

Integrated Solutions For RETAILERS

Intelligently Plan Your Merchandise Moves

Danier Leather reduced its store-to-store transfers and now strategically moves merchandise between its stores with merchandise reallocation software.

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Depending on your merchandise's value, it may be worth your while to redistribute products to other stores in lieu of marking down merchandise. How do you know if it's worth the cost of shipping products from one store or market to another? Danier Leather felt that the prices of its merchandise warranted shipping products to other stores to better service customers and maximize gross margin. As a result, each year it ships thousands of products between its stores. However, Phil Cutter, CIO, and Bruce Aitken, VP of planning and forecasting at Danier Leather, wanted to cut the costs of transporting merchandise and ensure its merchandise profitability was maximized.

Danier Leather is a 90-store specialty retailer offering fashion leather apparel across Canada. "We move merchandise frequently between stores and from stores to outlets," says Aitken. "If a customer sought a style in a size or color that wasn't available at that store, but was available in a nearby store, we'd move it for them. Moving goods was an effective way for us to maximize our sales and gross margins, but the manpower necessary to input data and coordinate transfers became taxing. As a result, some transfers were delayed and we missed opportunities to sell merchandise at higher prices." Therefore, Aitken and Cutter searched for a tool that would increase the speed and accuracy of merchandise transfers.

Cutter and Aitken saw Retalon, a provider of analytical tools for the supply chain, at a trade show in 2005. After the show, they researched similar solutions, but found few similar to Retalon – solutions that used mathematics and analytics to determine merchandise reallocations. Not only did the Reallocation Expert by Retalon use mathematics and logic to determine the best merchandise transfers, it was capable of interfacing with Danier's merchandising software from NSB. This interface would eliminate the need for data entry between spreadsheets and the NSB merchandising system. Additionally, the Reallocation Expert could interface with the retailer's data warehouse, so all data related to merchandise transfers would be accessible from several corporate systems.

Compare System-Recommended Transfers To Actual Moves

"While we knew we wanted to add analytics to the transfer process, our primary reason for merchandise moves was for customer service," says Cutter. "We wanted to ensure that service transfers would still occur, they'd just occur more quickly and efficiently." Knowing that Danier Leather was interested in the Reallocation Expert, Retalon proposed that it take a core historical sample of the company's merchandise and allocation data, apply its analytics to it, and develop a recommended list of transfers and how profitable they would have been. After approximately six weeks with Danier's data, Retalon and Danier compared Retalon's recommended transfers to the moves Danier actually completed. After reviewing Retalon's recommended transfers, Aitken and Cutter agreed that Retalon's reallocation was quicker, smoother, and more logical than the manual methods Danier used for handling transfers. "Retalon's recommended moves showed that some of the moves we completed impacted gross margin more than we'd expected," says Cutter.

The installation of the software took approximately two weeks, but setting up the parameters of the system took much longer. Retalon provided a half-day of training on the parameters of the system and returned once for a remedial training session. "The creation of the parameters was the most challenging part of the installation," says Aitken. "Once you factor the different combinations of size, color, and style of garments with our 90 stores, the distance traveled between each store, merchandise pricing, the volume of merchandise available at each store, and the cost to transfer products, there are approximately 2 million options to review each week. Placing business rules around that becomes an insurmountable task, but Reallocation Expert now handles that."

Set Transfer Parameters, Attain Profitable Transfers

Other parameters set in the Reallocation Expert include the definition of fast- and slow-moving products for each store, when products should be moved, which geographical rules Danier wanted in place, when styles of clothing should remain together during transfers, and when moves should occur between stores and outlets. "The development of the parameters is very difficult and requires attention to detail," says Aitken. "The parameters dictate the effectiveness of the tool, and when created improperly, they will generate the wrong answers, so Retalon walked us through the creation process and we attained good results."

The software combs through Danier's merchandising data and generates a work list of suggested moves and the profit margin associated with each. If a move is approved, it is automatically flagged as such in the NSB merchandising software.

It's been approximately 18 months since Danier Leather began using the Reallocation Expert software, and the company is still learning about the product. "The tasks associated with transfers have become less clerical and more complex due to the creation of the parameters," says Aitken. "We've raised the caliber of employees working on merchandise transfers and increased accuracy by eliminating data entry." Aitken says since implementation, their merchandise moves are profitable, accurate, and quick.

Retalon added elements to the Reallocation Expert system based on Danier's suggestions, including the addition of product attributes (e.g. lining options in jackets, colors of products) to the work list of recommended transfers. Danier has researched other Retalon software modules including price optimization analytics and assortment planning. While Aitken and Cutter are not imminently considering implementing additional modules, they will certainly consider Retalon when they are ready.

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