

RTG Newsletter

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FROM THE PRINCIPAL'S OFFICE

In this issue I will vent some of my frustration with the software and consulting segments of the retail industry for their ability to create something out of nothing. I refer to the current emphasis on 'demand driven replenishment' or 'demand driven merchandising.'

Bob Amster - Principal, RTG

Little is new under the sun, except how we call it today

By Bob Amster, The Retail Technology Group

When I was growing up in this business (and dinosaurs roamed the earth), there were two kinds of merchandise replenishment. One kind was called: 'pull' wherein the stores would literally 'pull' available merchandise from warehouses (they were not yet called 'distribution centers'); and the other was called 'push' wherein a bunch of seasoned merchants, aided by their assistants, would somehow determine how much of an item to send to every store in a chain.

There is little doubt in my mind (and there probably was less in theirs, may they rest in peace) that we were all in this together trying to satisfy what we perceived as 'customer demand.' So, when I hear terminology like 'demand-driven...' I either, sit and wonder if got left behind in the dinosaur age, or I cringe at the chutzpah of some of my esteemed industry colleagues who coined the term, as if to make it sound as though 'demand-driven' were a new discovery, like finding a new spice route to the West Indies. My years of experience tell me that if the retailer is not reacting to some kind of demand, the retailer does not stay in business for long.

So why, then, coin the term 'demand-driven?' Because it sounds sexy? It's like BPR. My old colleagues and I were re-engineering business processes about 15 years *before* the term BPR was coined. There are only two alternatives to 'demand-driven': one would be 'supply-driven' and we've already determined that dog won't hunt. The other option is 'not-driven at all' in which the sailing ship has lost its rudder but is enjoying great winds and no one knows where it's going. What *is* new in retail merchandising and supply chain is that we continue to find ways

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to improve upon the execution of age-old precepts (like customer demand).

Today, we can determine near-true demand using item-level RFID tagging with significantly greater accuracy and in a fraction of the time then when ma Kettle told pa Kettle "Pa, go and count them widgets" in the general store at the end of the year. We now have software that analyzes price elasticity of merchandise so that we can even *forecast* demand by price point (wow!). We have been trying forever to understand and react to 'demand' as it differs from one store location to another. It's only lately that - with the aid of technology - we've been able to hone those skills, such as store clustering, and store planning; and that we are more rapidly approaching a way to deal with the awesome fact that, almost by definition, *every store* - and therefore *every demand* - is different. We have developed software and Internet-based exchanges that enable trading partners (I like *that* expression) to be more responsive and fleet of foot in responding to customer demand along the supply chain.

All this reminds us that retail has always been 'demand driven.' Regardless of how some would disguise it to sell you more services or products, the basic principles of retailing have never changed. Had Henry Ford gotten his way, and sold his cars "in any color you want, as long as it's black", he would have been out of business soon too. The people *demand*ed colors.

The challenge is to be able to manufacture and ship to the selling floor, those products for which there is real demand, and in ever shrinking production cycles so that the industry can react to the demand before the season is over. That, my dear retailers, is the trick!

WHAT'S NEW

Visit our Web site!

Obtain more information about us at
www.RetailTechnologyGroup.com.

In the News

Mark Lilien was quoted in the [Providence Journal](#) and in the [Sacramento Bee](#). **Frank Dell** released a Dellmart Perspective on Creating a Private Label Strategy for Grocery.

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[Blue Tulip](#)

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

[Coach](#)

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

[Pharmaca](#)

We have begun to work with this rapidly-growing integrative pharmacy on the selection and implementation of a wide-ranging CRM solution.

[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. Most recently, we have been involved in the selection of CRM and Loyalty solutions, as well as the selection and implementation of a Gift Card program.

[Olly Shoes](#)

We have been engaged by this innovative retailer of children's shoes to provide long-term strategic information systems direction. Olly Shoes is headquartered in Toronto, ON with buying offices in Downingtown, PA. The company currently successfully operates 3 stores in Canada, and 10 stores in the US.

Canada Post

Robert Lawson is on assignment at Canada Post, assisting on their next generation POS system.

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