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## The Power of Planning

By: M. Scott Moon

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*Today, all companies are dealing with the reality that business has slumped (compared to the euphoria of the past ten years). This has resulted in the increase in unplanned inventories and markdowns. The phenomenon should make us realize that we have become lulled into the expectation of constant business growth and that we should aggressively buy product to drive the impending growth. Imbedded within the fundamental assumption is the expectation that past performance and the definition of a like/base year is the optimal forecasting approach.*

Many have blamed the events of September 11<sup>th</sup> and the fear it presented to the worldwide marketplace as the catalyst for the recent business slump. What many have failed to recognize is that the slump had already started. These events served more to provide the opportunity for all of us to stop, take a breath, and recognize the general market trend. Many firms failed to recognize the trends that were already prevalent, and as a result, failed to prepare for the tough times we are now experiencing.

So what tools are there to help companies acknowledge these trends? What could we have done to prepare ourselves and not be caught off guard? Help is on the way. Recognizing these trends can be done by understanding the power of the macro economic factors to provide solutions that call-out these macro shifts in your business. Through the use of statistical modeling techniques, companies can readily recognize macro shifts in consumer appetite and run optimally.

Traditional retail forecasting methods are only appropriate in: 1) growth markets, and 2) where the general economy is relatively consistent. When there are major turns in consumer sentiment including financial markets unrest, traditional methods become useless. In these times, more robust statistical modeling is required to understand the factors that are predictive of your consumer's behavior to enable the development of more predictive models.

Historical performance is predictive, but only when it is incorporated in an unbiased model that unlocks the underlying driver of behavior. Once developed, these models (with a defined level of confidence and accuracy) will be predictive in any condition regardless if the company has experienced it before or not. The desire is to determine the next inflection point (up or down) so you can be prepared to deal with it. Unlock the power of your information. Enhance the tools you are using and you will be prepared for the next turn.

Today, the buzz in the marketplace is around Assortment Planning and finite market analysis. Solutions of this type serve to maximize individual market performance, but fail to address the macro economic conditions that would determine the accuracy and validity of these approaches. Most companies are focusing their energy on the management of the minute detail and have missed the big picture. It is time for business to stop, start at the beginning, and ensure they understand the macro economic trend before they focus on the optimization of individual sites.

Don't allow your company to be caught off guard again. Integrate statistical modeling techniques that unlock your consumer's fundamental driver of their behavior. Understand the market appetite and you can maximize profitability.



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### **Biography**

Scott is the President, CEO of *forecast engineering, LLC*. He has over 10 years of retail background and 3 years of attraction management experience. He has provided consulting services in the retail space for KPMG and Deloitte & Touche. He also has hands-on/in-line experience with Victoria's Secret Stores, The Walt Disney Company, and Stage Stores. He has extensive background in Logistics, Planning and Allocation, Demand Planning, Inventory Control, Strategic Planning, and Advertising. Scott has an MBA from the University of Notre Dame and a BS in Industrial Engineering and Operations Research from Virginia Polytechnic Institute and State University.

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