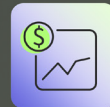


Decoding Department Stores: Research & Insights Report

An in-depth survey of senior leaders in Merchandising, Planning, and Buying roles at enterprise retailers





INTRODUCTION

After years of collaboration with leading department stores worldwide, including Saks Fifth Avenue, Nordstrom, The Bay, and David Jones, to name a few, we were motivated to create this report to address recurring business challenges retailers face. Retailers remain pivotal for the success of both legacy and emerging brands due to their ability to provide exceptional customer experiences that foster growth and loyalty. The enduring success of retailers after decades-long challenges underscores the significance of personalized and convenient shopping experiences, both online and offline.

Through our daily interactions with buyers responsible for product planning, merchandising, and assortments, we observed a growing struggle among leading professionals to leverage tools and analytics effectively for optimizing product mixes. **This report aims to illuminate these blind spots, offering expert insights on key areas of focus, potential solutions, and emerging trends in the retail landscape.**

EXECUTIVE SUMMARY

Maximizing Profitability via Improved Customer Experience

Retailers prioritize profitability by investing in customer loyalty initiatives and enhancing the shopping experience. They're also focusing on strategic partnerships with brands that align with their goals, ensuring reliable supply and high-quality offerings to effectively meet consumer demand. However, we've noted a growing disconnect between their desired focus on improving customer interactions and time spent on resolving operational constraints.

Addressing Operational Inefficiencies in Retail

Retailers face significant challenges due to procedural and back-end inefficiencies. There is currently no standardized method, strategy, or toolset available to streamline operations and supply chain management, which limits retail professionals' ability to adapt their product mix effectively. Although retailers recognize these issues, they struggle to find clear solutions and often lack the time and other resources needed to implement change.

Data-Driven Decision Making with Room for Intuition

Retailers predominantly leverage data analytics to guide product assortments and purchasing decisions, yet they also depend on intuition, especially when addressing new trends or untested products. Retailers are particularly adept at leveraging passive and active data in the form of consumer research and analytics; however, they still find it difficult to align accurate forecasting with inventory management to optimize product offerings effectively.



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BACKGROUND

The inaugural Decoding Department Stores: Research & Insights Report provides key insights into current business priorities, challenges, and strategies of retailers as they navigate an increasingly complex and dynamic market landscape.

This study, commissioned by NuORDER by Lightspeed, represents significant strides in understanding the enterprise retailer's perspective. We surveyed senior leaders in Merchandising, Buying, and Planning roles at major department stores, and these findings shed light on **how retailers adapt to meet changing consumer demands, the tactics they're employing to increase profitability, and the strategic channels they're prioritizing for future growth.**

METHODOLOGY

Quantitative survey with open-ended questions

Field dates: July 18, 2024 to August 23, 2024

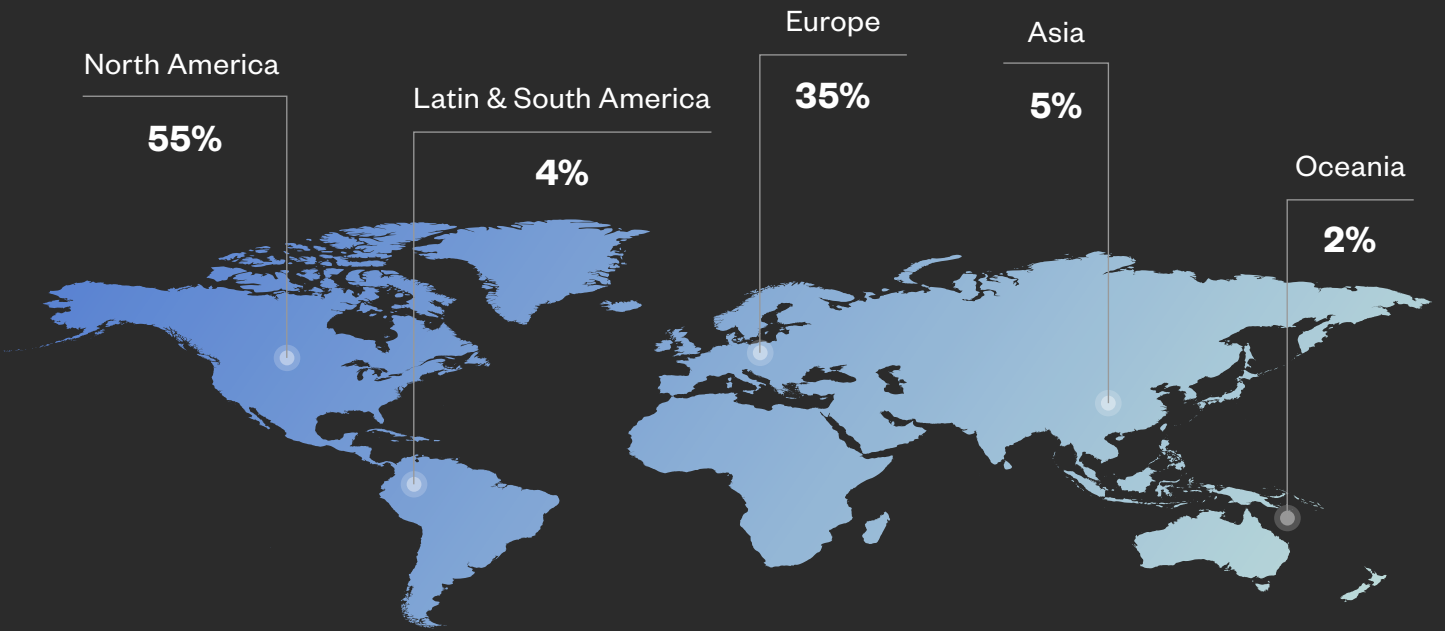
N=55

- + All currently employed by an Enterprise Retailer / Department Store
- + \$50 million or more in annual revenue
- + Retailer falls into one of the following categories:
 - Luxury
 - Fashion
 - Footwear
 - Beauty
 - Sports & Outdoor
- + Director level or above
- + In a Buying, Merchandising, or Planning role

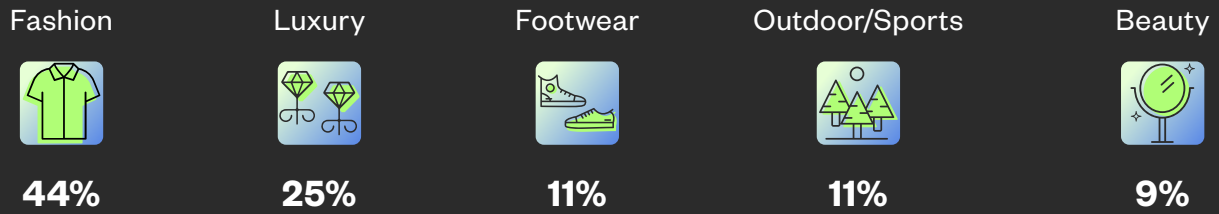


RESPONDENT DEMOGRAPHICS

Region



Primary Industry



Department

Merchandising	48%
Buying/Purchasing	32%
Planning	20%

Seniority

C-Suite	11%
VP	29%
Director	56%
Manager	4%



Primary Responsibilities

We spoke to Senior Leaders in Merchandising, Planning, and Buying who drive primary decision making for selecting and sourcing products, optimizing in-store and online merchandising, and ensuring operational success.

Here is a quick overview of the primary responsibilities reported by respondents in their role:



Planning

- + Strategizing for product launches
- + Managing inventory
- + Analyzing market trends
- + Optimizing in-store/online experiences
- + Overseeing financial responsibilities (P&L, demand planning, forecasting)



Buying/Purchasing

- + Selecting products/sourcing decisions
- + Working with suppliers
- + Managing vendor relations
- + Managing procurement processes
- + Ensuring that the correct products are available at the right time
- + Budget management



Merchandising

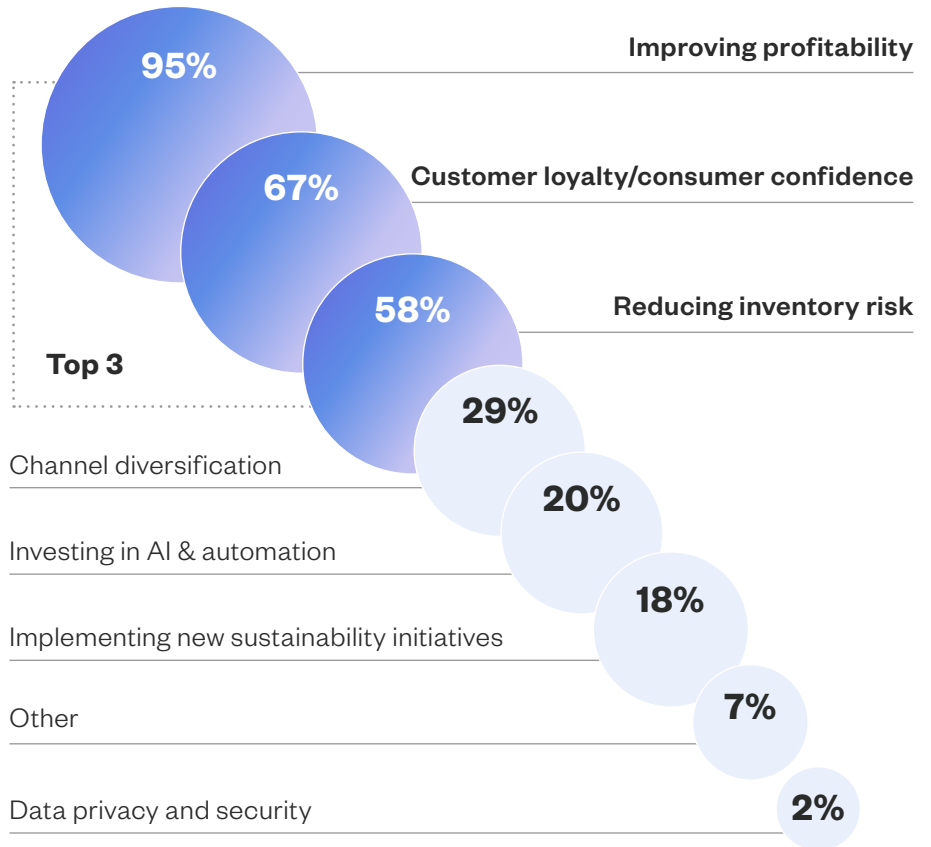
- + Managing product displays
- + Optimizing product assortments
- + Overseeing in-store/online presentations
- + Driving sales through merchandising strategies (e.g., product placement and pricing)

01 State of Retail

Maximizing profitability remains the top business priority for department stores, and they are heavily investing in customer loyalty initiatives and inventory risk reduction to drive success.

Retailers' greatest challenges are keeping up with the changing consumer landscape and effectively improving the customer experience. Retail professionals agree that the customer is top of mind for any major business decision. However, as we'll see throughout the report, the data shows a disconnect between where retailers want to focus their efforts (i.e., the customer experience) and where their time is mainly spent.

Top 3 Greatest Business Priorities



*Responses under "Other" include employee engagement, new revenue streams, optimizing inventory investments via prioritization and ROI, and adding value to vendor partners.

*This was a multi-select question, so the percentages shown are averages and amount to more than 100.

Top Business Challenges Retailers Face

Customer challenges

33%

Improving the customer experience (online and offline)

29%

Meeting changing consumer needs

Operational challenges

7%

Inventory management

5%

Supply chain demands

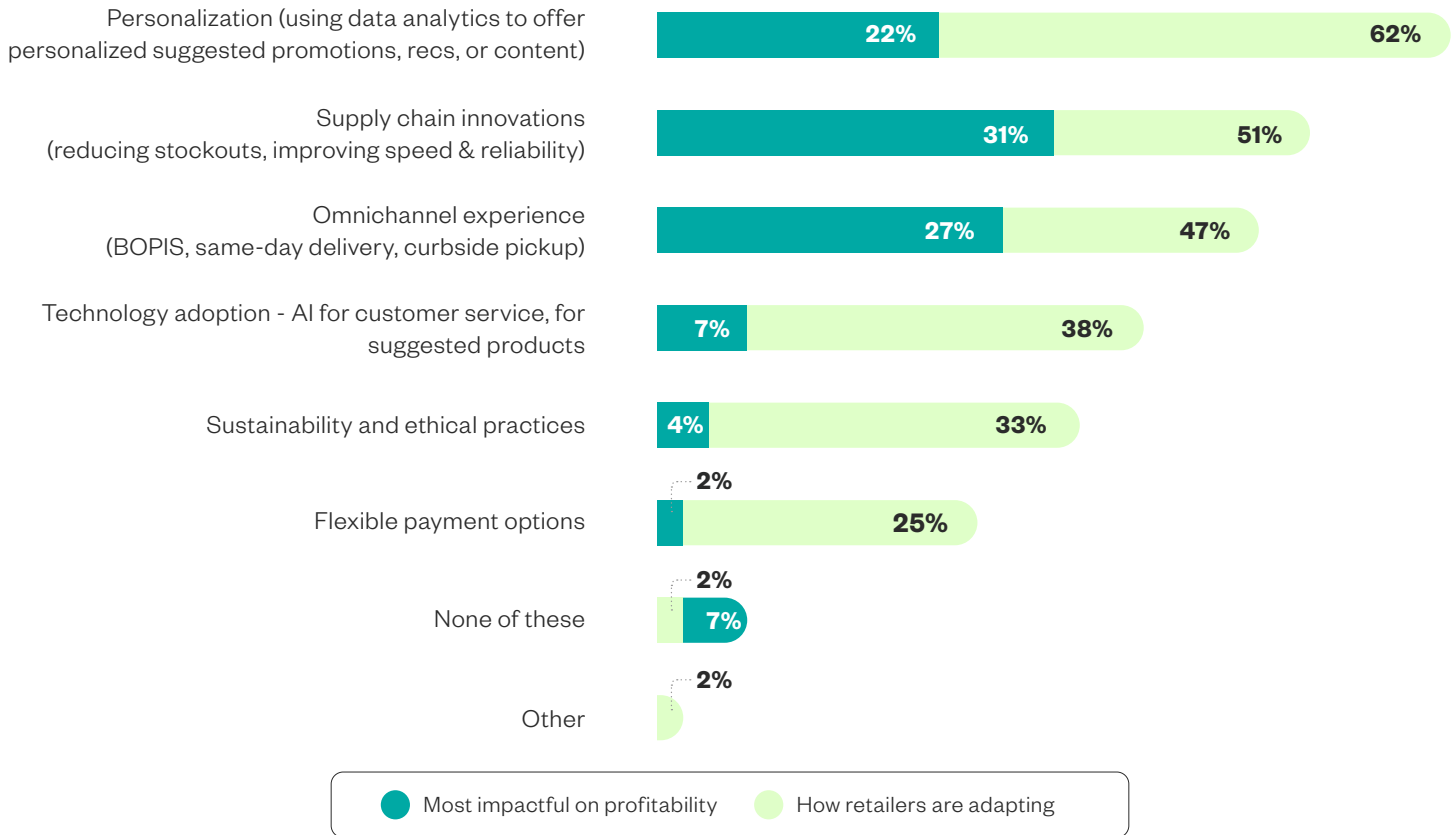
5%

Meeting omnichannel fulfillment



Retailers understand that personalization creates the greatest differentiation in the shopping experience, but in real time, supply chain innovations have the greatest influence on driving profitability.

Key Retail Strategies Driving Profitability



From the Expert: Q&A

When looking at this data, it’s obvious that retailers are on the same page regarding what will make their businesses profitable: the customer experience and journey. However, this is all “future thinking” or “future initiatives.” As we see in the previous chart and throughout the report, in real time, retailers still have to deal with operational inefficiencies or “backend” problems, leading to a disconnect between where retailers want to put their efforts and where their actual energy is going. **In your expert opinion, can you give us some perspective on why you think this is the case?**



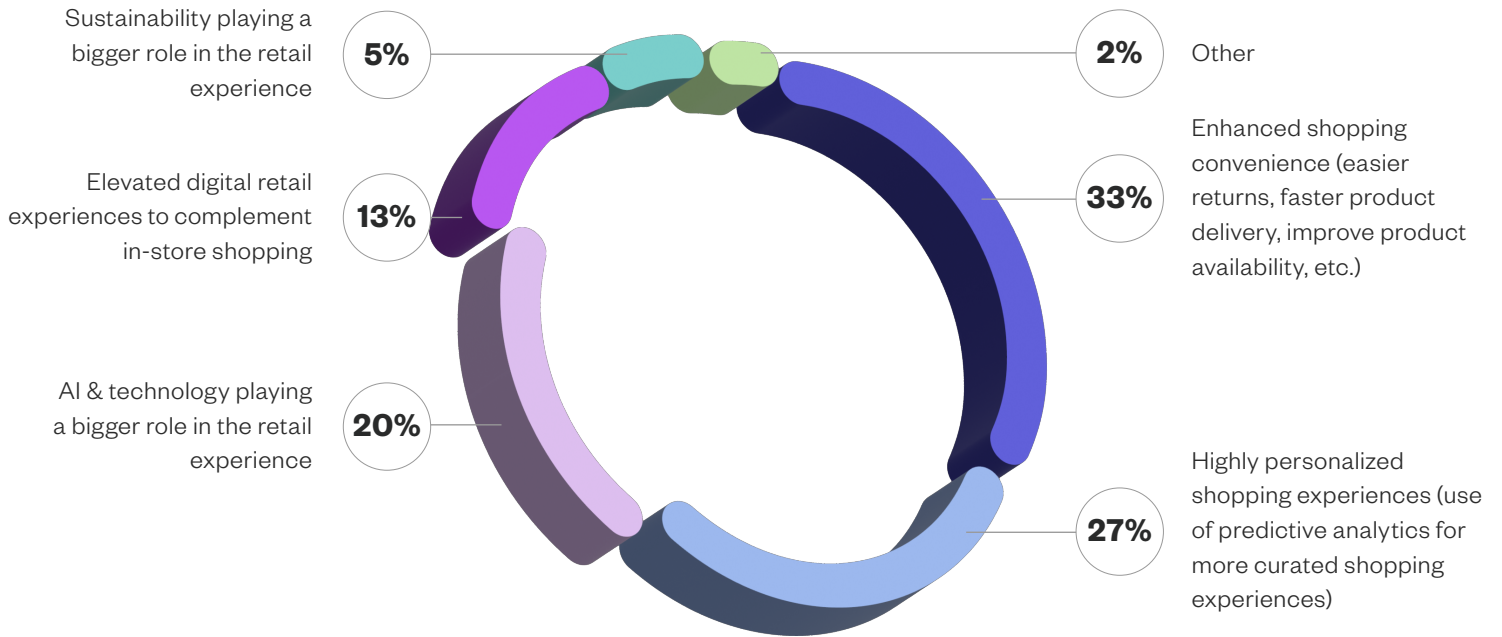
“The challenge lies in how expensive and labor-intensive it is to change an entire infrastructure. Depending on its complexity, it could take a considerable amount of time and money to fix. Retailers are forced to make very tough decisions. Therefore, the backend systems, more often than not, fall off the roadmap to prioritize items that will drive immediate ROI.”

Danielle Fairfield, Vice President, Head of Retail, NuORDER by Lightspeed



Retailers report that the consumer trend set to shape business the most over the next 12 months is enhanced shopping experiences, which mainly consists of improving convenience via easier returns, faster delivery, better personalization, and improved product availability.

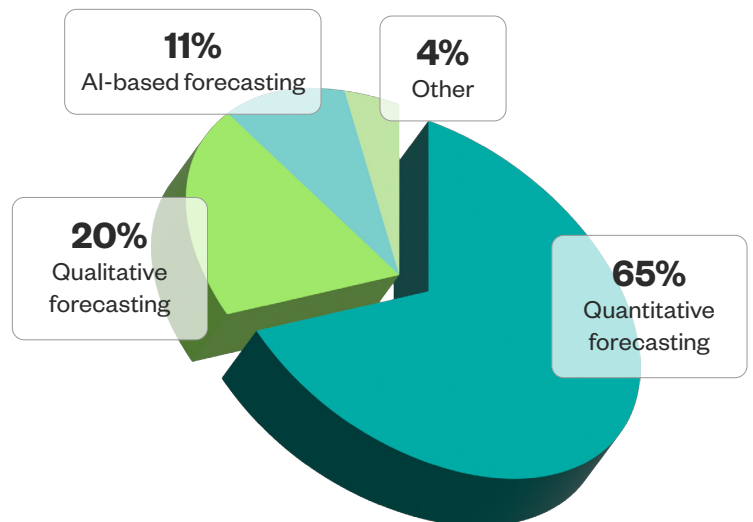
Top Consumer Trends Shaping Business in the Next 12 Months



Retailers are starting to leverage AI to enhance forecasting.

Retailers primarily leverage quantitative data to accurately forecast consumer demands and shopping behaviors. More specifically, most respondents rely on historical sales data, market trends, and customer transactions but are starting to use AI tools to predict consumer behavior with higher precision. Nearly **20%** of respondents report using qualitative data, such as customer surveys and focus groups, for a more holistic view of their customers. Overall, retailers report having access to data in most areas of business for key decision making.

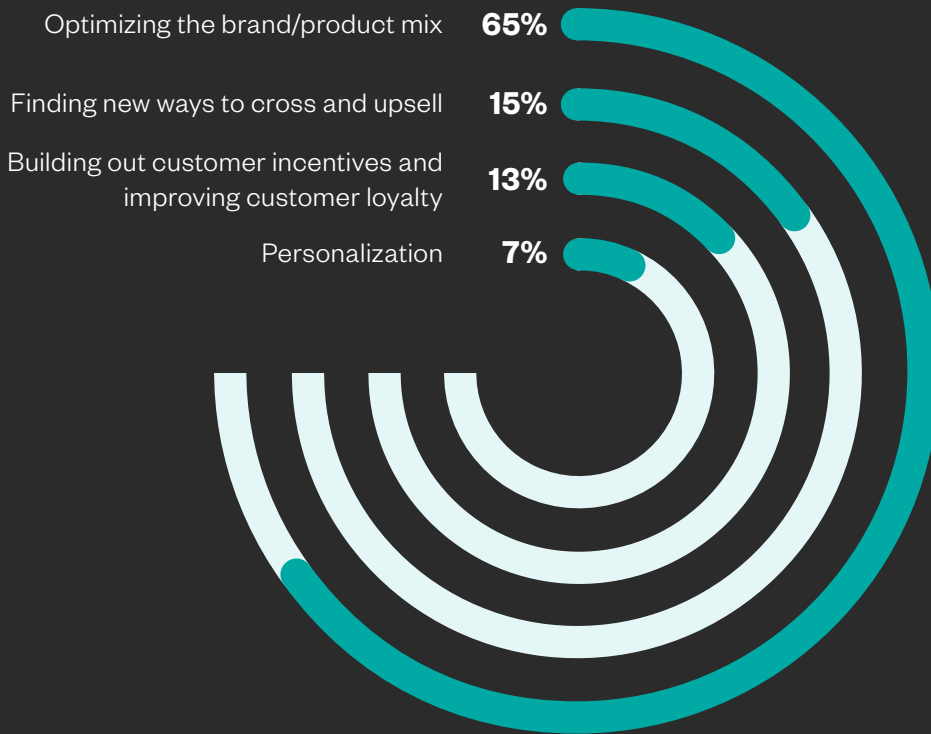
Essential Data for Predicting Consumer Demand and Behavior



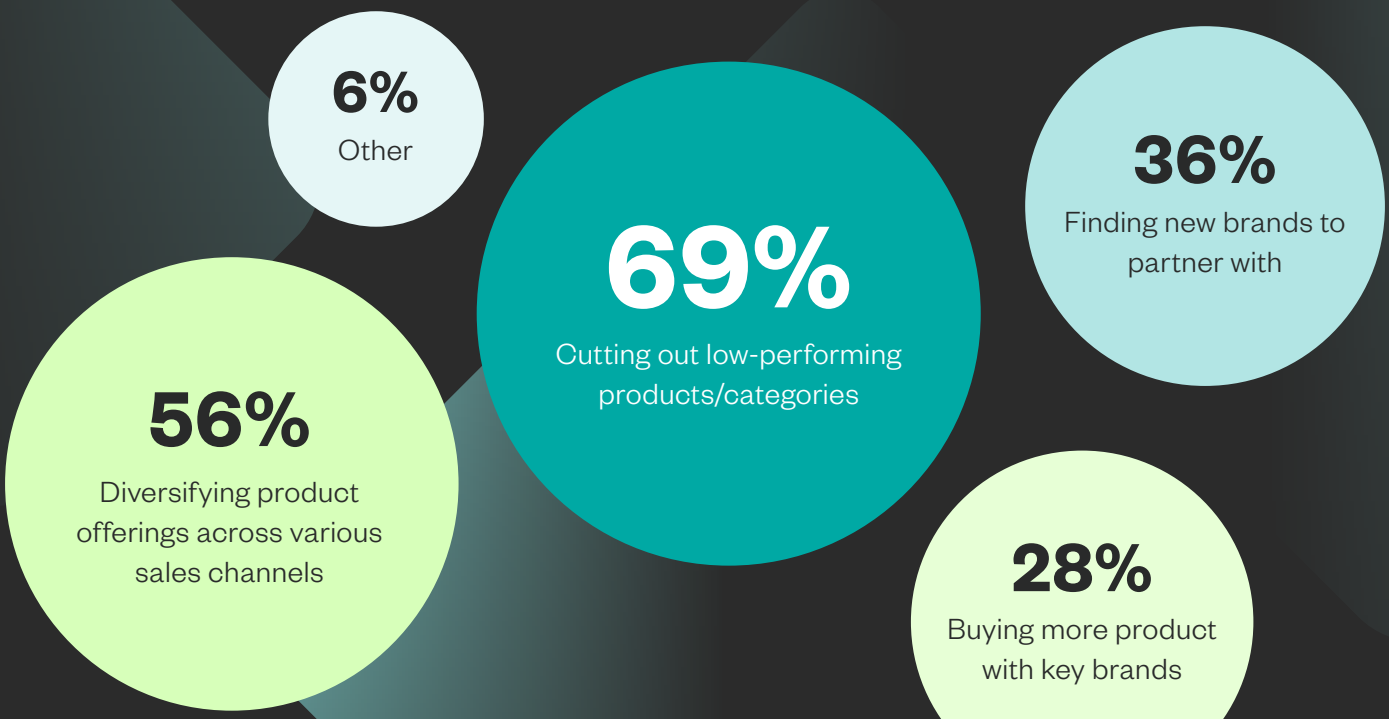


Retailers report that increasing business profitability is about getting the right product mix. Most brands report accomplishing this by cutting out low-performing products (**69%**) and diversifying product offerings across various sales channels (**56%**).

Primary Tactic Businesses Use to Boost Profitability



Key Strategies for Optimizing Brand/Product Mix





From the Experts: Q&A

Based on this data alone, retailers seem to be taking a somewhat “reactive” approach to product optimizations and assortments (i.e., 69% are cutting out low-performing products as a form of optimization). **Why do you think this is? And what could be a potential cause?**



“I believe this can also be viewed as a proactive and not only reactive approach. Merchants are constantly re-evaluating their product/brand mix season to season, and they use hindsight reports in order to make more informed decisions for the next market.

Some reasons for the most popular response could be that there are supply chain issues and styles are shipped late/not cancellable, so they’re not relevant to sell to customers at that point and end up sitting on the floor, or there are brands the customer is no longer purchasing, and the buyer decides that it’s time to end the partnership and invest in what’s driving sales.”

Anya Elinson, Program Manager, Retail Strategy, NuORDER by Lightspeed

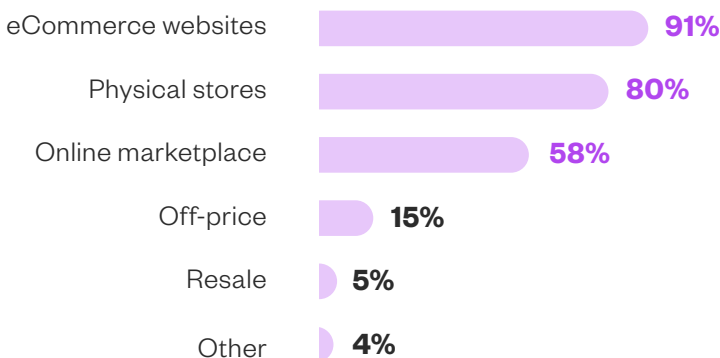


“There is also a sense from the merchant’s perspective to test out new brands, products, and categories to give fresh, updated assortments to their customers, so to the points made earlier, they are always re-evaluating and utilizing data and, in doing so, trying to make educated decisions for their customers’ needs.”

Ashley Collins, Retail Client Director, NuORDER by Lightspeed

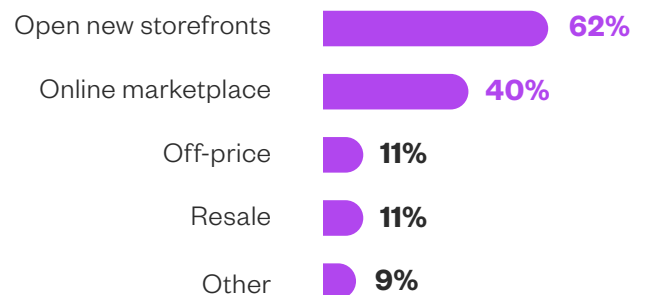
Retailers maintain a strong presence in eCommerce and physical stores. Their planned expansion is focused primarily on new storefronts and online marketplaces. The online and physical shopping experiences are equally important in the modern retail landscape.

Current Sales Channels



*Catalog, all of the above

Sales Channel Expansion in the Next 12 Months



*TikTok shop, wholesale, growing online and global reach

From the Experts: Q&A

In speaking to clients (retailers) and by working in close proximity to the industry, **what does this mean for the major retailers you work with? What are some of the new storefronts/concepts retailers are opening up?**



“It’s a very interesting time, as there seems to be a shift back to physical stores. We see our clients, like Nordstrom and Bloomingdale’s, opening locations to make it even easier for their customers to shop with them locally. For example, Bloomingdale’s is opening smaller concept stores called **Bloomies**, and Nordstrom is opening more Rack locations. **Hyper-curated stores** will continue to be the strategy for some time to come.”

Ashley Collins, Retail Client Director, NuORDER by Lightspeed



“Nordstrom is continuing to invest in digital growth, which accounted for 36% of their total sales in 2023. They also launched a new digital marketplace powered by the SAAS company Mirakl. This will provide customers with a greater selection of products for more occasions, new brands appealing to younger customer segments, and extended sizes along with personalized recommendations. By onboarding third-party sellers, this removes the buying constraints of being limited to a set budget. “Nordstrom’s digital marketplace represents one way we are expanding our online assortment beyond traditional wholesale partnerships,” said **Miguel Almeida, President of Digital and Customer Experience** at Nordstrom.

Macy’s is also leveraging Mirakl to scale its marketplace strategy. Josh Janos, VP of Marketplace at Macy’s, explained how leveraging a network of sellers **helps Macy’s onboard new sellers** quickly and effectively.”

Anya Elinson, Program Manager, Retail Strategy, NuORDER by Lightspeed

A Look into Buying & Merchandising

Retailers are focused on developing strategic partnerships with brands and vendors who align with their core goals and values, are reliable, and offer consistent, high-quality products.

How Retailers Select Their Brand Partners & Suppliers

Brand alignment with company strategy	40%
Reliability and quality	24%
Relationship/partnership goals	13%
Market/consumer research	11%
Product differentiation	9%
Other	4%

**Brand desirability, Optimized Relationship Scorecards to measure accuracy, timeliness, and consistency*

From the Experts: Q&A

How do the retailers you work with select their brand partnerships? Are there any trends indicating which brands have the most successful partnerships supplying to retailers? What factors keep retailers satisfied and inspire them to return to do more business? Also, what does “brand alignment with company strategy” mean from the retailer’s point of view?



“Retailer satisfaction and loyalty are driven by fostering relationships based on mutual growth, alignment on product needs, reliability in delivery, and shared profitability. Strategic growth opportunities also play a key role. Ultimately, the customer remains at the core of every decision, as their purchasing choices serve as a ‘vote’ for what resonates most, guiding both retailers and brands.”

Anya Elinson, Program Manager, Retail Strategy, NuORDER by Lightspeed



“‘Brand alignment with company strategy’ can encompass various aspects, from negotiating line-item discounts to enhancing profitability, participating in co-marketing initiatives to boost awareness, and offering flexibility with future backup orders — allowing buying teams to respond to real-time sales trends.

Building a strong brand-retailer partnership is essential for fostering trust and achieving success. Key factors in maintaining a positive relationship include timely and complete shipments, transparent communication on collection updates, and the exchange of honest insights between both parties.”

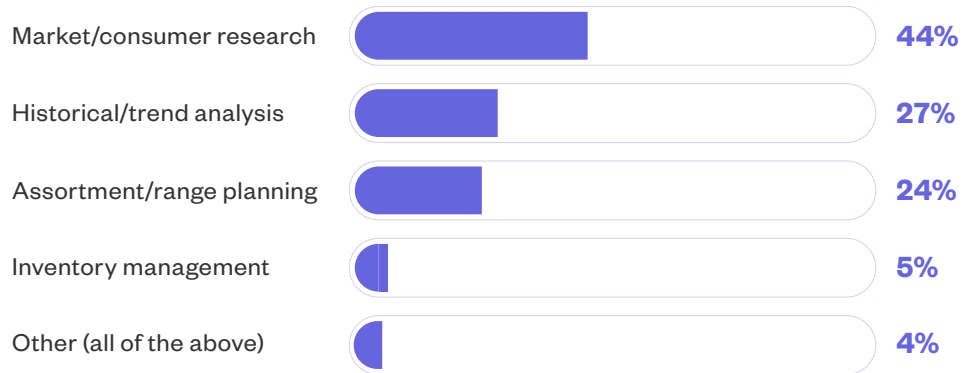
Ashley Collins, Retail Client Director, NuORDER by Lightspeed



Retailers are investing heavily in market research to inform their product strategies.

Retailers use market and consumer research to better understand demand and pick the right products. Historical data is also leveraged to plan product ranges and better align with consumers' needs.

Strategies for Selecting Products That Align with Market Demand



We asked retailers to describe their **greatest obstacles around inventory management**. Our respondents gave very candid responses about their frustrations around operational inefficiencies and supply chain complexities. These challenges point to broader retail obstacles, such as overstock, fulfillment, and, ultimately, products that fail to sell.

Greatest reported obstacles in inventory management	What retail professionals are saying	Advice from the expert
<p>Inaccurate demand forecasting Exacerbated by unpredictable consumer behavior, seasonality, and external market shifts, making it difficult to maintain the right inventory levels.</p>	<p><i>"Inaccurate demand forecasting is one of our obstacles where it would lead to excess inventory or stockouts."</i></p> <p><i>"Improper analysis of consumer buying behavior."</i></p>	<p>With better/more comprehensive data, retailers can better forecast trends based on historical performance. The growth in marketplaces gives merchants the opportunity to test out new brands and different price points without the concern of sitting on aged inventory or slow sellers.</p>
<p>Complex supply chain and lead time challenges Often result in delayed inventory, overstock, or missed sales. This is further complicated by the need to manage international logistics and currency fluctuations.</p>	<p><i>"Global company achieving the right product and stock in each country."</i></p> <p><i>"Long lead times (6+ months)"</i></p>	<p>Turning orders around to brands faster, with fewer errors and more collaboration on specific delivery dates and support for multiple warehouses, can help minimize supply chain delays/errors (although it cannot cure them).</p>



Greatest Reported Obstacles in Inventory Management

Legacy technology and lack of advanced systems

Absence of end-to-end data causes inefficiencies in tracking, forecasting, and overall inventory management.

Inventory imbalances and overbuying

Leads to overstock and deadstock, increased holding costs, the need for clearance sales, and ultimately, reduced profitability.

External factors/ Market dynamics

These are unpredictable in nature, and they make it challenging to maintain a stable, efficient inventory management process.

What retail professionals are saying

“Technology – lack of technologically advanced systems to assist with inventory management, currently very manual processes.”

“Lack of end-to-end data on the inventory needs and usage patterns.”

“Overbuying products and ending up overstocked.”

“Deadstock, inventory delays during peak seasons, and poor warehouse management.”

“Supplier consistency and their inability to rapidly change with an evolving consumer-centric demand pattern.”

“Unpredictable market shifts based on social media.”

Advice from the expert

Optimized assortment planning tools like NuORDER can integrate into downstream systems, and can minimize errors and back-and-forth with brands to reduce delays.

When buyers use NuORDER's reporting functionality to review a variety of attributes, including location, category, and brand, they can identify where they might be overbought to adjust accordingly.

There are new, exciting, and interesting AI tools out there to help with better market forecasting and volatility.



We asked respondents to give us their perspectives on why products don't sell, and most stated that this stemmed from inaccurate forecasting, an inability to keep up with rapid consumer shifts, and operational missteps. Despite being equipped with the correct data and technology, retailers still struggle with back-end standardization and admit to major operational blind spots.

Factors Contributing to Overstock and Unsold Products

Inaccurate Forecasting and Poor Planning

Misaligned product quantities due to inaccurate demand forecasts lead to overstock or stockouts.

Poor planning and forecasting result in excess inventory, as products do not meet expected consumer demand.

Lack of cohesion from corporate to regions

Rapidly Changing Consumer Behavior

Rapid shifts in consumer preferences and market trends outpace businesses' ability to adapt, leaving products unsold.

Evolving trends and external economic factors make it difficult to align inventory with actual consumer demand.

Operational and Strategic Missteps

Overbuying, misreading market signals, and ineffective product strategies lead to excessive inventory levels.

Poor product design, incorrect pricing, and delayed strategy adjustments contribute to products failing to sell.

What respondents had to say:

"Inaccurate selling forecast as a first reason, then wrong beliefs in product trends."

"Poor forecasting, lack of data, store processes."

"Inconsistent planning and sales policy."

"Late deliveries/incorrect timing, lack of marketing support, incorrect forecasting/ sharp changes in trends."

"Changing trends in fashion and less consumer spending."

"Lack of consumer trend understanding."

"Overbuying, misreading the market/trend, not offering the right price point."

"Change in product strategy too late in the process (after committing to finished goods)."

"Poor merchandising and poor ordering per location."



There is no one-size-fits-all model for optimizing assortments. In fact, most retailers use a variety of tools, systems, and methods to improve their product offerings. Their strategies vary from leveraging in-house tools to integrating data analytic tools. Most respondents reported an overall discontent with how inventory was managed, acknowledging that their methods had areas for improvement.

Tools for Optimizing Product Assortments in Physical Stores and Online

Widespread Use of Advanced Technology

Many retailers utilize advanced technologies such as AI, machine learning (ML), and proprietary algorithms to help predict future trends, optimize product placement, and improve forecasting accuracy.

"We are using a combination of AI/ML and traditional tools."

"Quantitative algorithms based on dynamic historical data and current trends."

Integration of Data Analytics & Customer Insights

Data analytics tools, often integrated with customer insights, are heavily relied upon to make informed decisions regarding product assortment. These tools help businesses understand what products are performing well and identify opportunities for optimization.

"Competitive analysis, data and reporting from Qlik Sense and Power BI."

"Data analytics, customer insights, and AI tools."

Use of In-House and Customized Solutions

Several companies have developed in-house or licensing tools tailored to their specific needs. These customized solutions range from ERPs to custom-built software for managing assortments and procurement.

"In-house developed tools."

"Oracle ERP."

"In-house analytics / SAP."

"NetSuite."

Traditional Tools & Methods Still In Use

Despite the rise of advanced technologies, some businesses rely on traditional tools such as Excel, category management systems, and historical sales data to guide their product assortment strategies.

"Lots of Excel and some partners for planning."

"Use of data from last year's info to optimize for this year."

From the Expert: Q&A

There is currently no universal solution for optimizing product assortments. **In your view, what are the missing key factors retailers need to better align with their goals and ensure the right products reach the right locations?**



“I believe the main issue is the lack of clean data for analytics. For advanced technology to work effectively, the input data must be accurate. Many retailers rely on legacy systems requiring a lot of manual input, which compromises data quality. As a result, they often don’t have the clean data needed to power their analytics tools effectively.”

Danielle Fairfield, Vice President, Head of Retail, NuORDER by Lightspeed

Retailers almost exclusively rely on data to make buying decisions; however, they occasionally report leaving room for more intuitive decisions.

Data-Driven Decision Making

Many retailers emphasize a data-driven approach to merchandising and assortment strategy. This approach involved using a variety of analytical tools and methodologies to make informed decisions, ensuring that product assortments are optimized to meet consumer demand and maximize sales potential.

- + The specific data inputs that guide these data-driven decisions are largely a combination of **market trends and historical sales** data. Some retailers also utilize sales velocity, competitor analysis, and **customer insights** to curate their product assortments.
- + Retailers rely on these comprehensive insights to balance current consumer preferences with proven past performance, ensuring their assortments are both relevant and profitable.

What respondents had to say:

“Our overall merchandising and assortment strategy focuses on data-driven decisions as we analyze sales trends, customer preferences, and market demand.”

“Market trends, competitive analysis, customer insights, and historical data.”

“Mix of historical data (60%) market trends (25%) and gut/intuition (5%).”

Balancing Intuition with Data

While data is critical, some retailers also integrate intuition or gut feelings into their decision-making process, particularly when navigating new trends or untested products. This blend of data and intuition allows for a more flexible and innovative approach to assortment planning.

What respondents had to say:

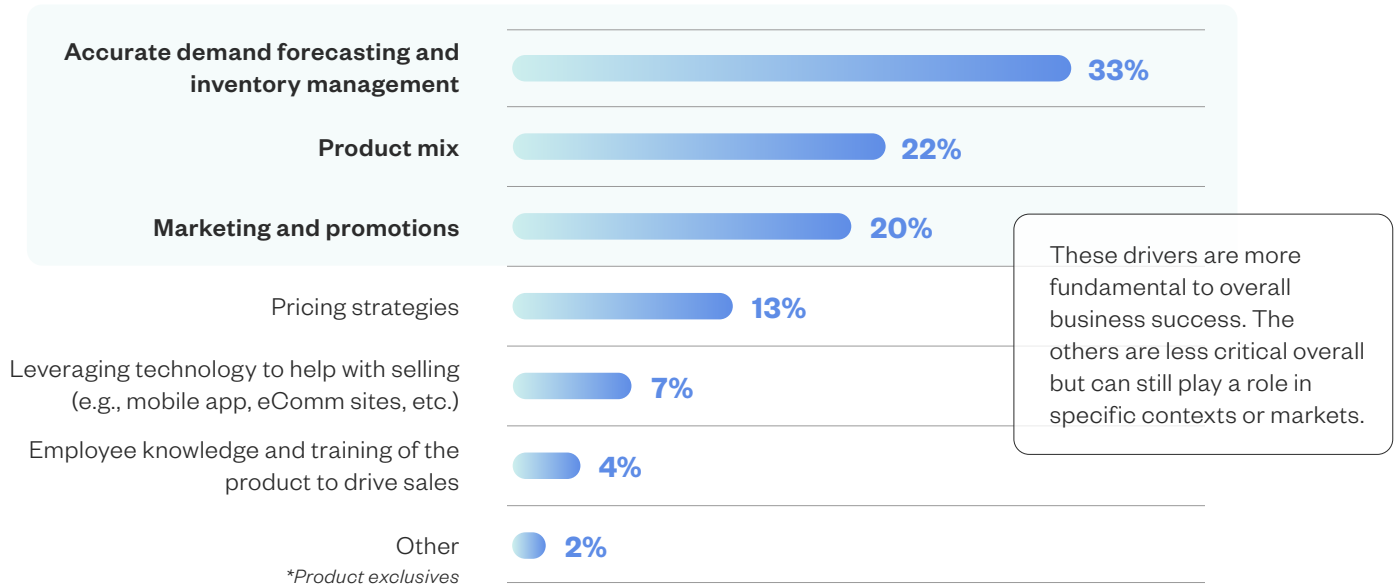
“Primarily due to a new designer, it feels like intuition.”

“Gut is a factor, but mostly comparable tactics from other retailers.”



Sell-through performance is directly tied to getting the right products to the right place. Inventory management and accurate demand forecasting are noted as the highest indicators of business success.

Key Drivers of Sell-Through Performance for Business Success



Comments from the expert



“Fashion is a blend of art and science, mixing emotional and data-driven decisions. Not every piece from a runway show makes sense for retailers, but they choose to buy them anyway because these items evoke strong feelings, capture the designer’s vision, and get the customer’s attention. The trick is to buy the right mix of items that evoke emotion along with the more basic items to create a well-rounded assortment that all of your customers will respond to.”

Danielle Fairfield, Vice President, Head of Retail, NuORDER by Lightspeed

03 Conclusion

Retailers excel at prioritizing the customer experience in their decision-making processes. This is particularly evident in how adept retail professionals are at leveraging data and analytics to plan, buy, and assort products. Retail professionals report utilizing both passive and active data, drawing insights from consumer research alongside product and sales data to make informed business decisions. Their ability to harness data has allowed traditional retailers to navigate the volatile market shifts of the past seven decades. However, despite

their commitment to enhancing the customer experience, many retailers still face significant operational challenges that hinder their progress toward sustained profitability. Until infrastructural issues such as operational inefficiencies, supply chain complexities, and inventory management are addressed, retailers will struggle to achieve their objectives. We acknowledge these solutions are not exhaustive or straightforward, but we hope this report identifies key areas of focus to foster consistent improvement and growth within the industry.



About NuORDER by Lightspeed

NuORDER by Lightspeed has been powering global wholesale buying and selling for over **7K brands** and **500K retailers** since 2011. Our exclusive retail partners include Nordstrom, The Bay, Saks Fifth Avenue, David Jones, and Bloomingdale's.

Browse more resources like this and explore how NuORDER by Lightspeed can help you deliver exceptional B2B buying experiences, elevate your wholesale efforts, and streamline data management at www.nuorder.com.