inventory productivity improvements at the same time. The company wanted to ensure that they not only chose a solution that was better than their installed solution, but was also the most accurate and best available in the market.

The company commissioned a forecast accuracy test that compared their existing solution to leading vendors. Each vendor utilized the retailer's detailed data to generate forecasts from the fall through the Christmas seasons to match their peak selling period. The test included departments that represented all of their key product types and demand characteristics; including, slow and fast moving, highly seasonal, and new products.

Why They Chose Teradata

Teradata won the forecasting test with forecasts that were 37 percentage points more accurate than the company's current solution and 10 percentage points more accurate than the nearest competitor. Based upon these results and multiple industry references for the proven forecasting and fulfillment solution capabilities, the company chose to partner with Teradata.

“The retailer's recent merchandising and operating improvement initiatives continue to bear fruit, delivering increases in same-store sales. While the difficult economy may have masked some of the benefits the company has seen from its recent restructuring and merchandise localization effort, we think the programs can continue to affect results, as they are still only about halfway rolled out in the chain, and the effect of shoppers returning after positive experiences could carry on for several seasons as well.”

– Wall Street Analyst Report

Differentiators included:

- Advanced forecasting capabilities, including the ability to forecast slow moving items, representing over 70 percent of the assortment
- Automated product and location performance management ranking that enables refined localized assortments and business policies that drive higher in-stocks on priority products and locations
- Benchmarked proven ability to generate 28 daily and 65 weekly sales and order forecasts for all products, stores, and distribution centers (over 3 billion in total) in less than 6 hours
- Proven retail supply chain consulting expertise and implementation methodology to enable rapid deployment, knowledge transfer and maximum ROI.

Moving from Test to Deployment

The successful forecasting test provided a solid foundation that enabled the business to inspire confidence and excitement in the new strategy and transfer knowledge and confidence in the new solution from the onset. Teradata's Demand Chain Management (DCM) application suite was deployed in a multi phased approach that matched the retailer's overall business strategy building momentum and driving results with every phase.

The Results

Utilizing DCM's highly accurate forecast and multi echelon time phased replenishment solution to

“Growth depends on same-store sales, which held on solidly this year at 4.6 percent growth for the full year. We are optimistic that initiatives such as localization of merchandise, employee sales training, and other “retail 101” optimization efforts can still drive same-store sales higher next year.”

– Wall Street Analyst Report

Bottom Line Results

- Improved forecast accuracy by 37 percent
- Reduced stock-outs by 45-75 percent, increasing customer satisfaction, sales
- Reduce weeks of supply by 23 percent, reducing inventory by over \$300 million
- Improved trading partner collaboration
- Over \$50 million in annual benefits

drive replenishment, inventory planning and vendor collaboration has enabled the retailer to deliver on their mission of ensuring that each store had the right selection and products in stock for their customers.

An accurate store-SKU forecast is the foundation for all retail supply chains. Improving the retailer's accuracy by 37 percent resulted in reducing stock-outs, reducing weeks of supply by 23 percent, and improving gross margins. The return on investment is estimated to be well over five times the solution investment in just the first 3 years, exceeding the original business case.

This strategic initiative has also enabled the retailer to remain at the top of their industry peer group in financial performance including sales increases and inventory productivity.

What's Next

The retailer continues to leverage the solution to its fullest extent improving their business as they expand their lead as a premiere omnichannel retailer. In addition, they have evolved their omnichannel strategy and business, expanding their focus to include providing a personalized merchandise offering and shopping experience across all channels (store, web and mobile) ensuring that they have products to meet these choices no matter how the consumer chooses to shop for their offers.

10000 Innovation Drive, Dayton, OH 45342 Teradata.com

Teradata and the Teradata logo are registered trademarks of Teradata Corporation and/or its affiliates in the U.S. and worldwide. Teradata continually improves products as new technologies and components become available. Teradata, therefore, reserves the right to change specifications without prior notice. All features, functions, and operations described herein may not be marketed in all parts of the world. Consult your Teradata representative or Teradata.com for more information.

Copyright © 2016 by Teradata Corporation All Rights Reserved. Produced in U.S.A.

11.16 EB9561



TERADATA.