HML Consulting

Mastering The Art Of Merchandising In The Technology Age

November 7th, 2019

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Agenda

- Survey Details
- Who is using which Tech right now?
- What are winners prioritising and why?
- The challenges to overcome

Research Study

- Since 2007
- US based but global surveys
- Retail Merchandising & Tech specialism

Mastering The Art Of Merchandising In The Technology Age: March 2019

Survey Respondents

Survey Respondent Characteristics

RSR conducted an online survey from January – February 2019 and received answers from 143 qualified retail respondents. Respondent demographics are as follows:

- **2018 Revenue (US$ Equivalent)**

Less than $50 million	13%
$51 million - $249 million	12%
$250 million - $499 million	15%
$500 million - $999 million	22%
$1Billion to $5 Billion	24%
Over $5 Billion	13%

- **Products sold:**

Fast moving consumer goods	20%
Apparel, footwear and accessories	27%
Hard goods	17%
General merchandise	27%
Hospitality, retail services, entertainment	6%
Brand manufacturers	3%

- **Headquarters/Retail Presence:**

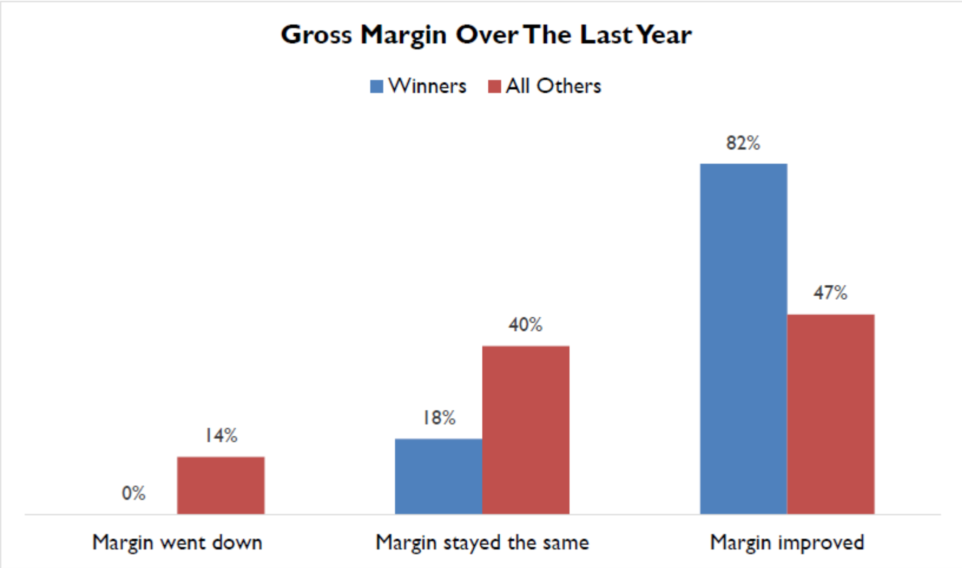
	HQ	Retail Presence
USA	77%	82%
Canada	2%	31%
Latin America	0%	12%
UK	8%	20%
Europe	13%	29%
Middle East	0%	5%
Africa	0%	3%
Asia/Pacific	0%	12%

Winners vs Laggards

- **Year-Over-Year Sales Growth Rates** (assume average growth of 4.5%):

Worse than average ("Laggards")	11%
Average	45%
Better than average ("Retail Winners")	43%

Figure 8: Prioritize Merchandising? You'll Be Rewarded



Source: RSR Research, March 2019

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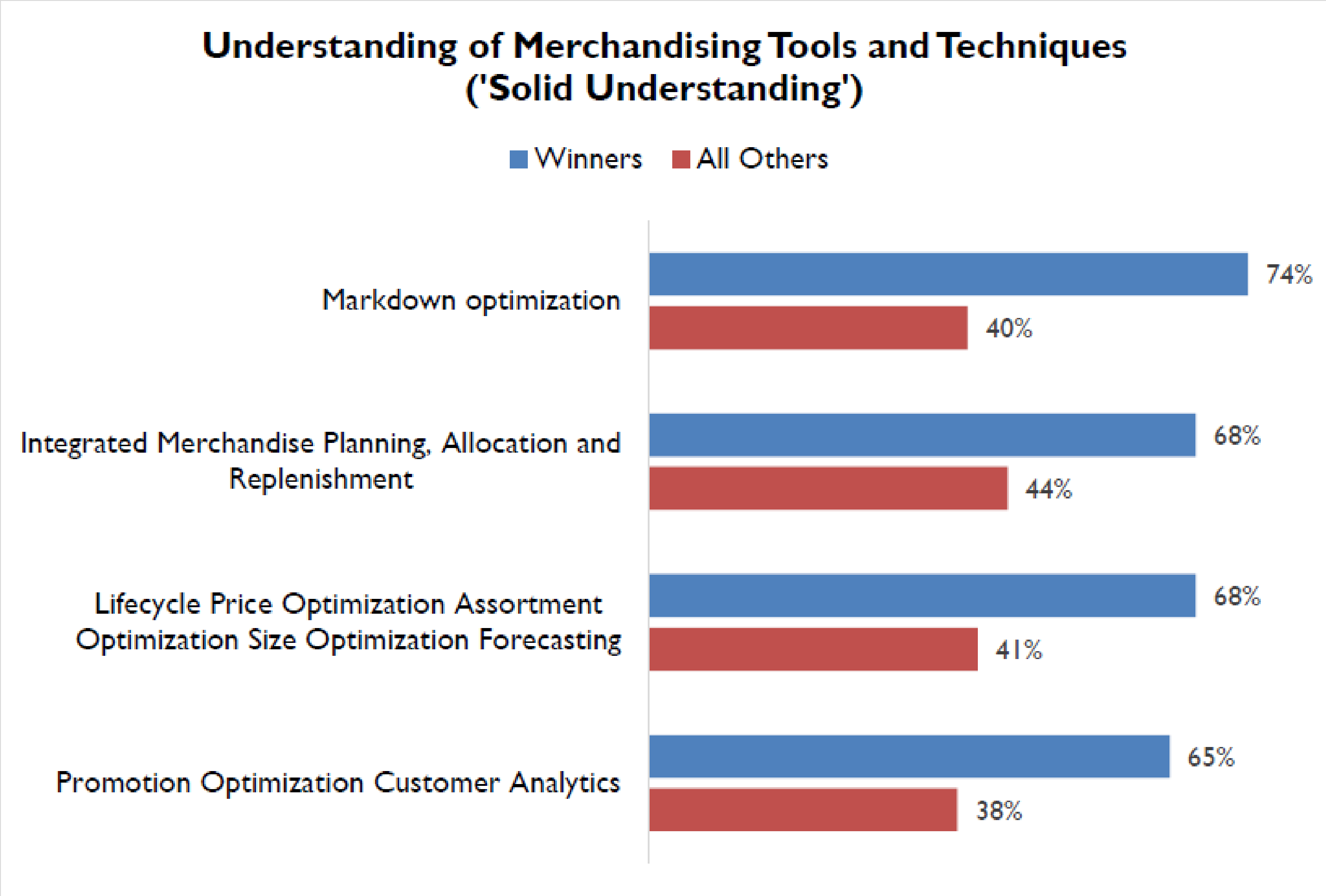
What Tech do retailers expect as standard?

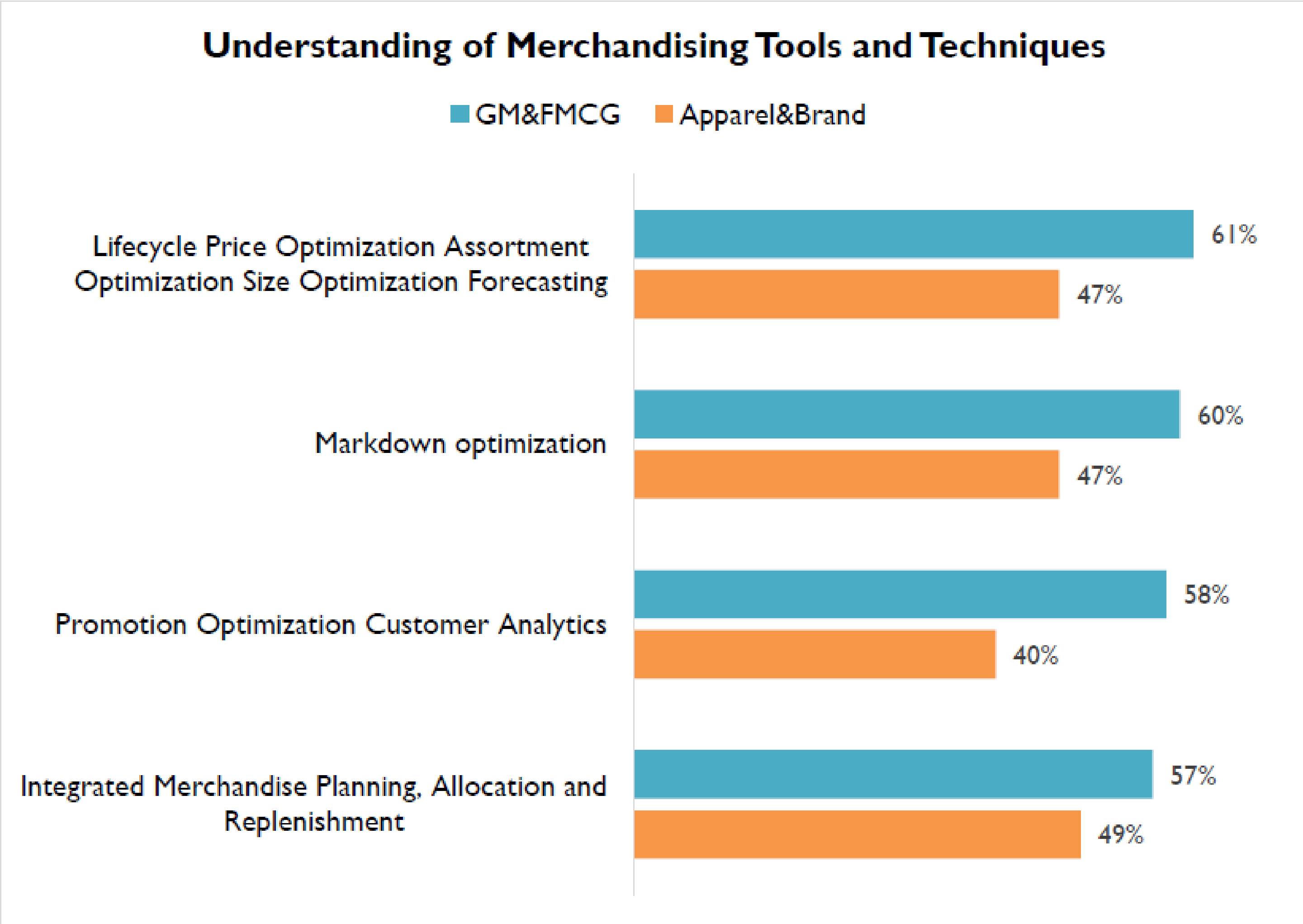
Figure 1: Setting The Stage



Source: RSR Research, March 2019

Fashion lags behind

Figure 4: Fashion Retailers Have Been Dragging Their Feet...



Source: RSR Research, March 2019

Are you happy with your tech solutions right now?

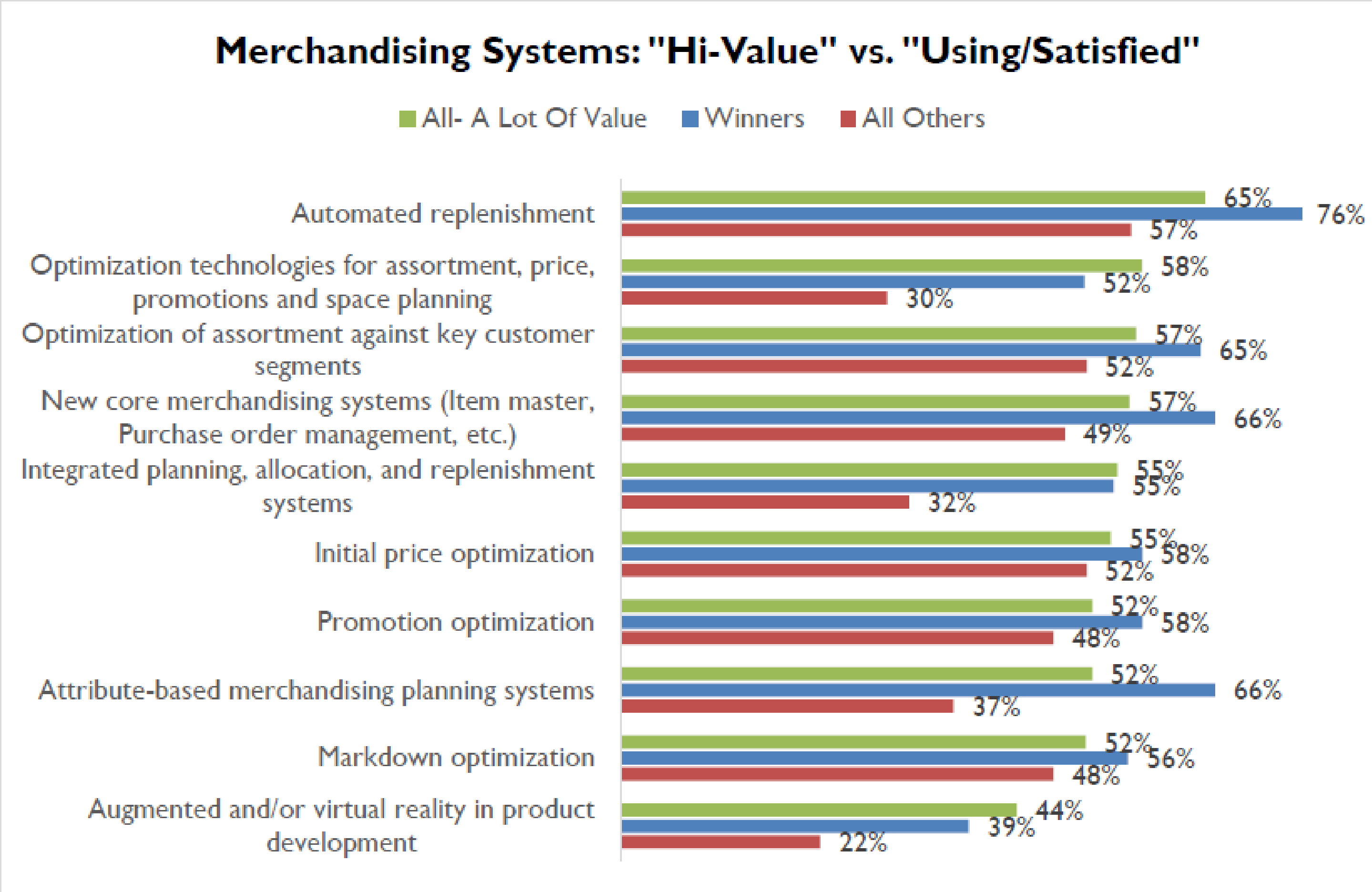
Figure 21: Damned By Faint Praise

	Using & Satisfied
Attribute-Based Merchandising Planning Systems	50%
Automated Replenishment	48%
Initial Price Optimization	46%
Integrated Planning, Allocation, And Replenishment Systems	42%
New Core Merchandising Systems (Item Master, Purchase Order Management, Etc.)	41%
Markdown Optimization	41%
Optimization Technologies For Assortment, Price, Promotions And Space Planning	39%
Optimization Of Assortment Against Key Customer Segments	38%
Promotion Optimization	36%
Augmented And/Or Virtual Reality In Product Development	29%

Source: RSR Research, March 2019

Are you getting value from your tech solutions right now?

Figure 23: Working On It



Source: RSR Research, March 2019

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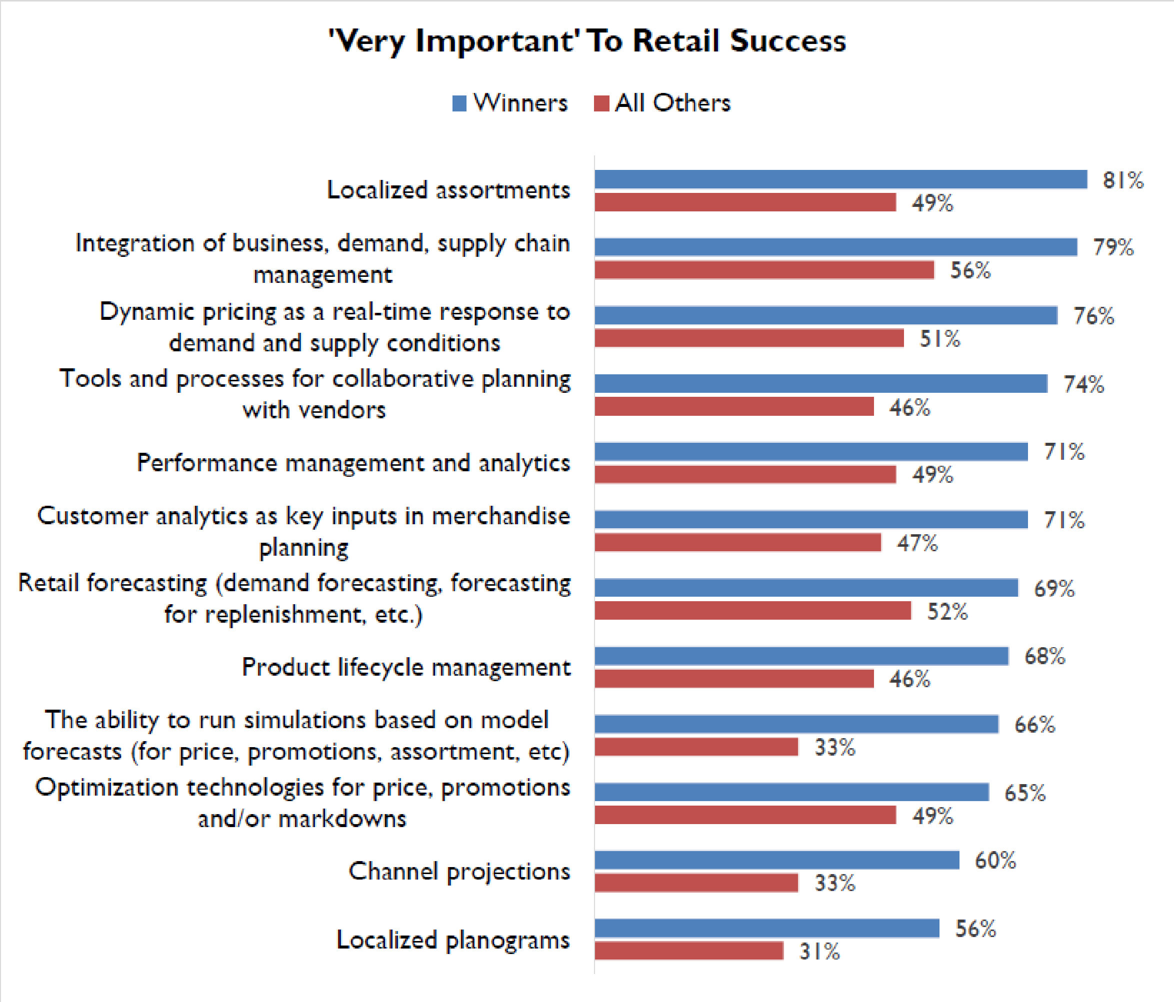
The Future: What will good retailing look like?

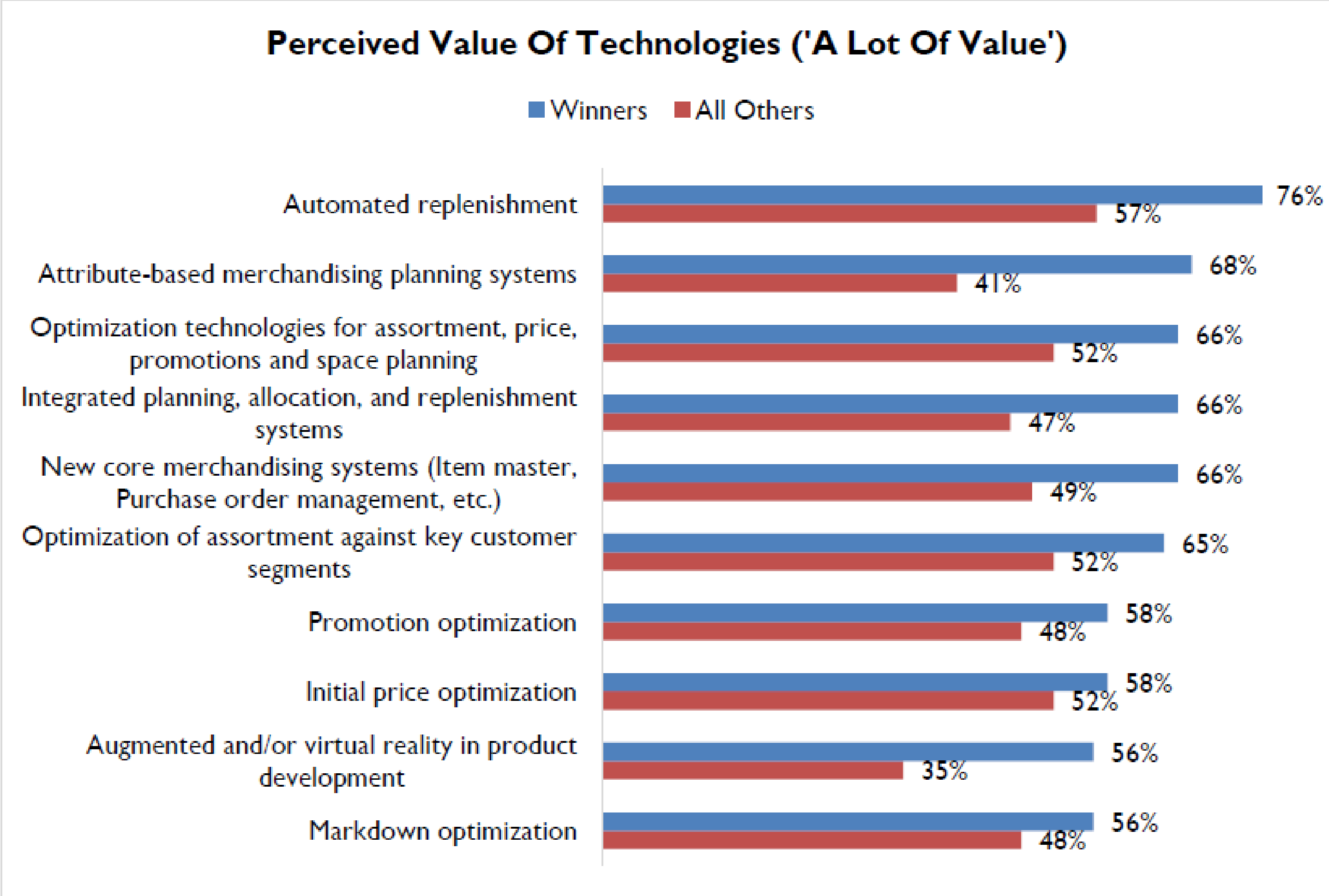
Figure 2: The New Normal Will Be Made Even More So By Tech



Source: RSR Research, March 2019

What are your Tech Priorities?

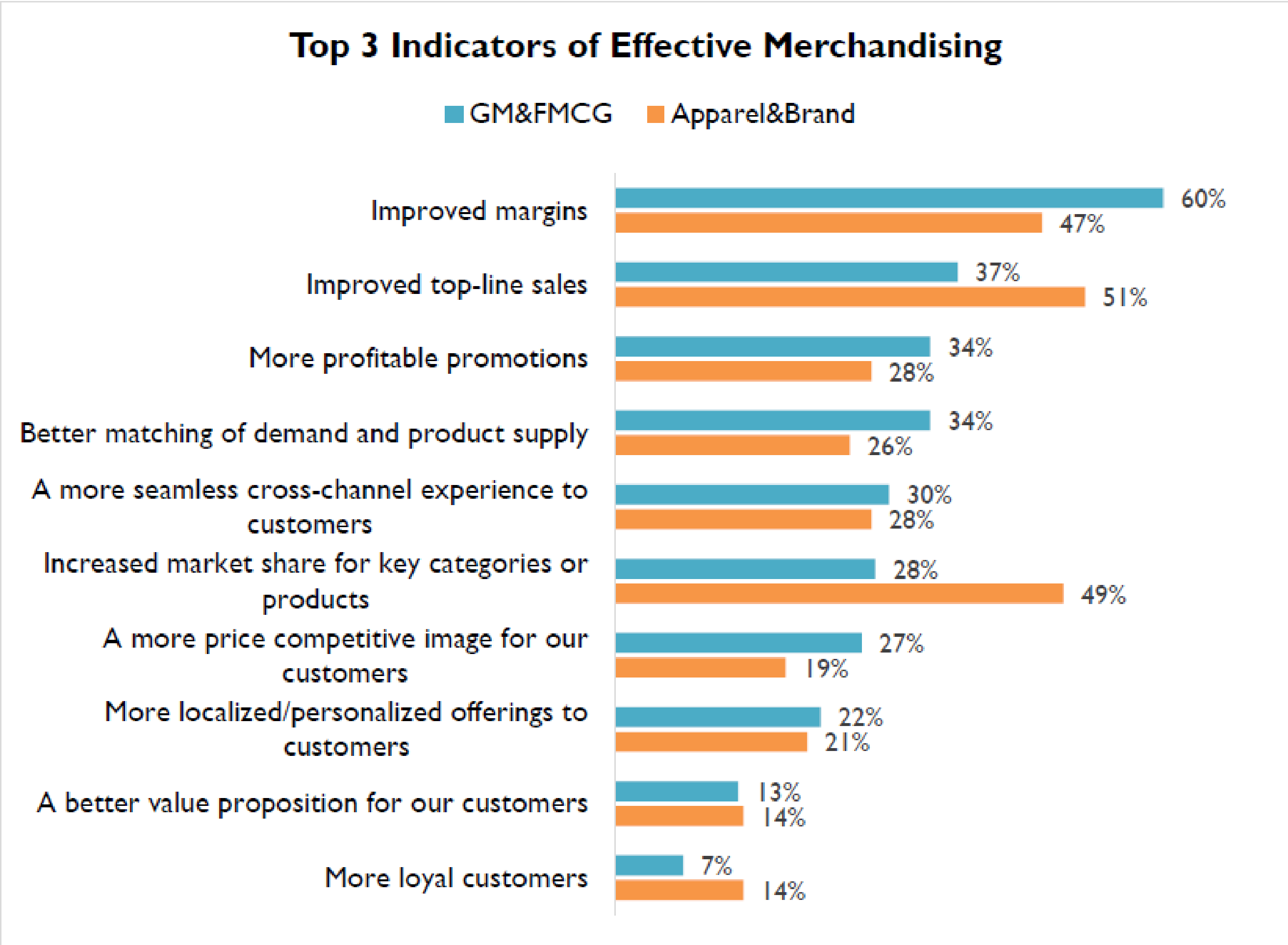
Figure 22: The Great Divide



Source: RSR Research, March 2019

To drive which KPIs?

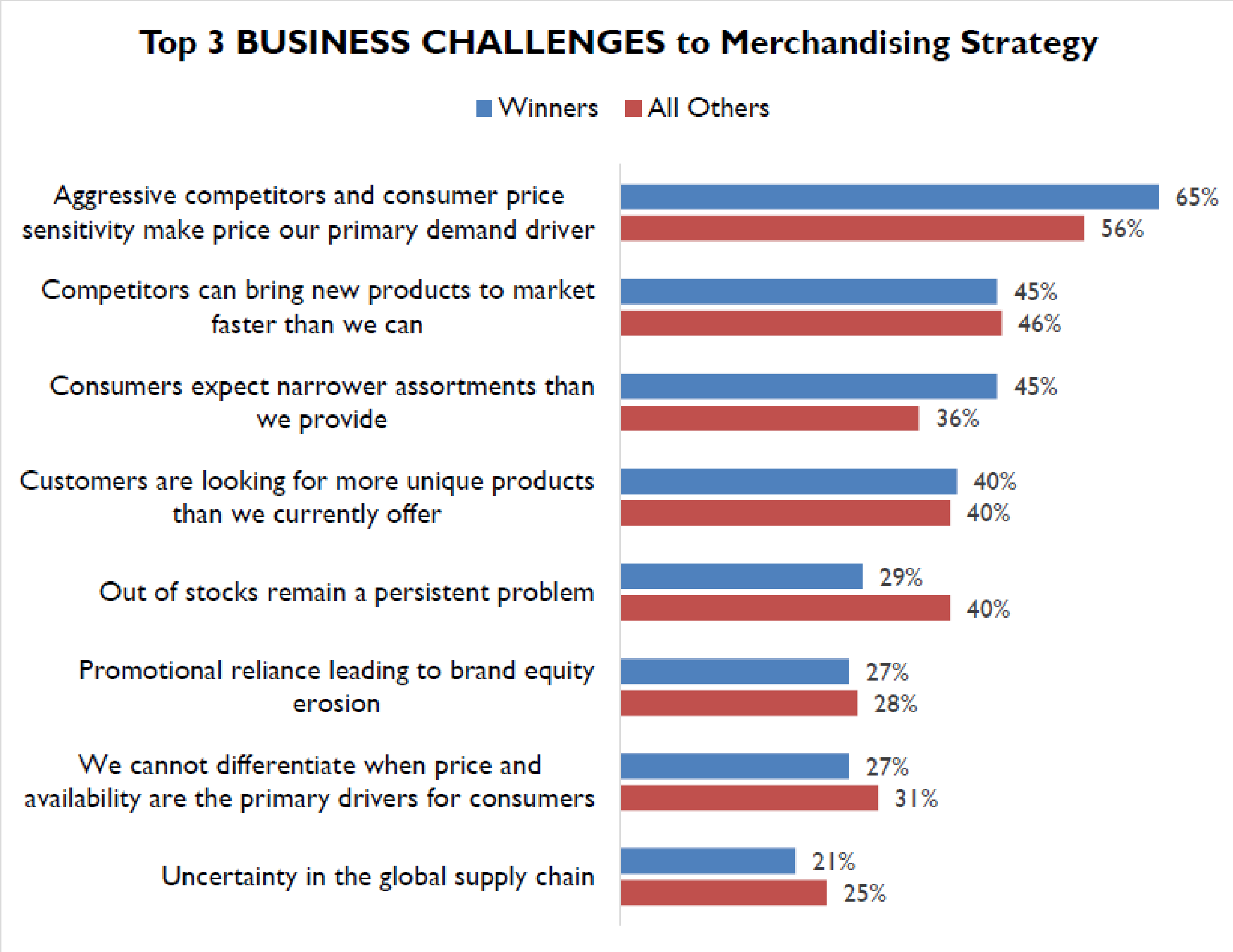
Figure 11: Margins? Of Course, But Also…



Source: RSR Research, March 2019

What are the chief risks to retail success?

Figure 6: 'Price Sensitivity' Rears Its Head Once More



Source: RSR Research, March 2019

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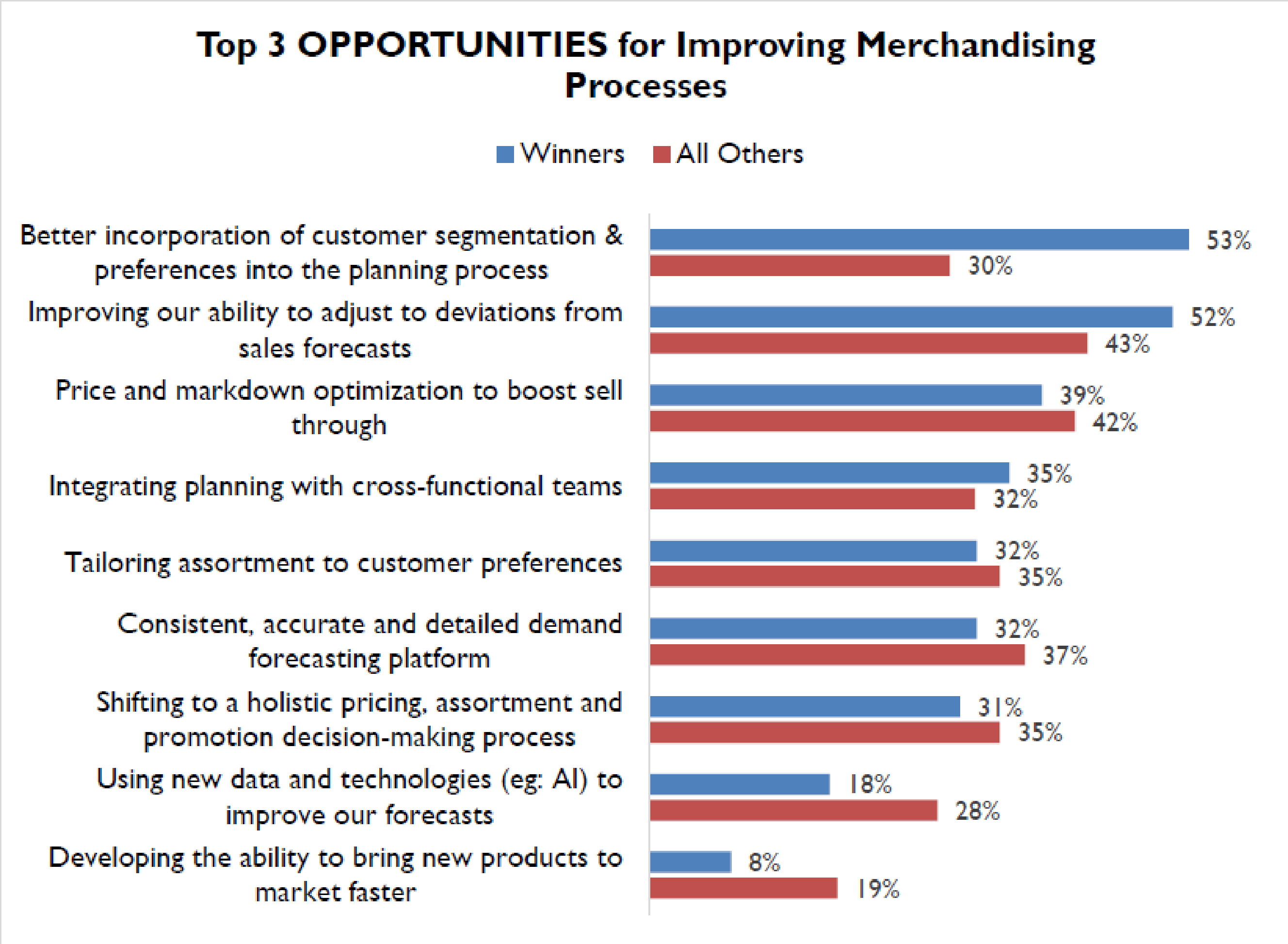
What's not working that needs improving?

Figure 7: Significant Differences At The Operational Level

Source: RSR Research, March 2019

Which processes need to adapt?

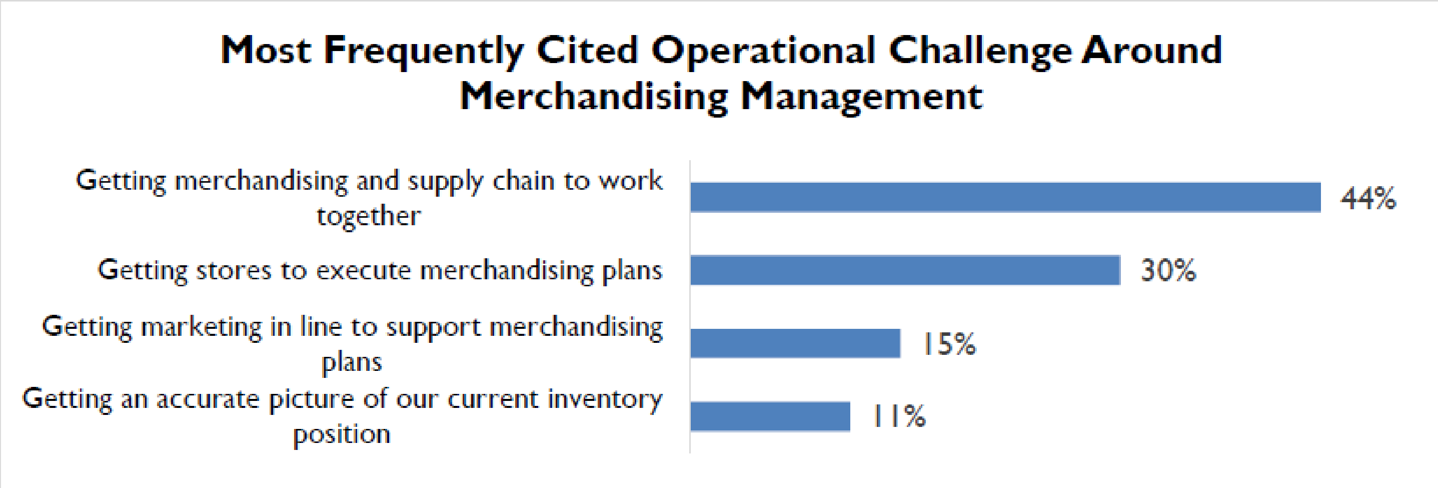
Figure 10: Myriad Ways To Improve, But Winners Show A Clear Path



Source: RSR Research, March 2019

What operational barriers exist?

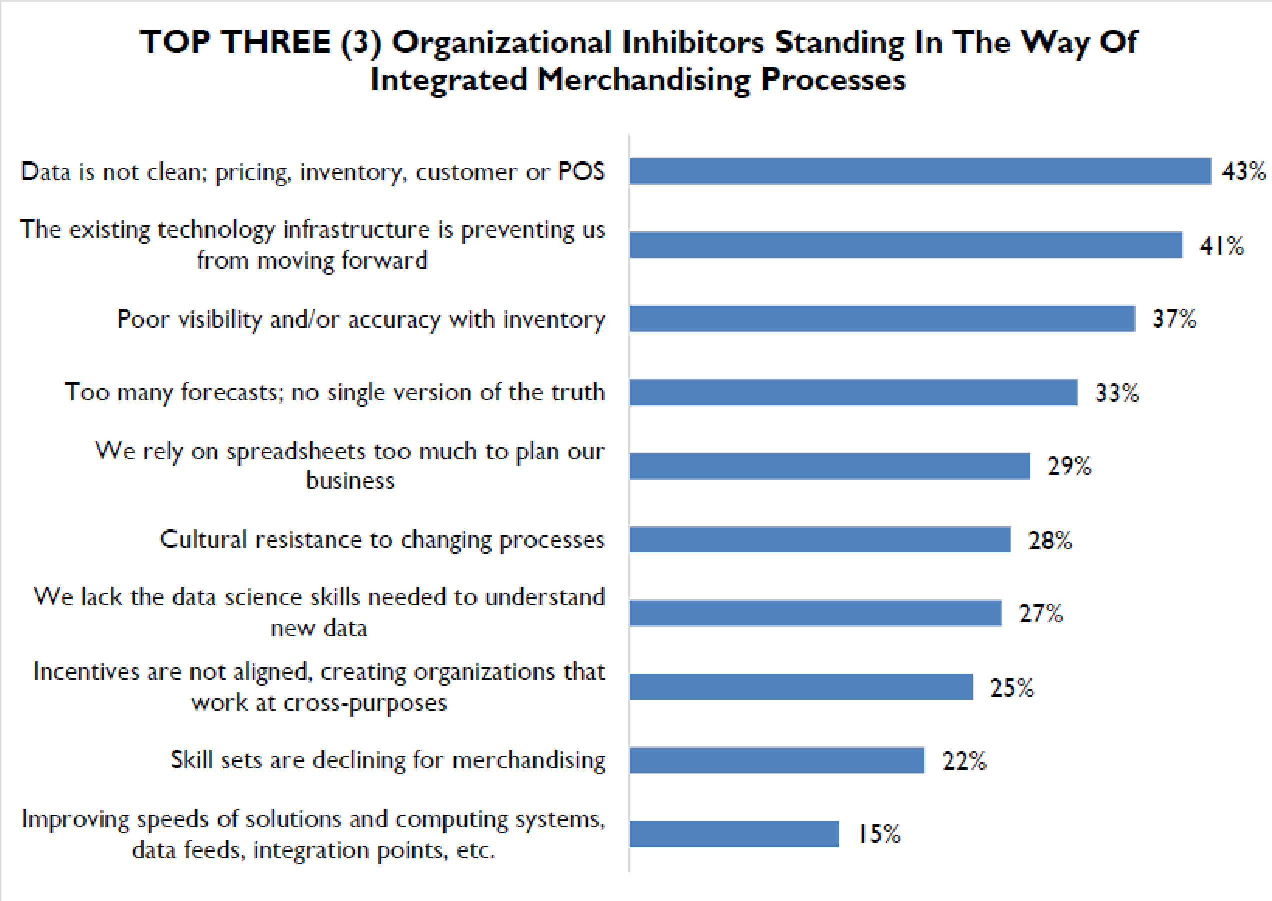
Figure 12: Old Operational Siloes Persist



Source: RSR Research, March 2019

What tech issues need addressing?

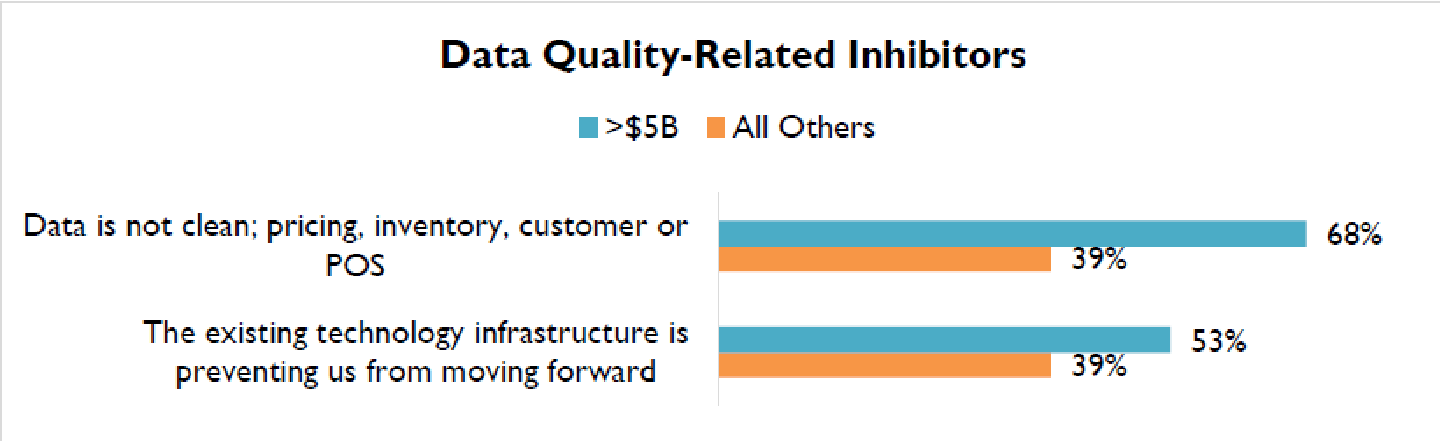
Figure 15: Technology-Related Issues Stand In The way



Source: RSR Research, March 2019

Bigger retailers have bigger data and tech issues

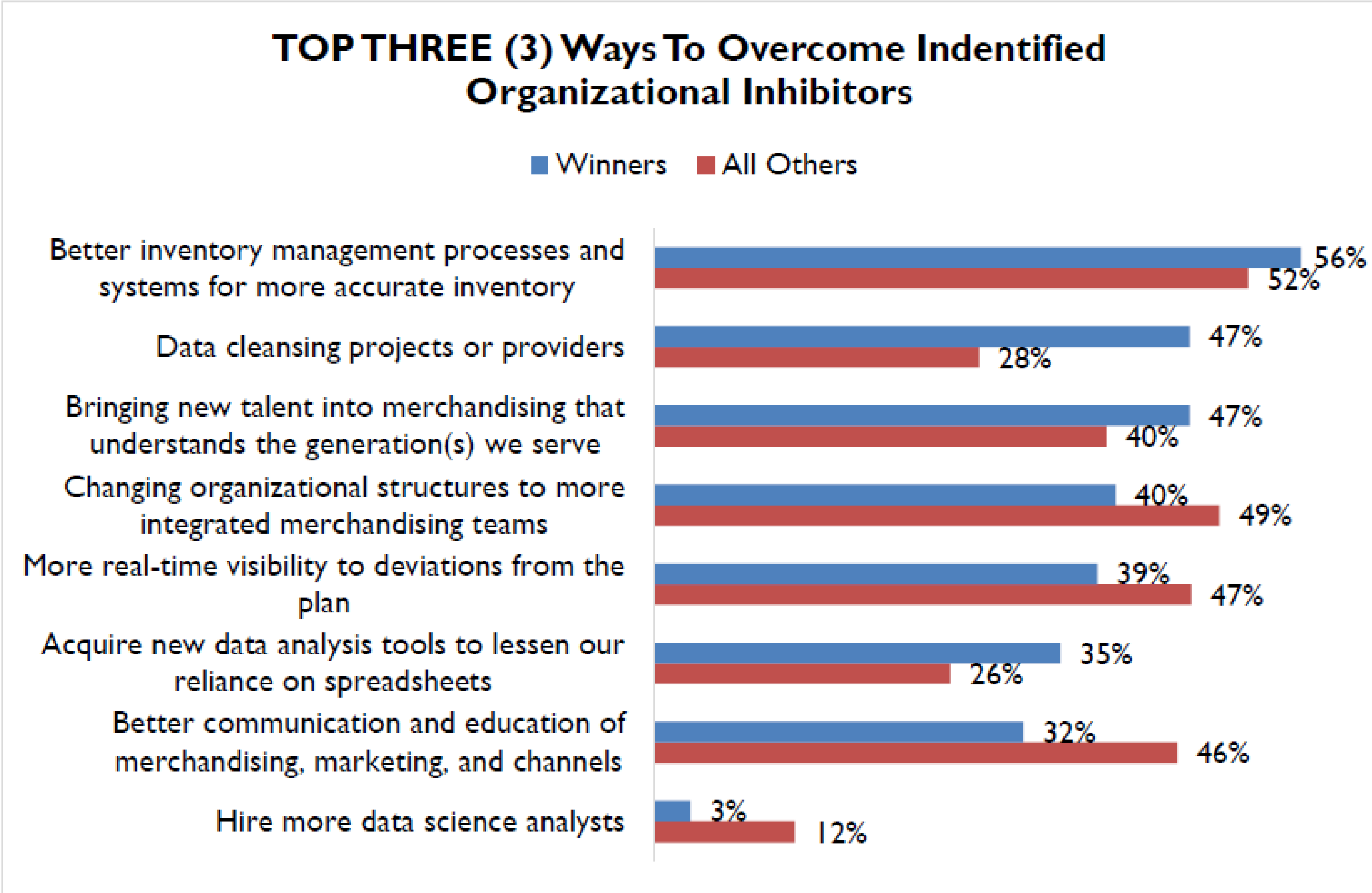
Figure 16: In This Case, Bigger Is Not Better



Source: RSR Research, March 2019

What organisational change should you lobby for?

Figure 17: Addressing The Three Elements for Organizational Transformation



Source: RSR Research, March 2019

Themes

- No-one has this cracked (50% satisfaction with tech)
- Higher satisfaction with technology is +vely correlated to being ‘Winner’ (60% satisfied)
- Winners have more tech
- Priorities: Localised assortments, demand sensing linking to supply, dynamic pricing and collaboration with vendors
- Poor data is #1 tech barrier
- Consistent theme: working collaboratively across functions

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