

RTG Newsletter

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FROM THE PRINCIPAL'S OFFICE

The longer we're in the business of information systems and management consulting, the more concrete certain principles become. One of these principles is that, in a well architected information systems environment few, if any applications stand on their own, and even fewer databases serve only one function. So I decided to write about this in this issue. If this topic is too trivial for your taste, my next article is on the quantum theory of physics.

Bob Amster - Principal, RTG

Six Degrees of Separation¹ or, no business function is an island...²

By Bob Amster, The Retail Technology Group

Take two of the most seemingly unrelated business functions, and their corresponding information systems in a retail enterprise and I will show you how there are fewer than six degrees of separation between them.

Take, for example, Labor Scheduling and Merchandise Allocation. What in the world do these two have in common? Beside the fact that they are both heavily used in a retail environment they are interrelated. Labor Scheduling software schedules the hours of retail associates. Retail associates are scheduled to work in...stores. Store information resides in a Store or Location database. Merchandise Allocation systems allocate merchandise to...you guessed it, stores. These are the same stores in which those associates are scheduled to work. That wasn't even six degrees.

Because of these interrelationships, it is imperative that the store database be robust enough to store a store number, name and address, but also a link to the classification, or seasonal profile of every key item, sub-category, category or department in the merchandising world. (When an information system architecture has managed to reduce store data to only one such table to support all the systems that use it or might need it, we say that the store data are normalized, i.e. they exist only once in the enterprise.) You or I can probably run the exercise above tens of times and never exceed the six degrees of separation (four, three?).

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Let me carry the point a little further, this time as it applies to multifaceted applications as opposed to databases. Three years ago, I became acquainted with a space management software solution specifically designed for apparel retailers. The concept is that the home office merchants and visual planners determine where to place and show merchandise, by season, for special events, depending on the desired *look*, the physical 'fixtures' of a store (a reality factor often ignored by allocators and replenishment systems alike) and historical sales performance of a store (although the latter can lead to a self-fulfilling prophecy). For many retail systems to work optimally, it is best to have digital photographs of the garments that one will place on the fixtures. Once the placement of the garments on the fixtures is complete, we have, in essence, an assortment. These assortments can vary by store class, or size, or 'fixtures', or all. And although we started out to only determine the floor layout of the merchandise in various groups of stores, we now have developed data that can be fed back to a seemingly unrelated function, Assortment Planning, for refinement of the Assortment Plan. The interrelationships don't end there. This floor layout, in the aggregate, can be allowed to influence (drive) the size of the allocations and the frequency and size of the replenishment quantities generated by the respective automated systems. And the digital pictures I took of every garment in order to *fill* the fixtures, they belong in the item database right? Well, in how many other business functions across the enterprise, can I make use of the same digital picture?

In Product Life Cycle Management, I probably take the picture of the garment for the first time overseas, and e-mail it to the merchant across the ocean for review and approval, to be used eventually across a broad spectrum of applications. In Import Management, to resolve commodity duty issues, I use the picture to ascertain that we are talking about the right item. At POS, I can display the digital picture of the garment as soon as I scan its bar-coded label. In the store, when making replacement price tickets for returned merchandise, I make sure that I have the right product in my hand by verifying it against the same digital photograph on my screen.

And in addition, the floor planning software enables me to broadcast to all store associates exactly how the floor should look, over an intranet, enabling the visual merchandising people

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and merchants to improve Store Operations compliance with Home Office directives.

In this example, we crossed over five business functions with a single application; visual merchandising, merchandise planning, merchandise allocation, automated replenishment, and store operations.

Why am I laboring over what seems to be pretty obvious when I mention it? It's because businesses must understand the value of an architecture that enables myriad business functions to share a single source of data. Businesses must also understand the positive impact, and the value of some applications (like the apparel space management application) that almost unwittingly can have a positive effect on multiple functions within the enterprise.

Consequently, it is equally important that the managers of these functions interact regularly with one another to understand how each one's decisions can affect the other, as well as how they can (and should) work together, because whether they like it or not, their functions are somehow interrelated. They are not silos. They are not islands of operation. They are as coupled as can be. You just have to realize it, and plan wisely.

¹ Thank you, psychologist Stanley Milgram.

² Thank you, John Dunne.

WHAT'S NEW

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In the News

Mark Lilien was quoted in the [April 2007 Special Report of Retailing Today](#), in [thetstreet.com](#), in the [Arizona Daily Star](#), in [Inc. Magazine](#), and in [Scrapbook Business](#). **Frank Dell** released a Dellmart Perspective on Pricing Private Label.

Coach

We continue to provide system design and project management services to this successful retailer of leather products.

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Rec Room Furniture

We continue to work with this successful retailer of entertainment furniture for the home, including pool tables, air hockey, bars, card tables and home entertainment seating.

Blue Tulip

We continue to work with this exciting retailer of gifts for all occasions, invitations & stationery, and jewelry.

The most recent work includes a strategic information systems plan (SISP).

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