

# ONE STEP **ONE STEP AHEAD** AHEAD

Staying one step ahead of beauty hypes can put a brand into a leading position. Frank Theobald, Managing Partner of the Retail solutions AG, gives tips on how to stay ahead.



**P**ink, glitter and lip-gloss. The new Barbie film has once again turned this fashion combination into the Holy Trinity. When it comes to styling and cosmetic products, the sales figures are open to some rather volatile developments. Even just a post on social media made by a well-known blogging icon, a new film release or the beauty treatment of Hollywood stars, can be the cause of a hype and run for specific products in just a number of hours. When this happens, customers don't want to be faced with empty shelves. If they don't find their product in one store, they will go to the trader next door or they will order what they want from the internet. This is why the availability of goods through various channels – offline, online, in the App – play a huge role.

Especially in these omni-channel times we live in, this poses a great challenge for traders, because the quick and changeable nature of popular cosmetic and beauty products makes it increasingly difficult to give an exact requirement prognosis. And even if various stock is important for turnover – you should still not have too much of it. After all, there are only a limited number of presentation areas and shelves in a store, and when the hype reduces, popular products can soon become slow sellers, that don't create any turnover and just take up space. How do retailers forecast quickly, need orientated and turnover generating in the beauty and cosmetic industry of today?

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## AUTOMATIC ORDERING SAVES TIME AND MONEY

Must retailers regularly walk up and down the shelves and check what goods need to be ordered by hand? For the last 20 years, there have been solutions that can forecast customer requirements.

SAP Forecasting and Replenishment will take over the requirement planning for long-term predictable developments. So for example when sales show regular fluctuation in demand. In situations such as this, the automatic replenishment will reduce manual intervention, which results in employees saving a great deal of time.

As well as this, the total costs along the entire supply chain can be significantly reduced. Orders bring delivery and personnel costs with them, which can be planned better by implementing more precise forecasting. But forecast and replenishment tools are only as good as the sales data they receive, and every forecast is only as helpful as the measures that result from it.

So, it is up to the user to decide if this information is also implemented into the real management of the store. Most of the larger drug-store chain already uses these tools, and should there still be a shortage of stock on the shelves, it generally means that the true potential of these tools is not being utilised.

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## RECOGNISE CUSTOMER DEMAND EARLY THROUGH TRENDS

A few years ago SAP introduced the Unified Demand Forecast, or for short UDF, to the market. As a component of the Customer Activity Repository it allows one to create requirement forecasts on a daily basis, that can be used on many different levels, such as assortment planning or for promotion management. SAP UDF is able to improve data quality, with the help of automatic mistake and runaway value detection. The algorithms used recognise patterns from past data, which can be used to make precise requirement forecasts for the future. The data editing and the statistic calculations used, are known today as Machine Learning, and result in an extremely high forecast quality. From this data for example, the system can also recognise expected short notice and trend-based increases in demand of certain products, and optimises the order numbers automatically. As well as this, it is also possible to take into account the so called cannibalisation effects. If, because of the new Barbie film, the pink glitter lip-gloss from brand X increases in demand, the retailer will not only receive a swift prognosis to take in more stock, they will also be informed about which other lip-glosses or lip-stick products from various brands could drop in sales.

## THE SYSTEM LEARNS FROM INFORMATION INPUT

UDF works with DIF, which is short for Demand Influencing Factor. These include factors that arise frequently when trading and are recognised by the system through the sales and master data, for example seasonality, trends or pricing effects. There is also the possibility to enter external DIF in the system, such as public holidays, weather or promotion information. This is an especially important point for traders in lifestyle and cosmetic products, because many trends arise because of influencers, viral promotion, music, films and promotion from stars. This analysis also works within a smaller framework, for example if the shops are allowed to open on a day they would normally remain shut, the expected increase in turnover can be forecast using such an external DIF. Or if retailers know that sales will drop due to a construction site that will make it difficult to get to the store, the system can adapt the requirement forecast.

## AND USES SYNERGIES

The system can also learn to integrate new products from data already in place. Through forecasts made for goods from the same category of products it can come across goods that are new to the market. This function can, alongside forecasts, be used by new branches who obviously won't yet have any sales data to fall back on. On top of the above mentioned positive effects, by using forecast-based ordering, the idea of an integrated supply chain can be taken to a totally different level. The expected consumer

demand will not only help to optimise personnel and transport planning in distribution centres, but in the end, the forecast for customer demand can also help to plan production for the suppliers, or to improve it. There is a huge optimisation potential in the entire value creation chain, as long as the supply chain has been based upon the forecast of customer demand.

## ACTIVELY STEER DEMAND WITH SUITABLE MARKETING OFFERS

In order to not only have products in stock when they are required, but to combine them with targeted marketing offers and exact advertising communication to increase demand, you can turn to the special offer planning tool RapidRetail Promotion Planning & Calendar, or for short, PP&C. Whether or not the long-term macro-planning is used for the entire year or in the form of spontaneous micro-projects as a reaction to unexpected trend developments, from planning and analysis all the way to advertising communication at the Point of Sale, retailers will be assisted every step of the way.

## SOLUTIONS FOR THE CLOUD

With SAP Replenishment Planning, it is possible to add operating figures for the level of service, shelf capacity, turnover and spoilage. This means that retailers can optimise their orders with regard to the best possible cost efficiency and also the highest possible turnover. Exception that may arise during the replenishment process, are monitored by the system and will generate a control message, should an unusually high number of units be ordered for example. Because many SAP applications will wander into the cloud in the future, Replenishment Planning (for branches) and Predictive Replenishment (for distribution centres) will also be available as cloud solutions in the medium term.

## RETAIL IS WHAT YOU MAKE OF IT

Don't just jump on the trend bandwagon when demand is on the increase. Have the products already on the shelves when sales begin. This not only provides large chain-stores with a turnover and profit advantage, it also benefits smaller traders in beauty treatments, cosmetics, accessories and lifestyle products. With digital solutions for you and your customers, you can profit from optimised requirement and special offer planning in real-time.



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