



**Profitability and Productivity Improvement—  
the Cross-Functional Way**

I was recently asked to speak at a user's conference so I selected one of my favorite topics. Multichannel retailing today requires a more cross-functional, collaborative approach in order to improve productivity and profitability.

Customer satisfaction or unfortunately, dissatisfaction is one very damaging way that lack of cross-functional management manifests itself. A recent personal experience, that I call "The Green Towel Saga," illustrates this perfectly. I was shopping for new green towels for our re-modeled master bath. A specialty home retailer had the color I was looking for in their store. As I tried to purchase the towels, I was told I could only purchase them "online", even though they were

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on the towel wall in the store. It was further explained to me that I would have to pay shipping and that I should have the store order them for me so they get credit for the sale. As a customer, why do I care that the store gets credit? As a customer, I don't understand why I can't just buy my towels in the store.

As a retail consultant, I placed the order just to see what would happen next. The order arrived in a timely manner in an oversized box. But, they shipped the wrong green bath rug. There was no return label or directions for returns. So, I went to the Post Office and paid \$22 to return the \$80 rug. I spent \$78 plus \$44 in shipping, and a lot of my time on the towels. Merchandising, Inventory Planning, Operations, E-commerce, the Distribution Center and Finance all had a role in "The Green Towel Saga". They didn't collaborate cross-functionally and didn't keep customer satisfaction in mind as a key to increased sales.

## The need

I see the need again and again as a retail consultant and also experienced it as a former retail executive. Retailers and wholesalers experience it every day. The need is greater today with the increasing complexity of distribution channels and competition. Assortment planning, marketing, and forecasting are just three examples of activities that cannot be successful without timely input and collaboration from other departments. To illustrate, these activities are listed below along with a brief description of key input and collaboration needed from other departments for success:

### Assortment planning

- Brand positioning and target customer—Marketing
- Current trends—Product Development/Design
- Historical analysis—Planning
- Financial expectations/cash flow—Finance
- Channel of distribution strategy—Stores, E-commerce, Catalog
- Promotions—Marketing

### Marketing

- Target customer—Brand Marketing
- Competition—Merchandising/Marketing
- Assortment plans and direction—Merchandising
- Historical Analysis/ROI—Marketing/Finance
- Channel of distribution strategy—Channel leaders
- Financial expectations/budget—Finance
- Pricing and supply—Planning
- Creative presentation—Creative

### Forecasting

- Historical Analysis—IT/Systems
- Assortment, SKUs, pricing—Merchandising
- Channel(s) of distribution—Merchandising
- Presentation—Marketing/Creative
- Promotions—Marketing
- Financial plans—Finance

## Solutions

The need is clear! Solutions are crucial.

### 1. Strategic business planning

Whether one is developing a business plan for a specific category, channel of distribution, or the total organization, it is crucial that strategy (qualitative) supports the financials (quantitative). The timing of this plan must be driven by the longest lead time activity such as product lead times or advertising lead times. An example of an outline for a product category is below:

- Financial Plans
- Business Strategy
- Assortment Strategy
- Marketing plan
- Inventory and margin management
- Risks and contingencies

One example of success is my work with a multichannel retailer in the home store business. I worked with the CEO and Leadership Team to develop and implement a Strategic Business Plan which facilitated increased profitability the following year.

### 2. Development of key metrics

These metrics must be developed in conjunction with business plans. They must be shared across functions but weighted appropriately to the job. An obvious example is sales. Merchandising, Product Development and Marketing all are reviewed on sales but weighted differently based on their function's impact and other appropriate metrics. Education about the math and the impact of the metric is crucial, as is communication across the organization. Key metrics must then be included in performance plans and job descriptions. They must be monitored with a dashboard. Incentives must be clear and paid. I helped a severely polarized wholesale company implement all of this and that company began the process of better collaboration and team satisfaction.

### 3. Development of a solid organization

I always say develop "the boxes" first. This means develop jobs based on tasks versus current people. Establish clear roles and responsibilities along with cross functional dependencies in the organizational structure. Always build in room for growth—people and organization. Once the "the boxes" are developed, place the people in "the boxes" matching their skills, talents, experience and desire. This is easier said than done. Ensure each team member has an updated job description. I have worked with many clients on reorganizations and have found that this crucial,—nothing else works until it is in place.

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### 4. Establish cross-functional business teams

These teams are set up by category, channel or for total organization (senior team). They are responsible for profitability and have shared metrics. Each business function must participate. As an example, the e-commerce team in a multichannel retail would include: Merchandising, Finance, Operations, Creative/Site Merchandising, Marketing, and Logistics. Every team needs a leader so a leader must be assigned. I worked with a multiple brand catalog company to set up such Business Teams by brand. It dramatically helped their decision making and productivity of the team members. Expectations and timing are crucial which leads us to number five below.

## 5. Utilize a cross-functional business process and calendar

The process and calendar must be driven by the longest lead time activity—either product development or advertising. It should include steps for pre-season development, in season execution, and post season analysis. Key milestones must have an owner, input partners, and completion dates. Each milestone must have expectations or sub steps. Departmen-

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tal processes and calendars must support the cross-functional calendar, and dates must match. The cross-functional process and calendar must have an owner. It serves as guidance for the cross-functional Business Teams. I worked with a retailer in the fast fashion space to develop and implement this type of calendar. It brought the teams together and kept them on track in their fast moving world.

## In summary

There is an increasing need for cross-functional collaboration in multichannel retailing today in order to improve profitability and productivity of teams. I see it again and again with current clients and experienced it as a retail executive. Retailers experience it every day. The top five solutions that I have found to be most effective are:

*Development of strategic business plans*

*Utilization of key metrics*

*Solid organizational structure*

*Cross-functional "business teams"*

*Cross-functional planning process and calendar*

I'd love to hear about your cross-functional collaboration success and needs. I can be reached at [Janice@JLSearsConsulting.com](mailto:Janice@JLSearsConsulting.com) or at 206.369.3726.

## More about us



**ABOUT THE AUTHOR** | Janice Sears has served as **Principal** of JL Sears Consulting, Inc. based in Seattle, since 2004. She is also a Principal of **Tag Team Business Solutions**.

Janice brings more than 20 years of **broad multichannel retail and wholesale experience** in merchandising, planning, marketing, finance, and operations to her clients. She is a Certified Management Consultant (CMC), and received her **MBA in Finance** from the University of Colorado.

As a former **Vice President at Eddie Bauer**, she was accountable for \$1.6 billion in annual sales, which included 400+ stores in the US and Canada, catalog and internet sales, along with margin and profit. Janice directed strategic business planning, merchandise planning, inventory and margin management, and led the cross-functional business teams by channel to manage the P&L. She also drove system and business process improvement projects and was integral to marketing, assortment planning and organizational development initiatives.

She served on the **Board of Directors for Big Brothers Big Sisters of Puget Sound** for more than 10 years while being a Big Sister herself. Janice continues to serve on a variety of professional and non-profit boards and is currently a University of Washington Business School Mentor.

Janice is an avid skier and cyclist who writes a [travel blog](#) about her quest to visit all 58 National Parks. She enjoys northwest urban living and time with family and friends from her Seattle home.

**ABOUT J.L. SEARS** | JL Sears Consulting, Inc helps organizations and business teams boost profitability and productivity through strategic business planning, development of merchandise strategy and implementation of key execution tools.

We specialize in working with multi-channel retail and wholesale clients to craft a roadmap to success in an ever-changing business environment.

Clients include: Belkin, Branders, Charlotte Russe, Crosstown Traders, evo, Griot's Garage, Lucy, Nasty Gal, Outdoor Research, and Sur La Table.

JL Sears Consulting, Inc. is a former member of 1% for the Planet and continues to focus its one percent donation on saving Puget Sound and supporting our National Parks.

### STAY CONNECTED

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