

The truth about size optimization, SKU rationalization and localization for progressive retailers

By Quantum Retail //

Getting the right sizes, colors, styles and quantities to the right location

Local demand changes at every store on a daily basis. Clustering stores together by store size and geography is inefficient and does not take into consideration individual store patterns for size, color, style and quantity of local demand and product preference. Retailers need to monitor the changing demand at every store to align their assortment in the way that is most profitable and most strategic.



It sounds like a no-brainer, but when supply chains become complex, retailers cannot keep up with store level demand and will send the same amounts of every product to similar store types. However, localization of store level assortments and order plans is proven to increase availability, full price sales and customer satisfaction. It is also proven to reduce inventory, wastage and markdowns which all ware away at margin.

Optimizing sizes and rationalizing SKUs

In order to optimize sizes and rationalize SKUs at a store level you need an acute awareness of product behavior. It really doesn't make sense to simply optimize on size - if a retailer is going to take the time to assess sales and demand at a store-by-store level. What they should do is rationalize SKUs at a local level by using store data.

There are dozens of product behaviors unique to every store. In order to analyze these behaviors and make the most of their efforts to not only optimize size, retailers should also optimize by style, color, brand, promotion, price, and seasonality at each store. However, the complexity of this exercise can become time consuming when a supply chain is vast. There are technologies available that can simplify this process and make it ongoing, creating a strategy for these attributes and applying it all levels of inventory management, from order planning, allocation, replenishment, forecasting and distribution.

The concept of localization works on two levels:

1. Retailers can look at the unique behaviors of each store - to determine each stores selling patterns for size, color, style, quantity, brand, season, etc. With this understanding, a retailer can plan their orders on a store by store basis to deliver the right amount of the products that customers are buying at each location, allowing the retailer to achieve the highest turn rates, reduce inventory to the appropriate levels, reduce over stocking and stock outs and ultimately increase margin.
2. The second concept of localization comes from localizing distribution and utilizing vendors that produce products in a short vicinity of each store. This type of localization is most easily applied to fresh foods and markets - where customers prefer to support their local farmers and local brands.

When retailers realize that they cannot optimize sizes and packs unless they have an awareness of store demand, stock outs, and customer behavior at the local level, they will quickly become more profitable and able to compete in today's retail market.

Q - the quickest and most profitable solution for size optimization, SKU rationalization and localization

The Q system continuously monitors business strategies, profitability, service levels, stock levels and 35 different behavior models for every product in every store. Q is so intelligent that it learns from data like stock outs, lost sales, slow movers, lumpy sellers, packs, sizes, colors and styles. It takes the most recent data for each item and automatically recommends inventory movement decisions driving toward your corporate objectives. Plus, it optimizes the way you phase in a new product and phase out another – ensuring that you are always reaching your optimal performance, sales and service levels, giving you the highest return on the inventory you are buying.

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