

Chasing Profits //

How to manage every store like it was your only one

Quantum Retail Technology, Inc.

There is an old adage in retailing that goes, “If I could only manage every store like it was my only one.” For today’s multi-chain retailers, the idea of being able to manage the performance of every SKU, in every store, everyday is still wishful thinking. Even leading businesses tend to focus only on their best sellers or top few hundred product lines; their manual approach makes anything more impossible. Yet for any retailer looking to maximize profit this is what it’s all about. And the good news is that recently developed technologies have made it possible to manage all inventory at this atomic level.

Single-minded corporate goals

It may sound patently obvious, but according to Linda Whitaker, Quantum Retail’s Chief Scientist, many retailers simply have no idea what they’re after. “They haven’t even defined what profitability means to them,” she says. “Retailers need to understand what their corporate goals are and then pursue them with a single minded strategy that applies to the whole organization.”



The first step is to define the goals the retailer wants to achieve. For example, do they want to drive cost reduction or sales? Do they want to attract new customers or increase basket size? Once this is done they can set about figuring out how to make it happen.

At present, according to Whitaker, there are too many retailers either doing nothing or constantly changing direction without any thought as to what the organization should be doing as a whole. “They think that if they put it out there people will come, which is not just going to happen especially in this economic climate. Or they embrace new strategies, jumping around to whatever is ‘hot’ at that moment. It’s not good for the business and also confuses people internally as to what their strategic goals should be.” Goals should be clear and consistent throughout all parts of the business so everyone is working toward the same end. This means that strategy and execution have to be considered together at the highest corporate level and carried through.

Marrying art and science

Most retailers are doing a fairly good job buying and selling merchandise, however their problems lie in connecting the two. While merchandising has become highly sophisticated, retailers still need to improve their ability to know what products to move to which stores and when they should do it. It’s about connecting the art and the science.

The art of retailing is finding out what your customers want to buy, while the science is ensuring you understand the demand for each product at each store and when to get it there. As retailers embrace local market assortments and attempt to tailor their assortments uniquely for the needs of individual store customers, inventory management challenges are only getting harder.

Consequently there has been an upsurge in retailers implementing automated systems in the hope that these will help them manage allocation and replenishment. And while these are meant to simplify life, in practice they complicate it even more. As Whitaker explains, “Unless you have a goal seeking system that can work to increase profitability, you may not be able to get out of the local optima you are likely already in.”

Moving with the markets



If we look at how financial traders utilize technology and science to seek out opportunities to make money in volatile markets, there's no reason why retailers cannot do the same. It is now possible to have merchandise trading platforms that constantly monitor and seek out real-time opportunities to make money. If demand for a particular product at a particular store is going through the roof, your trading platform should identify it, bring it to the forefront or better yet automatically capture those sales and margin.

“When we developed our own system, Q”, says Whitaker, “we specifically set about to create a solution that would understand and work with a retailer’s business strategy.” Unlike other replenishment and allocation systems, Q is goal oriented from the start; it even talks in retail terms rather than speaking ‘technological or math geek’, as Whitaker puts it. The advantage of Q is that, unlike other systems which only forecast at the chain level, it forecasts effectively at both the individual store and SKU level.

Q works in real-time with current information so that decisions can be made literally on the fly; if a product is selling well in a particular store, Q ensures there will be inventory to satisfy that demand. By continuously optimizing inventory need in relation to merchandise and assortment goals and supply chain constraints, retailers can extract the highest level of potential sales and profit from their inventory investment.

Unlocking greater value

The question arises, however, of how much value is there to be unlocked for retailers who are already effectively managing their most important items. According to Whitaker, the opportunity is very large. “Our clients have all seen significant improvements, in some cases getting 100% return on investment inside 12 months. And we are very proud of the fact that a low touch technology like Q can quickly unlock this kind of value with a low capital outlay. But there is more to it. Good inventory management also protects your brand.”

If you are able to stick to a strategy it means that you are not confusing your customers with constant shifts in direction. If you can't decide whether you are a ‘pile 'em high’ store one minute and a desirable brand the next, you are going to mess with your customers’ heads and they will not buy from you. At the same time, your shareholders are happy because they have also bought into the value of the brand. And that is what our approach is all about, and why Q is not just part of your IT department: it is a tool to realize your business strategy and create profits.

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The market is asking new questions... you need new answers.

Q answers the new questions facing grocers and retailers today with solutions that enable them to profitably buy, move and sell merchandise, solving the most complex and costly problems they face - **quickly and permanently.**

Q is the answer for: Assortment and Range Planning - Forecasting and Order Planning - Replenishment and Allocation

Every Quantum Retail customer has achieved 100% return on investment in less than 6 months. For more information visit <http://www.quantumretail.com>. Follow Quantum Retail on Twitter at <http://twitter.com/quantumretail>.