

Kurt Salmon 



INDUSTRY INSIGHTS

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# Structuring for Success

*Organizational Practices of  
Industry-Leading Retailers*

Retailers looking to boost performance may benefit from revisiting their buying and planning organization, according to a recent Kurt Salmon survey of apparel merchandising executives.

Department store and general merchandise retailers with top-quartile collaboration and organization practices realized ~20% higher EBITDA than the segment average. Top-quartile specialty retailers achieved ~30% higher EBITDA and 10% to 20% faster inventory turns. In addition, retailers typically achieve higher sales, margins and turns as they improve the relationship between buyers and planners.

Kurt Salmon's consulting experience, recent study and extensive conversations with leading retailers found that the most successful buying and planning organizations shared five key practices:

### **1. Connect planning and buying at the highest organizational level.**

The two functions require two very distinct—but equally valuable—skill sets. Great planners have excellent analytical and statistical skills. By contrast, buyers must possess a predictive sense for market trends, such as styles, colors and innovations.

As such, the functions should be organizationally separate but hierarchically equal, jointly reporting into only the highest level of the organization to ensure independence and disciplined development. Internally, leading retailers foster a culture of mutual and equal prestige for both functions. While there can be career mobility between the two functions, neither group reports into or is a necessary career progression toward the other.

### **2. Create cooperative tension.**

Empowering both functions equally optimizes decision-making and ensures that merchandising plans embody both fashion and fiscal sense. Successful retailers align the two groups to maximize cooperation while still maintaining independence, and core processes are structured to incorporate both perspectives. While the perspectives of planners and buyers may sometimes differ, Kurt Salmon's research shows this ultimately leads to better decision-making. Finally, very simple steps, such as seating teams next to each other within office settings, can help foster the partnerships needed to build a robust capability, reduce the duplication of work and minimize the risk of counterproductive differences.

## **ABOUT THE SURVEY**

Kurt Salmon's comprehensive merchandising and planning survey creates a benchmark against which retailers can identify where they lag competitors and uncover potential areas for future growth.

The survey covers key merchandising and planning topics, including financial planning and open-to-buy, strategic planning and buying, buy planning and sizing, product flow, allocation and replenishment, collaboration, organizational structure, tools and reporting, and multichannel and localization strategies.

The survey takes self-reported benchmarking data from retailers across segments and compares their organizational elements and practices against industry leaders', providing retailers with an understanding of current merchandising and planning capabilities against best practices and insights into what new processes, tools and techniques retailers are exploring. All responses are kept strictly confidential and are reported only in aggregate.

Retailers who take the survey will, upon request, receive a report scoring them against best practices and segment leaders and a meeting with Kurt Salmon merchandising and planning experts to review the results and discuss the potential root causes of poor scores.

**To take the survey and see how your organization compares to industry leaders, please go to: [www.kurtsalmon.com/mpsurvey](http://www.kurtsalmon.com/mpsurvey) or e-mail [alden.lury@kurtsalmon.com](mailto:alden.lury@kurtsalmon.com).**

### 3. Clarify roles and responsibilities.

Successful retailers clearly define roles and responsibilities and assign necessary resources appropriately. By detailing and distinguishing roles, buyers have more time to focus on assortment planning and product decisions. At the same time, a stronger planning organization is freed up to provide better support to its buying partners in managing financial and by-door planning and performance, and improving buy quantity, allocation, sizing and replenishment effectiveness. (See Exhibit 1.) Clearly defined roles and responsibilities also foster good teamwork. When buyers and planners understand each other's role, they can begin to rely on and appreciate what each other contribute; this typically results in less re-work and more accurate decisions.

### 4. Empower appropriate decision-making at all levels.

Effective collaboration does not always mean joint decision-making. Top-quartile retailers empower team members to make decisions within the buying and planning functions and hold them accountable for the successful execution of their choices. Successful retailers push down final decision-making to the most appropriate organizational layer. If every decision

must be reviewed, the original decision-maker has not been empowered, plus constant reviewing takes up time that could be used on proactive planning and management.

### 5. Maintain a 1:1 ratio of buyers to planners.

The 1:1 ratio is important in creating an effective team and gives planners time to do more than just financial planning. Successful retailers put their buyers in charge of developing a category strategy and determining what to purchase by location. Planners determine how much to buy, when to flow merchandise and how much to allocate.

But the further away from a 1:1 ratio a retailer is, the more its planners tend to just build (and rebuild) financial plans. Time-crunched planners often neglect to conduct the analytics needed to support optimal decision-making.

Although reducing staff may have been a necessary consequence of the economic recession, leading retailers maintained a strong partnership between buyers and planners despite cuts. Leading retailers say maintaining this balance is key and ultimately pays off in improved performance.

## EXHIBIT 1: Key Responsibilities of the Buying and Planning Functions



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## KURT SALMON

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