RIGHT PRODUCT–RIGHT TIME BEGINS WITH THE RIGHT PLAN

How to align inventory with financial control for maximum profitability and operational excellence

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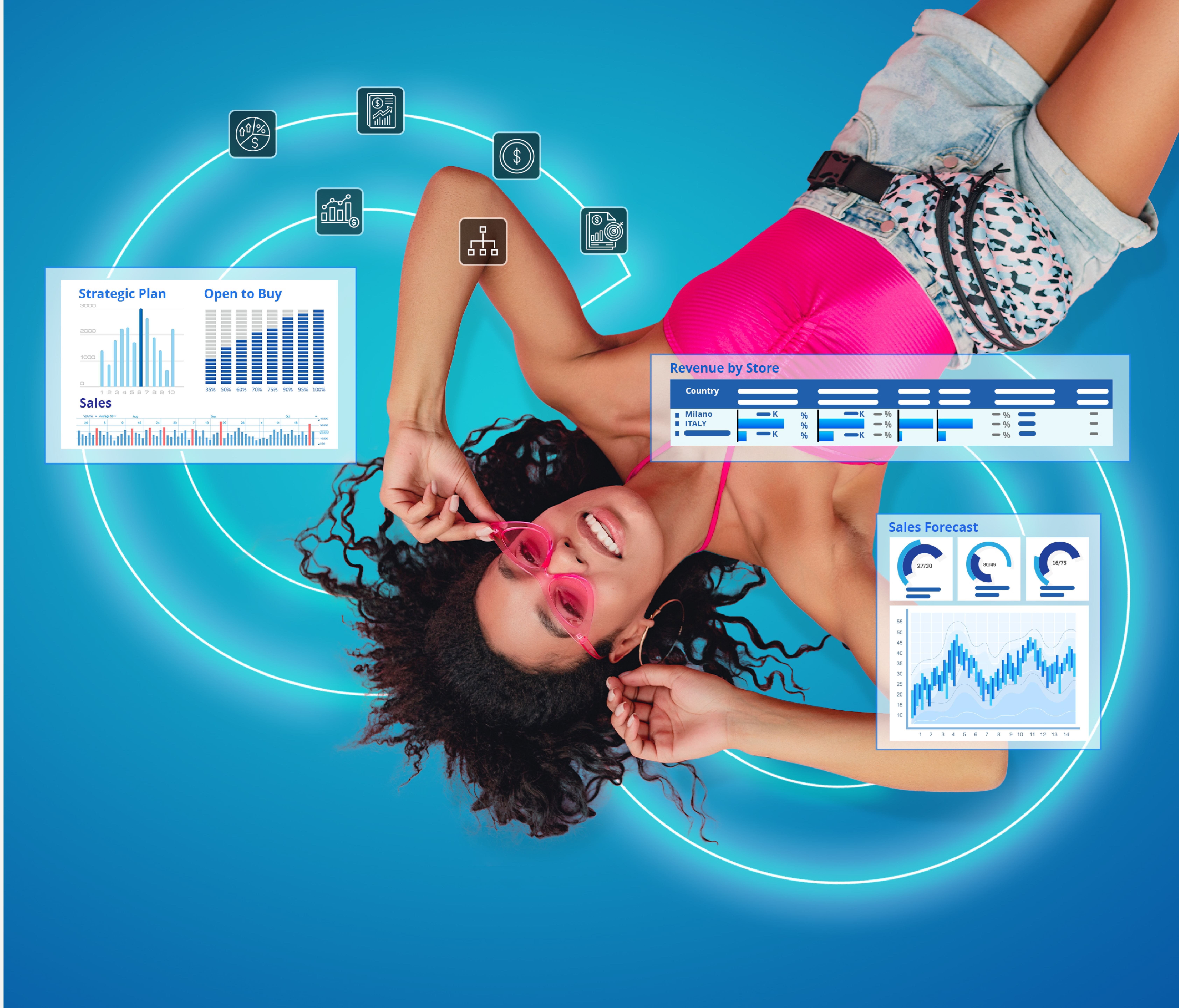

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INTRODUCTION

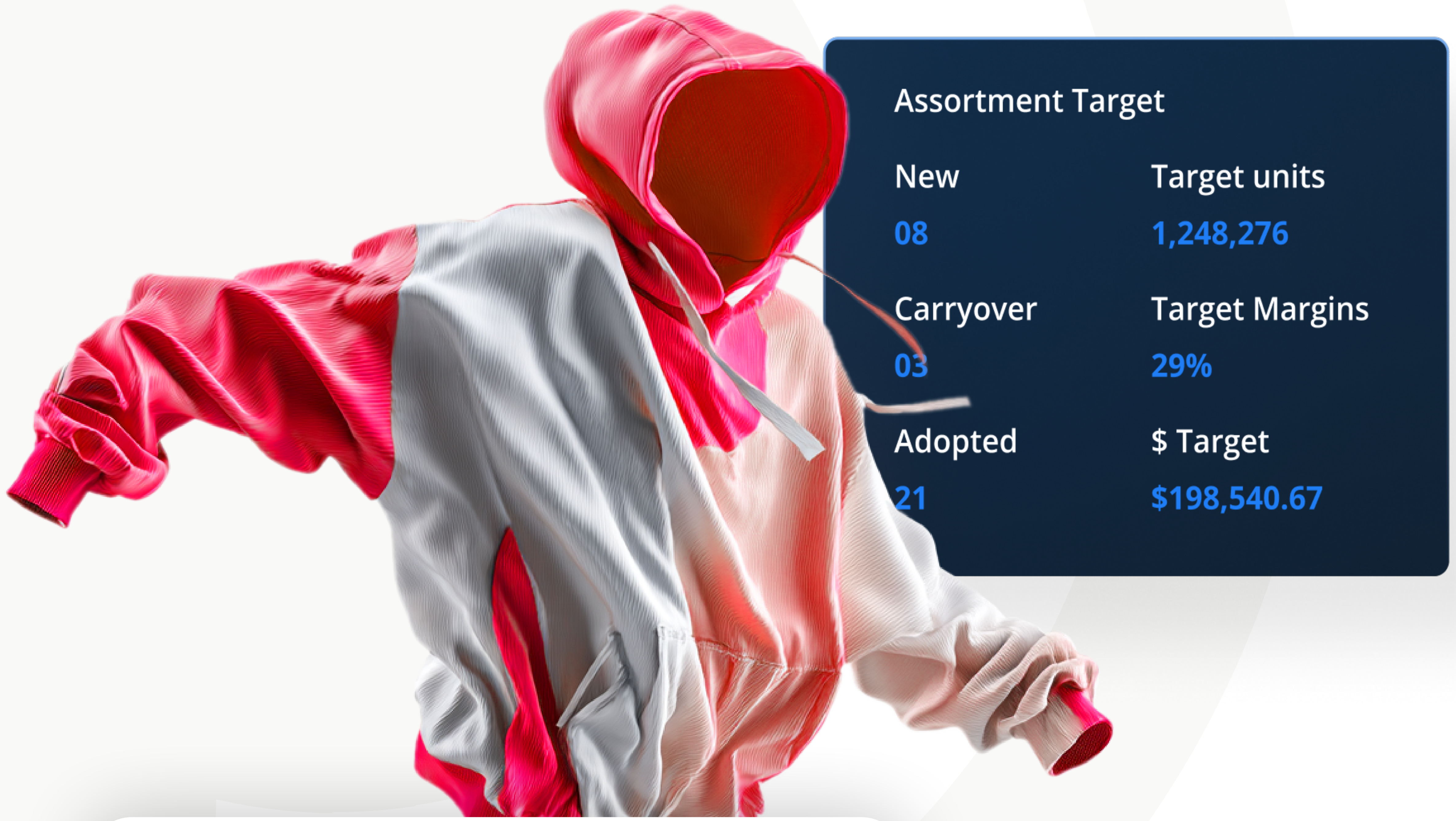
Retail merchandising focuses on delivering the right products to the right place at the right time. However, it used to be confined to four brick-and-mortar walls and merchandising decisions were based on historical data and a gut feeling.

Today, voice-activated shopping devices, subscription boxes, virtual and augmented reality and other emerging channels are increasingly blurring physical and digital boundaries, speeding up the merchandising planning process.

Similarly, shorter trend cycles are increasing the pressure to build and execute plans fast. Simply put: Retailers have to keep up or risk empty-handed consumers—or, even worse—risk losing consumers.

The following eBook outlines how to create a dynamic merchandise plan early and fast. Learn how heads of merchandising, retail strategy, operations, finance teams, IT professionals and even C-level executives in the retail sector can:

1. Distil enormous amounts of data into clear and accurate patterns and forecasts;
2. Embed advanced analytics at peak points in the planning process to improve decision making
3. Take control of the retail business by building balanced long-range, strategic plans and in the now trading (weekly plans).



Merchandise financial planning (MFP) is a retailer's process of mapping financial targets into detailed merchandise, channel, sales, margin and buying/intake plans. Financial targets can consist of top-line targets, profitability and inventory levels and granularity can vary depending on the business needs.

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RETAIL MERCHANDISING CHALLENGES TO WATCH

Before retailers and brands can implement their optimal strategies, it is first essential to call out industry-specific challenges that MFP solutions need to address.

First, plans take weeks to develop; keeping updated when minor details change is challenging, leading to missed opportunities. For example, an out-of-stock item translates to lost sales and frustrated consumers.

Second, inaccurate data leads to either overbuying or running out of bestseller stock—both can cause a company to miss financial targets. In 2024, IHL reported that the total cost of inventory distortion was projected at $1.7 trillion.[1]

Third, there is a saying 'data rich, insight poor' meaning the retailers and brands that are drowning in data are unable to build merchandise plans that accurately reflect what and where to invest.

Additionally, manual processes result in data silos and slow decision making. While McKinsey notes that operationalizing digital business models is important, ensuring they do not become siloed is equally critical as it limits the potential for cross-functional improvements.

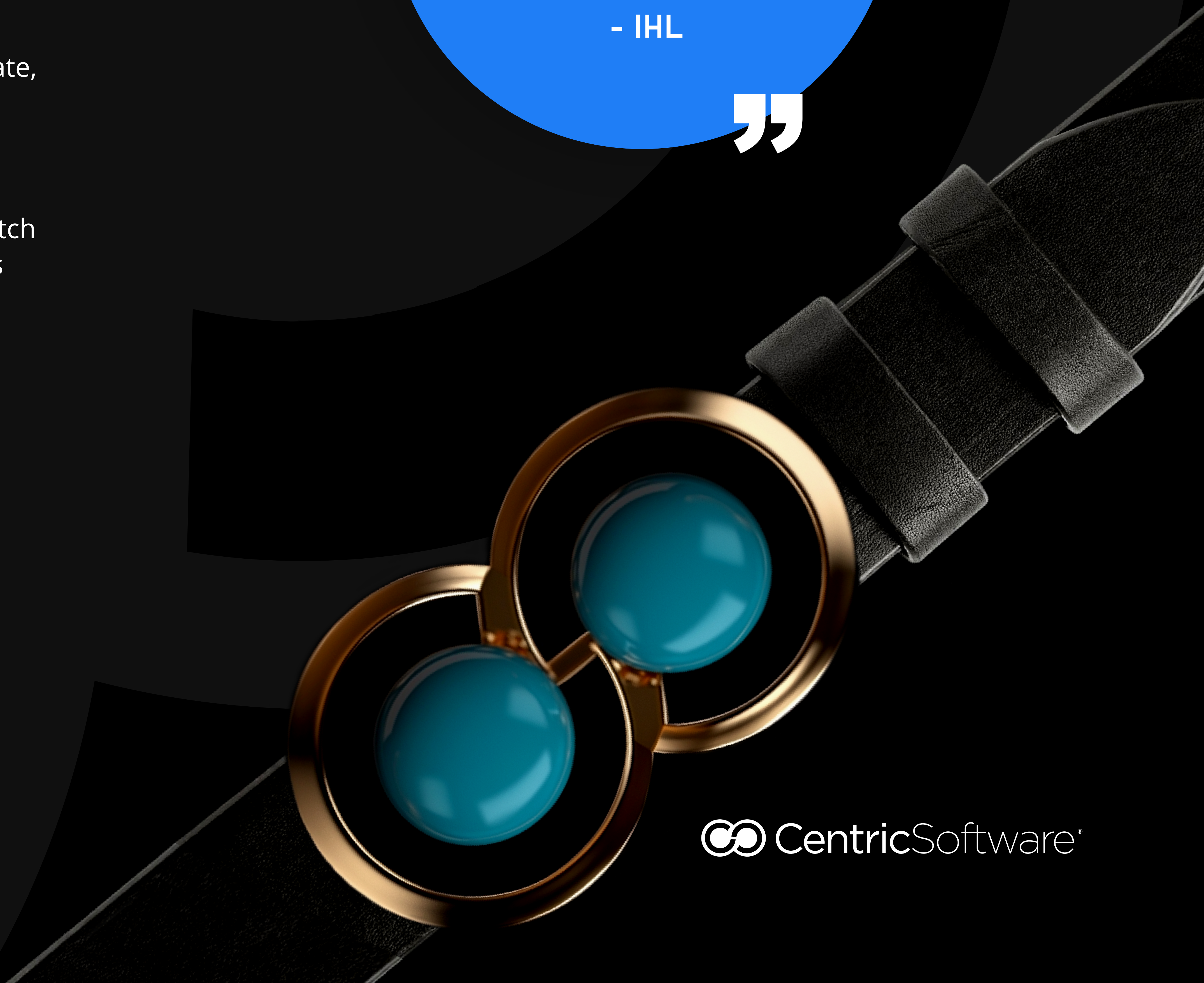
That said, McKinsey estimates that applying integrated digital solutions to merchandising could lead to up to 50% faster time to market, an 8% rise in full-price sell-through and a 20% decline in manufacturing costs.[2]

Next, inaccurate forecasts cause overbuying (excess inventory) or underbuying (stockouts). Of IHL's aforementioned $1.7 trillion in inventory distortion estimate, out-of-stocks accounted for $1.2 trillion and overstocks totaled $554 billion.

Finally, fragmented planning tools make it hard to align budgets with real-time sales data, creating a costly mismatch between what retailers have in stock and what consumers actually want to buy.

However, Centric Software® solutions include distinct advantages that enhance profitability and margins for retailers and brands while enabling streamlined retail operations.

> "Inventory distortion worldwide is a critical issue that continues to plague retailers worldwide, causing significant financial losses and operational challenges."
>
> **- IHL**



1. IHL, "Fixing Inventory Distortion – Are We There Yet?"
2. David Barrelet, Matthew Chapman, Erik Eklöw, Julia Huang, Felix Rölkens and Hannah Yankelevich, "Great merchandising never goes out of fashion," McKinsey

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CREATE A MERCHANDISE PLAN EARLY AND FAST

Merchandise Financial Planning from Centric Software addresses the challenges mentioned earlier, allowing retailers and brands to set accurate financial targets and translate them into data-driven sales and margin plans, buy targets for merchandise receipts and stock projections.

MFP processes include:

> Omnichannel sales visibility
> Store planning
> Merchandise financial planning
> Pre-season open-to-buy (OTB)
> Weekly and monthly OTB control
> In-season re-forecasting (weekly sales stock and intake planning or WSSI)

MFP features embedded analytics, so retailers and brands can better understand historical performance and catch patterns of bias in the customers' choices. MFP can seed plans with history, trends and/or statistical forecasts.

Additionally, MFP aids in the creation and reconciliation of top-down goals and bottom-up estimates with different levels of aggregation. Retailers and brands can align detailed merchandise plans with their channel, country and location plans. MFP also features flexible in-season open-to-buy (OTB) management to adjust to changing business needs.

These MFP features translate into business benefits for retailers and brands, enabling them to drill into plans at the product, time and location levels. They can also make changes on the spot and tie merchandising activity to the company's strategic objectives and goals.

What's more, these organizations can build a clear roadmap for future buying by referencing historic sales and AI-driven forecasts and managing inventory levels to maximize profitability for every channel whilst supporting brand image and consistency.

Furthermore, MFP improves OTB accuracy and in-season projections by channel to increase gross margin and reduce markdown liabilities. However, these benefits just scratch the surface.

"With the new Centric Planning solution, buying and merchandising teams can work more collaboratively and are saving time because manual data entry has been eliminated. Being able to create what-if scenarios empowers teams to make strategic decisions faster and achieve sales and margin targets."

- KADEWE

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BUSINESS BENEFITS WITH MEASURABLE IMPACT

India-based modern fashion retailer Style Union was experiencing growing pains from the quick expansion of its retail store footprint. With Centric PLM™ already in place, Style Union established a strong foundation for growth.

However, with the continuous drop of 150+ new products per week coupled with a rapid expansion of Style Union's number of stores, assortment planning became its next opportunity for optimization and digitalization.

By adding Centric Planning™ Style Union has consolidated and organized planning activities and improved visibility across teams.

Retailers and brands like Style Union also gain fast performance and a flexible solution, with user scenarios, a simple sign-off process and adaptable workflows to speed up the process of producing viable plans. This allows for teams to create plans effectively amid product complexity.

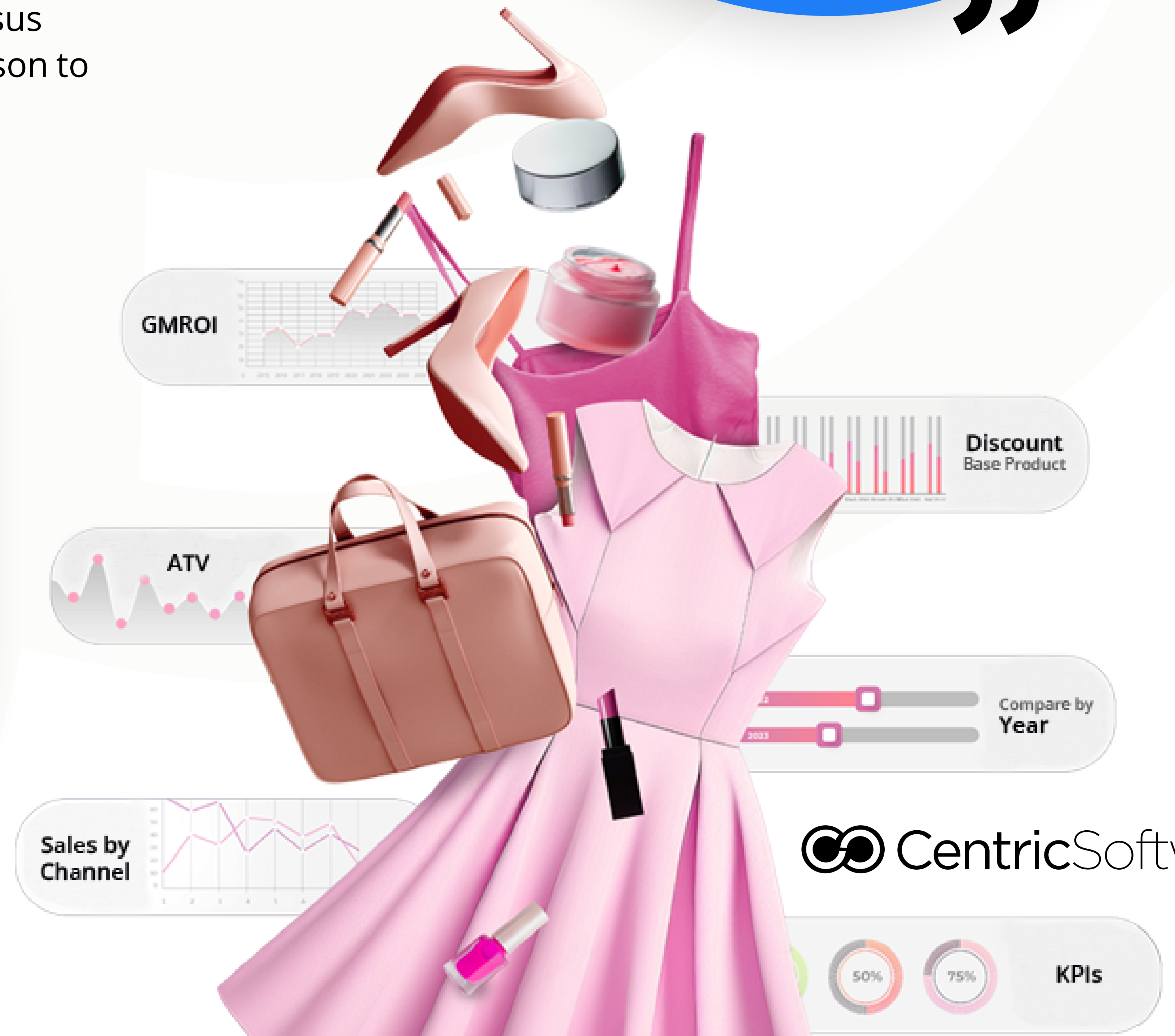
Plus, MFP analyzes past figures and utilizes artificial intelligence (AI) capabilities to guide the decision making of what areas to buy, develop or invest in. It generates future inventory predictions and OTB recommendations to maintain ideal levels always.

Generate balanced and achievable plans across all products, locations, and channels and selling space, cascade sales targets into ranges and assortments and review performance versus plan to re-forecast sales and reallocate markdowns in-season to optimize the closing inventory levels.

> "We are expecting to reduce buying and planning teams' time spent compiling plans by about 12%–15%. This is on top of the benefits we are already experiencing from Centric PLM, such as a reduction in manual data entry and errors, standardized color, material and product libraries, vendor collaboration and integration with ERP."
>
> **- STYLE UNION**

How MFP helps retail and brand planners

- > **Streamlined financial planning:** Create and adjust synchronized top-down and bottom-up planning in real time.
- > **AI-driven forecasting:** Accurately predict demand to prevent in-season markdowns and lost sales.
- > **OTB accuracy:** Control stock investments to optimize margins and reduce liabilities.
- > **Dynamic in-season adjustments:** Reallocate inventory to respond to sales performance.
- > **Seamless omnichannel planning:** Align inventory across stores, e-commerce and wholesale.



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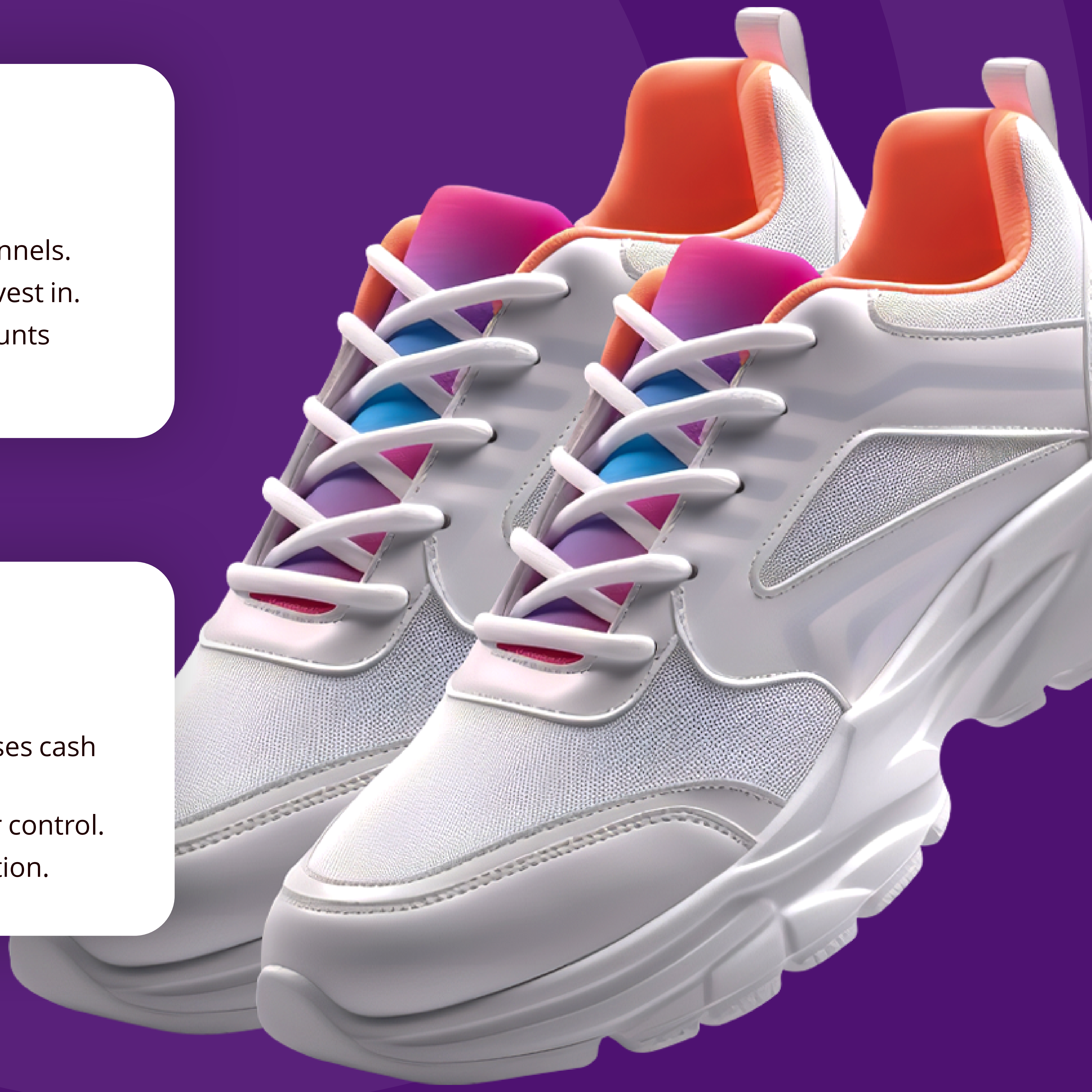
For Merchandise Planners

> **Cut down on manual tasks:** Eliminate spreadsheet chaos and save time while delivering better insights.
> **Forecast accurately:** Increase sales and reduce markdowns with highly granular forecasts across products, categories and channels.
> **Map out assortments:** Cascade sales targets at the aggregated level into product categories and understand which areas to invest in.
> **Optimize inventory:** Quickly and easily calculate the volume of inventory that can be purchased at one time and the right amounts to match demand.

For the CFO

> **Increase margins:** Better forecasts reduce waste and accurate assortment plans increase business growth.
> **Boost cash flow:** Accurately forecasting and allocating little and often reduces the costs associated with overbuying and increases cash flow across the business.
> **Gain flexibility:** With more optimal inventory levels, retailers can become more agile and flexible to external factors out of their control.
> **Increase employee motivation:** Reduce employee stress related to spreadsheet chaos and working from out-of-date information.



INCREASE PROFITABILITY WITH MFP

Retailers and brands can now seamlessly align financial strategy with merchandising execution for maximized profitability and operational efficiency. With MFP, companies manage every aspect of their budget and establish financial goals for the future.

Retailers and brands can experience the full suite of solutions from Centric Software to optimize stock distribution, replenishment and inventory turnover with AI-driven demand planning:

- ✕ Stockouts and lost sales—poor allocation leads to the wrong products in the wrong locations.
- ✕ Overstocking and markdowns—excess inventory results in heavy discounting and margin loss.
- ✕ Manual stock transfers—rebalancing stock between stores is slow and inefficient.
- ✕ Lack of automation—teams struggle to keep up with real-time demand fluctuations.

- ✓ AI-powered allocation and replenishment—ensure stock flows efficiently across channels.
- ✓ Multi-level allocation strategy—from pre-season planning to in-season reallocation.
- ✓ Optimized stock transfers—reduce manual intervention and stock imbalances.
- ✓ Automated demand-based replenishment—predict future demand to reduce out-of-stocks.

Experience stronger financial outcomes—cut markdowns, increase sell-through and boost customer satisfaction with Merchandise Financial Planning from Centric Software.

REQUEST A DEMO

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ABOUT CENTRIC SOFTWARE

From its headquarters in Silicon Valley, Centric Software provides an innovative and AI-enabled product concept-to-replenishment platform for retailers, brands and manufacturers of all sizes. As experts in fashion, luxury, footwear, outdoor, home and related goods like cosmetics & personal care, food & beverage as well as multi-category retail, Centric Software delivers best-of-breed solutions to plan, design, develop, source, buy, make, price, allocate, sell and replenish products.

- **Centric PLM**™, the leading PLM solution for fashion, outdoor, footwear and private label, optimizes product execution from ideation to development, sourcing and manufacture, realizing up to 50% improvement in productivity and a 60% decrease in time to market.
- **Centric Planning**™ is an innovative, cloud-native, AI solution delivering end-to-end planning capabilities to maximize retail and wholesale business performance, including SKU optimization, resulting in an up to 110% increase in margins.
- **Centric Pricing & Inventory**™ leverages AI to drive margins and boost revenues by up to 18% via price and inventory optimization from pre-season to in-season to season completion.
- **Centric Market Intelligence**™ is an AI-driven platform giving insights into consumer trends, competitor offers and pricing to boost competitivity and get closer to the consumer, with an up to 12% increase in average initial price point.
- **Centric Visual Boards**™ pivot actionable data in a visual-first orientation to ensure robust, consumer-right assortments and product offers, dramatically decreasing assortment development cycle time.
- **Centric PXM™,** AI-powered product experience management (PXM) encompasses PIM, DAM, content syndication and digital shelf analytics (DSA) to optimize the product commercialization lifecycle resulting in a transformed brand experience. Increase sales channels, boost sell through and drive margins.

Centric Software's market-driven, best-of-breed solutions have the highest user adoption rate, customer satisfaction rate and fastest time to value in the industry. Centric Software has received multiple industry awards and recognition; it appears regularly in world-leading analyst reports and research.

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