



Assortment Planning—Six Factors to Consider When Developing Your Assortment Strategy

Whether you are a brick and mortar retailer, cataloger, e-commerce company, or a wholesaler, your assortment is key to your success. I call it the “heart and soul” of your business. Therefore, assortment planning is a crucial activity. I have seen many companies do this well, but there is often a real opportunity to take more factors into account than managers realize. When you do this you can produce the most profitable and sustainable assortment for your brand.

Six factors must be taken into account when planning the size and content of your assortment:

1. Your brand strategy
2. Your business model
3. Current market trends
4. Sales and margin history
5. Channel(s) of distribution requirements
6. The organization’s financial plans
(sales, margin, and inventory)

Brand strategy—Whether in preparation to shop the market or to develop your own product line, developing your brand strategy prior to assortment planning is crucial. Merchandising and product development must play into the brand strategy. What does the brand represent? Who are the current customers (consider both demographics and psychographics)? What are they currently buying? Who is the target customer (remember, often the targeted customer is different than the current one)? What do they want and need from you? Who is the competition? What makes you different from your competition?

We can all name brands that have faltered because their strategy was diluted and/or execution was poor. From my perspective my Alma Mater, Eddie Bauer, has been an example of this over the years.

Business model—If you have a “scarcity” business model (like Gilth, Clymb, or Zulily), a “fast fashion” business model, or even a “close-out” business model, the content and price of your assortment are much more important than controlling its size. Your business model is designed to turn fast and

fulfillment is not as important. In fact, running out of merchandise is part of the model and creates future demand! If your model is more traditional and fulfillment is important then the size and flow of your assortment may be as important as the content. For example, if you disappoint your customers by being out of stock in a key denim size, it really hurts your current and future business!

Market trends—No one has a perfect crystal ball, but current market trends and potential future market trends must be taken into account. This is very qualitative versus the next factor which is fairly quantitative. Some brands must even create their own market trends because they are the leader in their category. This still must be done based on current and potential future consumer trends, wants, and needs.

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Sales and margin history—It is important to take into account what has sold well both last season and the same season last year for your organization. In addition to sales, final margin must also be considered while including all discounting! As always, if something sold well but the margins were very low, it may not be worth repeating in the same way. Taking a look at the categories and styles that have sold well in the past is often the starting point for assortment planning, but I have certainly seen too much weight given to this practice. Even in a traditional business model newness is important! When looking at this history it is good to begin by selecting items that can be “carryover” items prior to developing or buying “new styles”.

Channels of Distribution—Whatever your distribution strategy, the elements listed below must be incorporated into planning your assortment:

Brick and Mortar—You will need to know how many stores there are, how stores may be grouped and assorted differently, and what the floorset and/or visual merchandising strategy, flow, and timing are. We do NOT recommend planning the assortment or style count based on space in the store. Plan your assortment first based on the factors above and adjust later if truly needed. **Catalog**—You will need to know when catalogs are being mailed, and how many pages you need to fill along with a productive density plan (number of styles per spread or page). This is generally more of a space and productivity (DMPC) exercise than retail.

E-commerce—You will need to know the strategy for pages, layout, and navigation here along with search and promotions. In general the assortment is not limited by space here. Presentation is key!

Wholesale—You will need to know the sales strategy, types of accounts and timing along with any special order needs of your customers.

Financial plans—If your organization is planning a 20 percent increase in sales you may have room to increase the size of your assortment. If they are planning a 10 percent decrease you probably need to tighten up the assortment. Likewise if cash, which means inventory for you, is tight you may need to decrease the size of your assortment and get higher unit sales

out of each item. If your organization needs to improve profitability, which means an increased margin for you, then you will have to either limit discounting or increase your initial margins. These factors all have an impact on the size and content of your assortment and must also be considered.

Category financial plans—Based on the brand strategy, business model, history, and financial plans, initial “tops down” category and/or brand financial plans can be developed at this point. An example might be helpful! If you know your new brand positioning is an active brand targeting women in their 30’s, you can probably plan the performance tops category up. If your financial plans are up 5 percent perhaps this category is up 10–15 percent. A solid merchandise hierarchy is important at this stage.

To summarize, six factors must be taken into account when developing both the size and content of your assortment strategy:

1. Your brand strategy
2. Your business model
3. Current market trends
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6. The organization’s financial plans (sales, margin, and inventory)

I’d love to hear about your assortment planning successes and needs. I can be reached at 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.

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