Maximizing the Store Experience with Macro Space Management and Space Optimization

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Program Agenda

• Space Planning: In Context
• Key Challenges
• What are the Opportunities?
• Our Approach – Insight Driven Retailing
• The Container Store Presentation
• Space Planning: Benefits
• Space Planning: Conclusion
• Q&A
Space Planning: **Context**

**Revenue and SG&A**
- Reduction in Inventory Costs
- Improvement in Sales due to Improved Process and Decision Making
- Reduction in Fixture Costs
- Reduction in Planning time for New Remodels & New Stores

**Key challenges**
- Space Performed in a Silo with Limited Visibility
- No Centralized Asset Management
- No Integration to Inventory
- Lack of Visibility between HQ and the Stores – Store Compliance

**Response initiatives**
- Provide Fact-Based Decision Support Throughout the Process
- Dynamic centralized CAD Merchandising database
- Store Collaboration & Compliance – Connect the Enterprise
Key Challenges -
Why Assortment & Space Strategies Fail

Siloed With Limited Visibility

- Space Management performed in a silo
- Not integrated into the end to end business process
- Misalignment to other tactical levers
- No accountability or visibility to category plan
- Sequential vs. integrated space management process
- Lack of understanding fixtures and space constraints & costs at the store

Cluster vs. Consumer Focused

- No real “consumer” weaved into the process
- Inappropriate clusters which don’t consider consumer segments
- Space plans do not incorporate the consumers decision process into the layout
- Space plans at cluster vs. store specific level

No Science

- Lack of understanding fixtures and space constraints at the store
- No inventory lead times

No Integration to Inventory

- No real understanding of inventory constraints
- No lead time since store specific assortments are determined too far down in the process
Space plans built without visibility into the store
No collaboration between corporate & store
Inappropriate or no tools to capture and measure compliance
Current Approach is Too Expensive
  - Expensive & time consuming to manually audit each store
  - Expensive & time consuming to perform in-store capture of planograms
  - Difficult & time consuming to compare what’s been implemented to the plan
Supplier driven planograms/execution create a wrench
What are the opportunities?

Common Themes/Needs We Hear

1. Need a seamless workflow & reduction in manual interaction
2. Need to remove the “one-size-fits” all approaches
3. Need real-time visibility into actual fixtures implemented and to be implemented within the store and across stores
4. Need real-time visibility into costs throughout the process to support new store, remodels, and special projects
5. More than space planners see value in seeing a visual representation of the store
6. Need accurate ordering & reduction of last minute or add-on orders
7. Need to decrease lead times & reduction in costs
8. Want the ability to perform “what-if” simulations
9. Need analytics & business intelligence to support the process and enable fact-based decision making
10. Need to minimize in-store audits
Our Approach

insight-driven retailing
Need Integrated Planning & Execution
For Assortment & Space Management

- No corporate visibility of store execution
- No store input into the planning process
- Floor plans and planograms are “one size fits all”
- Corporate plans are not linked with stores’ ability to comply
- Products are not placed optimally for each store’s layout
- Removal of key items and brands compromise space allocation
Insight-Driven Space Planning
*Lifecycle Space Management, from Planning through Execution*

**Benefits:**
- Alignment across stores to corporate strategic plan
- Space plans ensure high product availability
- Reduction in inventory costs
- Improved customer experience resulting in increased loyalty
Providing Value Across The Enterprise

Value Touch Points

Macro Space Management & In-Store Space Collaboration
Value Touch Points

- Category Mgrs/Buyers
- Marketing Insights
- Marketing - TF/Promo
- Real Estate
- Legal
- Security
- Theft Prevention
- Consultants/Vendors
- ISD
- Space Planning
- Space Layout
- In-Store Presentation
- Fixture Procure/Ordering
- Reset Teams
- Store/Field Operations
- In-Store Auditors

MSM & ISSC
Maximizing the Store Experience with Macro Space Management and Space Optimization

Joe Wilkinson
Senior Merchandise Director - Planning/Merchandising
The Container Store
Company Overview

• Originators of the Storage and Organization category
• Opened first store in 1978 in Dallas Texas – 1,600 square feet
• Currently have 47 stores in 19 states and the District of Columbia
• Average store today has over 10,000 products in an average of 24,000 square feet.
The Container Store
Company Overview
The Container Store
Store Layout Overview

• Our store layouts are divided into 16 lifestyle departments
• They follow a basic racetrack format
• Each aisle is an average of 32’ in length
• Headers (endcaps) are typically campaign related
• Fixtures are simple and clean...the product is the star
The Container Store
Store Layout Overview
Discovering Macro Space Management

- Reviewed and compared other options on the market
- Talked to other retailers to determine their use of planograms
  - Best Buy
  - Petco
  - Michaels
Discovering Macro Space Management

- The Container Store key business challenges and opportunities
  - Buyers/Merchandisers Vision
  - Strategic Direction Meetings
  - Department Analysis Today and Future
  - Merchandise Planning
  - In-store Deployment
  - IS Requirements
Discovering
Macro Space Management

• Macro Space Management and Customer Service
• 1 Great = 3 Good
• Organization saves time….and money
• Intuition does not come to an unprepared mind
Discovering
Macro Space Management

• Why Oracle Macro Space Management was chosen
  – All retailers are different
  – Merchandising, ROI, margin, department analysis
  – CAD interface (MSM)
  – Oracle database utilization and integration
  – Not a “canned” product...open to customer feedback
  – Dedication to future product development
Implementing
Macro Space Management

- Where do we go from here? Getting started with Macro Space Management
- Identify internal and external resources needed
- Data capture
  - Internal project vs. external project
- Photo capture
  - Internal project vs. external project
Implementing
Macro Space Management

• Building the fixture library
• Store floorplan CAD management
• New product management
• Store implementation
Implementing Macro Space Management

• Identify internal and external resources needed
  – We chose to partner externally with Advanced Visual Technology (now part of Oracle) to assist with:
    • Initial fixture library
    • Developing custom data and photo importer modules
    • Initial 2D/3D CAD modification of existing store floor plans to Macro Space Management
    • Training and consulting
Implementing Macro Space Management

• Identify internal and external resources needed
  – We chose to handle internally:
    • Data capture
    • Photo capture
Implementing
Macro Space Management

• Challenges included a fixture library that is non-industry standard
  – Fixtures include products
  – Have a combination of metric and U.S. dimensions
  – Fixtures include wood, metal, acrylic, airline cable, solid, ventilated, angled, etc.
Implementing Macro Space Management

- Floorplans may (and do) change daily
- Stores utilize open floor space in various ways that include specialized fixtures or floor stacked merchandise
Implementing Macro Space Management
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Next Steps
Macro Space Management

• Focus on completing implementation in FY2009
  – Upgraded to version 5.04.060
  – Convert all store floorplans
  – Develop KPI reports

• Convert all current “photograms” to planograms utilizing Macro Space Management by end of year
Next Steps
Macro Space Management

• Continue to manage store exception merchandising utilizing Macro Space Management
• Introduce and utilize Macro Space Management during strategic direction meetings
• Utilize Macro Space Management for category analysis and square footage reporting
The Future
Macro Space Management

• Continue to partner with Oracle on system enhancements and new releases
• Initiate data transfer between Macro Space Management and MicroStrategy for reporting purposes
• Partner with Oracle to fully understand and utilize all program functionality
The Future
Macro Space Management

• Internally determine future resources to support planogram system
• Utilize Macro Space Management to virtually merchandise and “fly through” potential new store locations and floor plans
• Look at feasibility of rolling out ISSC to individual store locations
The Future
Macro Space Management Metrics

• Currently realizing a 20% - 30% time savings for promotional planning...expect to increase to 50%
• Looking to realize a slight margin increase due to better space planning and shelf allocation
• Ability to manage a larger store fleet with the same number of Store Planners
The Future
Macro Space Management Metrics

• Realize a cost savings at store due to planogram clarity and ease of implementation
• Cut cost of printing and shipping through electronic distribution of information.
MSM & ISSC Deliver

- Central CAD Database for Merchandising Projects
- Real-time Information about Fixtures in Use
- Streamlined Processes
- Automating Fixture Ordering
- Identifying What is (and What Needs to Be) on Store Shelves
- Provide Fact-Based Decision Support Throughout the Process
- Management of Merchandising Policies
Space Planning: Benefits

• Collaborative space planning between Corporate, their stores and their partners is a top priority for retailers and enables compliance
  • A 10 percent change in planogram compliance results in a 1 percent change in the level of out of stocks\(^{(2)}\)
  • Collaborative planning & execution ensures localization and reduces out of stocks, and can increase supermarket sales on average by 3\%\(^{(1)}\)
  • Margin Improvements of 5-15\%\(^{(3)}\)
  • Revenue Increases of between 10-20\%\(^{(3)}\)

Sources: (1) GMA study conducted by Roland Berger Strategy Consulting, (2) A Comprehensive Guide To Retail Out-of-Stock Reduction, GMA 2007
(3) Space Management: Align Business Challenges & IT Vendors, Mike Griswold, AMR Research, August 2007
### Challenges

- Provide a single, store specific space layout application for both macro and micro assignment and visualization, integrated to retailer’s inventory and stock replenishment.

### Solution

- Oracle Retail Macro Space Management & ISSC

### Business Results

- 50% reduction in planning time due to macro & micro space knowledge
  - Time taken for total review of layout for next season
  - Includes macro and micro assignment of space and general visual merchandise arrangement
- 15% Reduced in-store deployment of the floor plan 15% - moving fixtures, shelving and product placement to accommodate the plan, due to pre-planning ability
- Significantly reduced movement between warehouse & sales floor due to improved capacity knowledge
- Automated accurate racking orders through improved capacity knowledge
- Result: 10% increase in sales due to MSM & ISSC
Tapping Into Value Outside The Box

Value Beyond Typical Space Management Practices

Legacy Space Tools Play In-Side The Box, Limiting Value
Space Planning: Conclusion

Why do anything?
- Enhancement of the customer store experience begins with an accurate understanding of each store’s reset and what-if scenarios
- The store layout process needs to be centralized within and controlled by HQ to best communicate and facilitate merchandising plans
- Space performance analyses give retailer’s access to KPI’s of key items crucial to addressing unique consumer and market centric requirements

Why now?
- The current economic climate requires every retailer to become even more diligent in every possible aspect of business
- The sooner a retailer completes store layout and compliance processes, the quicker they can realize a consistent look and feel across the enterprise
- Accurate store fixture take-offs will help provide immediate costs savings and reduce wastage
- Analysis of space performance – from total floor plan to item level – based on accurate floor plan data, can be a quick win towards increased store profit and margin
Questions