



## To OTB or to MBR That is the Question!

### ABSTRACT

How do you manage and forecast retail's largest investment in the evolving world of technology and the increasing reliance on expanding data? What we once did may not be enough.



Photo by Masterphotois



## To OTB or MBR. That is the Question!

*Over the past 20 years of our consulting practice, we have been fortunate to work with specialty retailers having operations crossing the US, Canada, Mexico and Europe. During this time, we have ridden waves of economic ups and downs with our clients, moved with the birth of the digital age, experienced the changing complexion and demands of consumers, adapted to the educational needs of each new wave of the retail workforce, and now, are working through a pandemic.*

Every Merchant, Buyer, Planner and Allocator in Retail knows about OTB – Open to Buy. If you don't, you have been living in a bubble or are a start up with no experienced retailers on your team. OTB is one of those legacy processes that has been around forever in retail. And we use the term “process” because that is what it is. **It is not a report!** The process helps to inform a Merchant, Buyer or Planner how much money they can spend in receipt dollars on new product. (Please remember that a Merchant develops their own product for the most part with Design, Technical, Production and Sourcing Teams, while a Buyer “buys” their completed product from a vendor).

Traditional Open to Buys start with the Seasonal Plan which includes sales, markdowns, receipts and inventory in US dollars, or Canadian dollars, euros, or pesos, and so on... On it, there are rows of data for plan and last year and a row for actuals and forecasts. The CONSTANTS on traditional Open to Buys are either the planned receipt dollars or the planned inventory dollars. These constants serve as goals to be achieved. This means as sales go up, inventory is reduced and more receipts can be bought to get back on receipt plan or inventory plan, whichever is the designated constant in the company. Oftentimes in these retailers, as sales occur but not enough to achieve sales plan, receipt plans are held and more new product continues to be purchased to get back onto receipt plan. Inventories can begin to bloat in these instances, which, as we know, leads to high markdowns and margin erosion.

Keeping on receipt plans or inventory plans in Open to Buys hasn't been so bad in recent history for many department stores. They often have agreements with their vendors which require their vendors to "partner" with them on margin protection, requiring the vendors to contribute money to the department store to ensure that margin plans are achieved. So, if sales plans are not achieved resulting in margin plans not being achieved, the vendors cover any margin shortfall. Sometimes in these scenarios, the Buyers and Planners can take limited responsibility for making good product selections which they know their customers will purchase at full price. No need for Buyers or Planners to worry about poor product selections since the vendors give them money to "protect" their margins in the end, allowing them to make margin plan and subsequently, their bonuses. Hey, we're just sayin'!

For specialty stores that design and produce their own product, their vendors do not traditionally protect their margins. Bloated inventories due to staying on receipt plans can be devastating to their margins and to their bonuses.

In companies having Open to Buys with receipt plans as their constant, if the converse exists and sales are over achieved, remaining on receipt plans begin to starve the sales as inventories begin to drop. Oftentimes, due to company business practices, staying on receipt plan is more important than achieving more sales and gaining more margin. We've seen Buyers and Planners begging Senior Management for additional receipt dollars over and above their plans when their businesses were exploding, only to be denied the money because it would "put them over receipt plan". We've never understood why this occurs. But, it does.

We've been witness to all these scenarios. We've witnessed day-long meetings in which the entirety of the meetings with the Senior Management focuses on how much money the Buyers and Planners were receiving from their vendors to offset poor sales performance and protect margins. These meetings have left us wondering whatever happened to the days when Buyers excruciatingly made decisions to select the "right" product for their customers to sell to them at full price; later, feeling remorse when their customers did not respond to their selections and markdowns had to be taken. But then, there was usually little if any vendor protection during these times.

We remember well, early in our careers, when Buyers would eagerly await their dollar reports showing last week's business results so they could assess the performance of their departments and immediately recalculate their Open to Buys. This was a Monday morning ritual. Often, when offices still had doors, you could find the doors of an entire division closed and hear the faint clicking of calculator keys as fingers nervously glided over them (without looking) in the process of figuring their Open to Buys. Many buying teams had 10:00 or 11:00 AM

deadlines to report their results to their DMMs. Results usually included reporting best and worst sellers, sales and margin performance to plan, inventory levels versus receipt expenditures, and finally their Open to Buy forecasts. Monday mornings were a scramble, but that's what buying teams did and most seemed to love the thrill of seeing how their customers responded to their product selections, excited to call their vendors and buy more to keep their businesses humming. Most too, felt devastation when their customers didn't respond to their product and markdowns were staring them in the face, or when they were not permitted, due to the OTB process, to buy more receipts to stay on trend.



Photo by DjelicS

### Why not OTB?

So, you may be thinking that we aren't fond of the Open to Buy process. Well, we're not. We know it had its day. So did Betamax. We know too, OTBs are still serving some small retailers in positive ways. We admit too, that we detest "automated" Open-to-Buy reports that are spit out of computers and have no interactive functionality for Planners to insert forecasts which can alter the computed results based on intuitions. And, we have had our share of people looking at us with wild expressions of alarm and disbelief when we tell them this. It's OK. We are retailers. We can take it.

You must be asking, "Why is there such vehemence regarding the Open-to-Buy process out of two really nice people who love puppies and kittens?"

The list is quite long. Here though, we will add the phrase, "any longer" since there was a time when we believed in Open to Buys and helped to managed them. But our list starts with the limitation of the data shown on a traditional Open to Buy and

is followed by the limitation of the metrics used. The Open-to-Buy process is not current enough for retail today. There are not enough details included to quickly and effectively make informed decisions. And, the “constant” of either receipt plan or inventory plan drives us nuts.

Most traditional Open to Buys include sales, markdowns, receipts and inventory. In retail, as in all business, we are here to make money. Initial Mark Up (IMU, also known as Purchase Margin) is the first line of profitability for retailers and, only preceded by product selection, is the single most important responsibility of a Buyer or Merchant. This is followed by Gross Margin which shares the spotlight with the financial management of the portfolio of inventory investments as the most important responsibility of a Planner. Both elements are critical to how retailers make money and we believe they have very important roles in analyzing and managing the business. Sadly, both are missing on traditional Open to Buys.

Second, we sell units. Traditional Open to Buys are stated only in dollars. Money is important, of course. But, as retail selling prices increase and receipt dollars are held constant, units go down. Think about it. With less units, there is less chance to grow a business. Units are used to calculate Average Unit Retail (AUR). AUR is a critical metric in analyzing sales, receipts and inventory and has an impact on Initial Mark Up and Gross Margin. Achieving sales plan on a higher AUR than last year while selling less units, is not really a success story, unless you were clearing markdown inventory last year. Plus, stores are stocked with units, not dollars. Units are used to calculate density, a critical metric in maintaining optimal stock levels in stores. If a constant eye is not on the number of units a retailer owns, stores can begin to look empty or too full.

The list can go on regarding our feelings about Open to Buys....

And does.... Units (and only units) are used to calculate Weeks of Supply... one of the most critical metrics in managing a retail business. Units are absolute and provide the **true** calculation of Weeks of Supply. **Period. Don't let anyone ever tell you anything else.** Sadly, both units and Unit Weeks of Supply are missing from traditional Open to Buys.

Finally, traditional Open to Buys do not provide the analytical metrics needed today by Planners to effectively analyze and monitor their businesses. Most Open to Buys are steeped in “variance to Plan” and “variance to Last Year”. But, what about Weeks of Supply? What about AUR on sales, receipts and inventory? What about promotional markdown percent, permanent markdown percent and margin percent? What about average weekly sales in units and dollars to fully understand holiday shifts, such as Easter? What about builds? What about conversion?

Ahhh... conversion? Yes, conversion! In our exploding world of E-commerce, analysis of the business starts with Demand and nets down to Sales. Conversion is that ratio. And, there are a whole host of metrics between Demand and Net Sales that need to be planned, analyzed, managed and re-forecasted, all of which affect receipts. In E-commerce, receipts are planned against Demand, not Sales as in Brick and Mortar.



Photo by Deagreez

So now, we've caught your attention. There is a more modern and effective method of managing businesses on a weekly and monthly cadence which has its foundations in Open to Buy. We've mentioned it in previous publications. We've been engaged to implement and train on it in over 60% of our client work. The recognition for the need of it has always started with a president or CEO asking us how they can better manage their inventories and forecasts. It is not a process we invented and do not take credit for its inception, but it is a process that over the years we have built upon and expanded as new business needs were recognized. The process is what we call, drum roll please....

## **The Monthly Business Review**



Photo by scyther5

## What is a Monthly Business Review?

The Monthly Business Review is a comprehensive and detailed review of the prior month's business statistics, metrics and strategies and a review of the most current forecasts and strategies versus plan for the current month and future months. It includes estimates for quarterly and seasonal results. The details usually go down to the category level; the level of analysis and responsibility is shared by the Merchants/Buyers, Planners and Allocators. The process is anchored by a Business Intelligence based series of interactive spreadsheets which are first used to develop the Seasonal or Annual Merchandise Plans, then expanded to become the actual results and forecasting tool for the MBR process. The results are delivered once per month in a formal meeting held by the president/CEO, CFO, and Senior Head of Merchandising and Senior Head of Planning and Allocation. Senior E-commerce Management, Senior Store Management and Senior Marketing Management are invited to attend for informational and support purposes.

So, let's start with our conversation on the MBR with the end game:

## The MBR Meeting

MBR Meetings are usually conducted in day-long sessions on the first fiscal Thursday (and Friday, if needed) of each month. The invitations are sent by either the president/CEO or the Senior Head of Planning and Allocation. There is a defined order of the day, usually starting with a company overview provided by the Senior Head of Planning and Allocation covering last month's results, current month forecasts and future forecasts. The entire Merchandising, Planning and

Allocation Team attends this kick-off session, together with the president/CEO, CFO and Senior E-Commerce, Store and Marketing Management. Once this kick-off session is completed, the order of the day(s) usually starts with the most troubled divisions and continues to the most successful divisions. It is important to address the problem areas first.

The assigned time allotted for each division or department meeting is determined by the Senior Head of Planning and Allocation and the Senior Head of Merchandising, based on the needs within each division or department. Most specialty stores require time to be allotted for each Department to have its own meeting. Most department stores only require time to be allotted for each Division, due to their vast number of departments.

Whichever way it is done, **ATTENDANCE IS MANDATORY** and most companies do not permit travel or vacations during the MBR Week (with the exception of market trips, of course). We know, "Ouch, this hurts." But, once the cadence is established, it becomes routine. Plus, as you will see later, the MBR Meeting is the time to shine for the Merchant/Buyers, Planners and Allocators! They will want to be there!

The **Leaders** of the MBR Meeting are the president/CEO, CFO, Senior Head of Planning and Allocation and Senior Head of Merchandising. Their roles are to listen, encourage and challenge results and forecasts, always pushing the Merchants/Buyers, Planners and Allocators to their personal best in delivering their results, forecasts and strategies. The Leaders support the conversations with the ultimate goal of enhancing company performance respective to the company's overall financial and strategic objectives while gaining a detailed understanding of the company's performance at the category level and up. They usually need this information for board meetings. And the following is critically important to the success of an MBR Meeting:

***The Leaders must remember that there are no "wrong answers" in an MBR meeting - there are only learnings with the ultimate goal of strengthening company results while enhancing the personal career development and performance of the Active Participants.***

The Merchants/Buyers, Planners and Allocators are the **Active Participants** in the MBR Meetings. They are there to discuss the results of their business strategies and forecasts and provide future forecast in units and dollars, drilling down to the most relevant level for their discussions to exploit and drive opportunities, to course-correct problems, or to simply ask for advice. **It is OK to ask for advice in an MBR Meeting, as long as you first provide your own ideas for solutions.**



After all, you are all there as a team for the benefit of the company, regardless of title or level.

The Senior Management for E-commerce, Senior Management for Stores and the Senior Management for Marketing are **Passive Participants** in MBR Meetings. They are there to observe, gain insight into the company's performance and to lend support to the Active Participants.



Photo by Monkey Business Images

### **MBR Week**

To execute the detailed work for the MBR Meetings, most Planners, Merchants/Buyers and Allocators are excused from the usual business meetings the week of the MBR Meeting. However, Merchants/Buyers may continue to conduct their weekly Best Seller – Worst Seller Meetings and Allocators must always replenish product to the stores and allocate new deliveries; as such, these functions continue during an MBR Week. The freedom from other meetings allows the Merchant/Buyer-Planner-Allocator Teams to deep dive into their businesses **as a team**, have quality time for the critical discussions regarding results, forecasts and go-forward strategies, and really focus on the financials. Which brings us to

### **The MBR Process is a Financial Process. Period.**

**The Merchant/Buyer-Planner-Allocator Teams are charged with delivering gross margin to the company and this is the *ultimate focus* of the MBR Meetings.**

Product is NEVER brought into the MBR Meetings. **NEVER.** In all our years of implementing, training and conducting MBR Meetings, every time someone sneaks product into the meeting, the meeting goes off into a tangential vortex to reassert the lines or redesign product. Grrr....

## The MBR is Not a Product Meeting. Period.

### The MBR Tool

The MBR Spreadsheet Tool is usually designed in house by the company's Business Intelligence Team directly on the Enterprise Merchandise Planning System if it can support the details of the spreadsheet, on a third-party report writing system with interactive capabilities, or on a custom-designed system. While complex, the input is minimum for a Planner; the bulk of the spreadsheet is comprised of metrics used for the laser-sharp analysis required by Planners to plan, forecast and analyze their businesses, without flaw.

There are two MBR spreadsheets within most MBR Tools. One set of spreadsheets is designed for Brick and Mortar and one set is designed for E-commerce. It is the E-commerce version that has a special section for Demand. Ahhh.... Demand! Yes, this is where we address our earlier call out on Demand. There is a difference too for the Brick and Mortar version; these spreadsheets have a section at the end for Average Store data. Otherwise, both spreadsheets are exactly alike and can be summed to a total company level across the major components of Sales, Margin, Receipts and Inventory.

The basic layout of an MBR is similar to an OTB. Most are designed to work from the recommended National Retail Federation 4-5-4 or 4-4-5 fiscal calendars with the months across the top of the page. Totals for the first half and second half are included, as well as totals for each quarter. The quarterly totals are shown as a support to Finance.

So, what of Demand? For retailers with E-commerce, the Seasonal or Annual Planning process should always begin with Demand. Demand is what you could have sold if you had it in stock at the time of the customer orders. Weeks of Supply for E-commerce should always be calculated from Demand, as you want to stay in stock to meet Demand. Demand, as we stated, nets down to Net Sales. The road taken though, covers some very important metrics that need to be planned, forecasted, and analyzed.

The Demand metrics of which we are speaking include Fill Rate (calculated from Shipped Sales), Back Orders in dollars, and Return Rate (calculated in dollars),

which we all know is very large in E-commerce. These are all planned and forecasted on a monthly basis. Most successful specialty store retailers with whom we have worked require Merchants/Buyers to achieve a final fill rate of 98% each month. Yes, this sounds aggressive, but we've seen it achieved repeatedly by Merchants/Buyers and Planners simply watching and responding to these metrics. These companies too, watch fill rates on a weekly basis and set targets of 92% for their initial fill rates, with the intent of achieving 98% by month end. With these targets, you can understand why Weeks of Supply are calculated from Demand for E-commerce.

The last Demand metric planned and forecasted is conversion. As we stated earlier, this is the ratio of Net Sales to Demand. The goal of course is 100%, which simply states that you filled all your orders and had no returns that offset the original Demand plan. This is unrealistic however. We have found that after several months of monitoring this ratio for categories, departments and divisions, Planners tend to identify what is an achievable target that is acceptable.

For Brick and Mortar Stores, the Average Store section at the end of the spreadsheets helps Planners to ensure during aggressive new store opening periods, that stores sales and inventory are aligned with the total plan. Oftentimes when opening stores, an overall sales increase for a month of say 3%, may translate to a negative percent increase at the average store level due to the number of new stores opening. Similarly, this also applies to inventory. Think about it.

The remaining lines of the MBR spreadsheets for both Brick and Mortar and for E-commerce are exactly alike. Most retailers with whom we've worked or for whom we've implemented an MBR process have the same general layout for these sections. Again, these sections are comprised of Sales and the sales metrics in US dollars, Canadian dollars, euros, or pesos, and so on, and units, Margin and all margin components (IMU%, promotional and permanent markdowns, vendor contributions, etc.), and all Inventory components (Receipts, Weeks of Supply, turn, returns, freshness factor, etc.) in dollars and units for managing the company's single largest investment. Here though, both retail values and costs are included. AUR values across Sales, Receipts and Inventory are always shown. And finally, the critical component of Weeks of Supply in units is ALWAYS planned and forecasted.

**Weeks of Supply is the major difference between how the inventory and receipts are managed in an Open to Buy environment versus an MBR environment.**

Where receipt plans or inventory plans are the constants in traditional OTBs, Weeks of Supply become the constant in an MBR. In planning Weeks of Supply, the Planner and Buyer agree that to achieve sales, they need to have X Weeks of Supply in stock each month. Some retailers call this Weeks of Coverage. Fashion apparel departments usually have frequent deliveries so you don't need to tie up a lot of capital in stock each month as new receipts are constantly flowing; these departments are planned with "low" Weeks of Supply. Replenishment basics usually require minimum inventories to fill fixtures resulting in the need for "higher" Weeks of Supply. The goal of a Planner is to keep the inventories as close to their planned Weeks of Supply as possible to avoid running low on stock or having bloated inventories. We can safely say that managing inventories with a laser point on Weeks of Supply plans has been the success of many retailers with whom we've worked. It's true!

The development of the MBR spreadsheet is usually a relatively fast project for experienced BI Teams, once a template is confirmed and approved, data feeds are identified and all calculations are defined. **Olson-Ng Retail Consulting Group** has always championed the development of standardized "Data Dictionaries" of metrics, calculations and abbreviations for headings within retailers for all types of reporting. Data Dictionaries are the first step to ensure consistency across reporting and assure the calculations associated with the headings are standardized and as expected.



Photo by Fizkes

And then there is the fun part of an MBR spreadsheet development... the colors applied and the look of the final views and final hard copies. We've seen a lot of creativity here.

## The MBR Meeting Agenda

MBR Meetings have a formal agenda, which is always published prior to the meeting. As we stated earlier, the agenda begins in a large conference room setting or via video conferencing with the Senior Head of Planning and Allocation providing an overview of the company's performance and forecasts to the attendees of the kick-off meeting, which includes the president/CEO, CFO, Senior Head of Merchandising, Merchant/Buyer-Planner-Allocator Teams, Senior Management for E-commerce, Senior Management for Stores and Senior Management for Marketing. The overview covers Net Sales, IMU%, Markdowns, Margin, Receipts, Inventory and Weeks of Supply versus plan and last forecast. Some companies include last year in this review, but the plans were based on last year and product was bought to the plan, so last year is somewhat irrelevant for this meeting. One CEO with whom we worked had last year removed from all merchandising and planning reports since the teams were there to achieve the plans, not last year. Dramatic, huh? It worked! The focus completely changed. And, it makes sense!

The Senior Head of Planning and Allocation in the kick-off meeting will also quickly review the results of marketing and promotional activities, store initiatives, E-commerce initiatives, visual merchandising initiatives, etc., as these impacted sales or margin. Results of new stores are always discussed.

Once completed, the Senior Head of Planning and Allocation will then provide an overview of the roll-up **by month** of all the departmental forecasts completed that week by the Planners with their Merchants/Buyers. Included in this overview are the critical Sales forecasts, Inventory forecasts and Margin forecasts needed by Finance to do their work.

**This, our friends, is one of the most important reasons for and results of the MBR process: Providing Finance with the forecasts they need to manage profitability.**

This is the direct link Planning has to Finance; a link that is crucial and vital to accurately forecast profitability, and in the case of public companies, earnings per share.

The Senior Head of Planning and Allocation will usually end the kick-off meeting with a preview of upcoming marketing and promotional initiatives, store initiatives, E-commerce initiatives, and an update on store openings, remodels and closings. Finally, they will provide a preview of some of the major highlights and call outs that the Planners, Merchants/Buyers and Allocators will be presenting throughout the day.

MBR Meetings end the day with the Senior Head of Planning and Allocation providing a recap of the decisions and actions resulting from the Merchant/Buyer-Planner-Allocator presentations discussed during the meetings. The Senior Head of Planning and Allocation will also keep a record through the day(s) of any changes to the forecasts for sales and margins. This will allow them to give a quick “check in” on where the sales and margins are totaling at the end of the day, given the day’s events.

The MBR process is finalized the next morning after Planning has checked and double-checked all adjustments made during the MBR Meeting. A meeting is held with the president/CEO, CFO, Senior Head of Planning and Allocation, Senior Head of Merchandising, and Senior Managers for E-Commerce, Stores and Marketing to review and finalize with Finance the forecasts and strategies. At this point, the forecasts are frozen until the next MBR session is held one month later. **No revisions can be made.** The Active Participants are held accountable for the actual statistical performance against their forecasts. We always recommend that the final official copy of each month’s MBR be held/secured by the Senior Head of Planning and Allocation.



Photo by Darren415

## Preparations for an MBR Meeting

So, earlier we said that during the first fiscal week of each month, the Merchants/Buyers, Planners and Allocators are excused from most meetings. Nice.... But, they are not chatting over coffee and deciding what to have for lunch each day. As soon as Finance releases the results for the prior month, the teamwork begins. And, boy does it!

The entirety of the MBR process falls upon the Merchants/Buyers, Planners and Allocators. Because of this responsibility which ultimately feeds Finance, they need to work as a team and work from a definitive plan of attack. There is no need to duplicate or overlap work. There is no need for heroes or martyrs. There is no need for egos or chiefs. There is only need for ultimate and implicit trust, accountability and partnership. Collectively, they own the results of their departments and their decisions. Each has a responsibility and each should be trusted by the team for completing their work.

There is a lot to be analyzed, forecasted and re-strategized during MBR Week, but in the end, this is the time to shine for Merchants/Buyers, Planners and Allocators as they take center stage to present their results and strategies to senior management. Their work will be heard by the president/CEO, CFO and other superiors with whom they may only occasionally interact. MBR Meetings allow faces to be connected with names from Human Resource records, and appreciation to be gained for all the hard work each Active Participant does in the course of their responsibilities. It's their opportunity to say, "Hey, we're here and we are making a ton of money selling these beautiful widgets we strategically purchased! Hear us roar!"

So, to begin the process, decide who is bringing the healthy snacks each day of the week and who is bringing the donuts at least one day (once we are out of the video conferencing age resulting from COVID-19). You always need donuts.

We firmly believe the Merchant/Buyer-Planner-Allocator Teams should conduct a Weekly Business Meeting among themselves, preferably on Monday or Tuesday mornings after the weekly results are published for the company. If you are currently conducting these types of meetings, they are a great start to beginning the work for MBR Week. If you aren't currently conducting these types of team meetings, the general outline for them is:

- Planning reviews the numerical and unit results from the previous week, month to date, etc., versus forecast and plan down through the lowest level to which they are planned. Weeks of Supply and Margins are always discussed.

- Merchants/Buyers review their key item results, best and worst sellers, and other key category, vendor and product performance in units and dollars.
- Allocators review top stores and bottom stores performance versus plan and results for new stores. They also review select store Weeks of Supply and discuss receipts which are to be received that week.
- The team discusses results of markdowns, promotions, new product launches, store sets, marketing initiatives, etc.
- After the team discussions they develop action plans and strategies to drive and exploit good businesses and to course-correct poor performing businesses. The team agrees to unified action plans and forecasts to be delivered to their supervisors and senior management.

We highly, highly recommend this process on a weekly basis. Formal meeting agendas help to solidify this process across a company, providing direction and expectations until the process is firmly established.

Again, for MBR Week, this is a good start. Rather than review these points from the previous week however, they would be reviewed for the previous month and quarter to date.

To follow is a quick recap on to how Merchants/Buyers, Planners and Allocators should continue conducting MBR Week:

**Monday:** Merchant/Buyer, Planner and Allocator conduct a Weekly Business Meeting in the morning and identify all big picture points to be researched and analyzed for the MBR.

The balance of the day should be spent doing independent discovery and analysis by the Merchant/Buyer, Planner and Allocator.

- The Planner will continue analyzing the unit and dollar results to the lowest planning level, identifying opportunities to exploit and grow, identifying shortfalls on which to take corrective action, and begin forecasting based on each.
- The Merchant/Buyer will comb through key item results, category, vendor and product results, and best and worst sellers identifying opportunities to exploit and grow, identifying shortfalls on which to take corrective action, and begin developing strategies based on each.
- The Allocator will review store performance by category and complete ranking and indexing of stores by category and each store's respective



Weeks of Supply. Their goal is to identify stores representing a designated top percentage of the business and their stock needs and stores representing a designated bottom percentage and their stock overages.

**Tuesday:** Merchant/Buyer, Planner and Allocator meet to review all discovery and analyses conducted on Monday.

Forecasting for the current month and future months begins, category by category, covering all statistics and respective metrics: Sales, IMU%, Promotional and Permanent Markdowns, Margin, Receipts, Inventory, Weeks of Supply, etc. Special attention is given to maintaining targeted Weeks of Supply and the actions needed to achieve them (more or less receipts, more markdowns or promotions, etc.).

- The Planner focuses on the numbers.
- The Merchant/Buyer focuses on product and product strategies.
- The Allocator focuses on micromanaging product sent to stores or to be sent to stores to achieve the best ROI.

By the end of the day, the majority of forecasting should be completed.

Lastly, summarize and record your “Dear Diaries”, that is, what you will repeat and what you will do differently next year.



Photo by Darren415

**Wednesday:** Review as a team yesterday's forecasts and strategies.

Finalize numbers and strategies.

Review strategies and forecasts with the Senior Head of Planning and Allocation and the Senior Head of Merchandising (preferably in one joint meeting to align everyone).

Make adjustments. Prepare presentations for tomorrow's MBR Meeting.  
Rehearse presentations.

**Go home. Pet the dog. Have a nice take-out dinner with your family.  
Put the kids to bed. Enjoy a glass of wine (only ONE!).  
Rest. Relax. Rejuvenate.**

**Thursday:** Show time! Give them your fearless best!

## Conducting The MBR Meeting

First and foremost, there can be **NO PHONES** in the MBR Meeting. **Never, Never, Never.** This includes the Leaders! All focus **MUST** be on the numbers and strategies with no interruptions.

Once called into a conference room for their MBR presentation, the Merchants/Buyers, Planners and Allocators are in charge. The meeting is theirs to conduct. They shouldn't wait to be told to begin. Take charge. **Carpe diem!**

We've sat in many, many MBR Meetings, as Leaders conducting them, as Active Participants, and as Consultants training on them. We've seen what works and what doesn't work for the success of the Merchants/Buyers, Planners and Allocators. These meetings are the culmination of your seasonal planning, buying and allocation processes and strategies, delivered in a monthly cadence. The first two MBR Meetings in which anyone participates are usually a little nerve splitting between preparing, rehearsing, anticipating, not sleeping, wondering what to wear, checking and double checking your numbers, strategies and notes, and so on. We've been there.

But after the first two, they quickly become routine and you will find yourself keeping notes throughout the month that will help you prepare for the next meeting. Most importantly, Merchants/Buyers, Planners and Allocators will suddenly realize they are working as a well-oiled machine, in sync with each other, and truly in control of their business. You will find the transformation to be amazing and the assuredness that comes from it to be foundationally stabilizing.

And, you will find that your presentation skills develop in ways you may have never guessed as you learn to control the conversation with Senior Management, guide it in the directions you desire, and not be afraid of the tough conversations. It's true! If you doubt us, just ask any of the Extraordinary Planning and Allocation Executives **Olson-Ng Retail Consulting Group** recognized in the month of August, 2020, who implemented this process!



Photo by People Images

For Senior Management, the benefits after two months of the MBR process quickly become apparent. You will begin to understand on a detailed level the results and direction of your business. Finance will have quality and relevant information and strategies, documented to support their forecasts. You will find yourself a proactive partner in strategies to drive and exploit opportunities and mitigate problems, lending your years of experience in a training and teaching mode, rather than a reactionary mode. And, you will witness the knowledge and intuitive strengths of your Merchants/Buyers, Planners and Allocators grow and develop, realizing in about four to six months that your organization is driving the business, not reacting to it; leading, not following; evolving into a 1<sup>st</sup> Class retail organization delivering solid results. No kidding! **Esprit de corps!** Really! Your role though is to listen, encourage and challenge, providing guidance and support. **The process doesn't work in any other way.**

And the pains and uncertainty of those first few meetings suddenly are gone for everyone, as the MBR becomes routine: The way of doing business.

## Success Points for Merchant/Buyer-Planner-Allocator Teams

- The order of the presentation should be consistent with all teams at all meetings:
  1. The numbers
  2. The product performance
  3. The stores
  4. The conclusions and “Dear Diaries”
- It is always best to lead with good news whether presenting numbers or product or store information. This helps to set a positive tone for the meeting.
- Speak slowly.
- Planners should speak from the MBR spreadsheets, in the order of the data on them.
- Merchants/Buyers should always reference their planned strategies versus results when discussing product performance.
- When Merchants/Buyers are referring to the category, vendor, key item or product performance, reference how you planned it against the Merchandise Pyramid, if appropriate.
- Speak to the performance of basics (replenishment) separate from the balance of the assortment.
- Be direct. Look everyone in the eyes when speaking.
- Stay on point. Keep focus on the big issues: the money makers, the money losers.
- Go direct to the heart of problems. No fear. Have solutions ready, all the “what if’s” and their impacts on margin.
- Share the conversations. There are no chiefs among the Merchant/Buyer-Planner-Allocator Team.
- Merchant/Buyer-Planner-Allocator Teams should present themselves as a united front: NEVER argue among yourselves or contradict each other in the meeting.
- Keep on your outline. If anyone in the room jumps ahead of your outline, simply explain that you will be covering that topic soon.
  - As a corollary to this, don’t allow the meeting to go off on tangents.
- Don’t bog down your audience with unnecessary details, unless absolutely necessary.
- Watch the faces of Senior Management, to ensure you are not losing them or they are not falling asleep. If they are, speak louder.
- Stay positive.
- Thank everyone before ending the meeting.

## And Success Points for the Leaders

- Be positive
- Listen
- Encourage
- Challenge
- Respect your employees' abilities to challenge back and question
- Don't assume
- Be patient.... Some are still learning
- Thank everyone at the end of each presentation
- And, when we can once again do this, stand and shake everyone's hand at the end of each presentation



Photo by Fizkes

## So Now What?

So, you've been reading this paper for a long time now and probably through your second glass of wine. Some of you, like us, get excited with these types of ideas and can't read them without a pen and highlighter within reach. With the turmoil in our industry now and the evolving nature of its future, we did want to share a little more detail about the concept of an MBR, of which we've spoken in the past. We've worked with some great retailers who have implemented MBRs. We know they work.

The MBR process is a powerful process. It is formalized, it is scheduled, it requires detail analysis and thought, it requires teamwork and joint ownership of plans and forecasts, it includes formal reviews with management each month, it is

a critical support to Finance, and it has a lot of metrics included which help Planners to meticulously manage their company's largest investment - the inventory. It provides a vast amount of relevant data in one format to make the business hum. And, it creates strong 1<sup>st</sup> Class teams of Merchants/Buyers, Planners and Allocators.



Photo by Darren415

After reading this, our question to you is, which is better for the growth and development of your company? An OTB process or an MBR process? Which will contribute to your company becoming the next *Icon of Retail*?

Our experience tells us which is better, but those decisions must be made and owned by you. We have done many developments, implementations and trainings for MBR processes. Please feel free to call us if you have questions.

(Should we end this by saying “Bye, Bye to Open to Buy”? We know... couldn't help ourselves. 😊)

**Be well. Stay well. Stay safe.**



**Olson-Ng Retail Consulting Group** is a boutique consulting practice focused on financial and operational improvements, merchandising system selection and implementation, inventory management, merchandise assortment planning and allocation strategies, merchandise reporting, strategic growth planning and execution, turnarounds, and jump-starts for specialty retailing. Founded in 2001 by Rod Olson and Kim Ng, Olson-Ng provides over 40 cumulative years of industry experience.

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