

## Forecasting Products/Merchandise Best Practices

1. **Ensure the seasonal product forecasts are aligned with the corporate financial and budget plans.** Rollups of all product sales into Open-To-Buy plans should be consistent with the approved sales and inventory plans by channel. Total products on order must be within budgeted cash expectations for each fiscal month.
2. **Timing of the forecasts for initial purchases is critical to ensure that products are delivered on time for seasonal presentations.** Perform seasonal analyses with sufficient time to develop merchandising and forecasting strategies to properly align with Open-To-Buy plans. Forecast and place orders based on vendor production calendars and shipping lead times to arrive for seasonal shifts.
3. **Merge forecasts of all seasons and channels to identify the full demand for the products.** Determine the total anticipated demand for products by including web, catalog, email, mobile, store, etc. revenue sources. Each revenue stream may have a different sales curve based on the timing of customer engagement.
4. **Gather quantitative data from prior seasons for similar products plus current trends.** Identify comparison products (if the forecasted product is new) as the base for forecasts based on similar selling features, such as product category, use, price, material, perceived value. Identify the sales dollars and units from the prior seasons and factor up or down for the season you are planning based on the average item sales targets.
5. **Use qualitative analysis to massage forecasts.** Your forecast will be most effective when massaged for qualitative differences in how the products were offered in the prior seasons versus the forecasted season. Adjust the forecast up or down for changes in image size, placement, pricing, newness, or competition in the assortment.
6. **Determine how the customer will experience the products and quantify the impact on forecasts.** Be sure to account for any extraordinary impact on sales demand, such as inclusion in emails, landing pages, promotions, or high-visibility catalog page placement on covers or key locations. These could have a profound impact on sales. You may want to buy heavy on such items in anticipation of strong demand.
7. **Forecast products based on their index versus the average for the season.** Every product should be indexed versus the average product retail sales for the season. This index then applies to the total retail dollars forecasted for each product. The sum total for all product forecasts must roll up to the plan to meet financial targets.
8. **Review the forecasts with Product Merchants before placing orders.** Product Merchants will have the best sense of how the product will perform in the market. Merchants should validate forecasts based on how they envisioned the presentation to the customer. They will also know if the vendor has capacity to deliver on time.
9. **Reorders based on performance on seasonal curves.** Reorders should be based on the performance of a product on its planned seasonal sales curve. Products sell more heavily at different times during the season. Each major product category will have a different sales curve based on the historic sales behavior in a season. Determine where a product is on the seasonal curve and forecast the balance of the period based on the sales trend.
10. **Determine the markdown strategies based on the highest fully loaded margin option.** In the event of overstocks, select the liquidation option to sell products the fastest at the highest fully loaded margin. Include all costs to liquidate, including markdowns, advertising, warehousing, staffing, and handling.
11. **Perform rigorous post season analysis to enable the best forecasts.** Thorough analysis of product sales trends and sales drivers will inform forecasts for future seasons. Test for customer response to price changes, promotions, email marketing, copy, site design, landing pages, search terms and other marketing tactics.

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# eCommerce Diligence™ Checklist

## Forecasting Products/Merchandise Key Questions to Ask Providers

### Company

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1. How long have you been in this business?
2. Are you a software vendor or an affiliate network?
3. How many clients have you sold? Lost? Why?
4. What clients are in your “sweet spot”?
5. What peripheral or support services do you offer that support your product (e.g., eCommerce, accounting, creative, custom development, training)?

### Products/Services

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1. Is your solution offered as perpetual licensed software or on-demand multi-tenant solution?
2. How often are new features introduced?
3. What do I do if I need a feature you don't have or plan to have soon?
4. How do you track support issues and what is your resolution SLA?
5. In which markets and product types do you have the most affiliates?
6. What security do you provide against external intrusion, fraud and malicious manipulation?
7. Do you offer a free trial? What's missing in the trial version?
8. What technical support services are available? Are there humans available during business hours (chat /phone)? Do I wait 24+ hours for an email or callback? Is your support team in the US?
9. Do you have a support knowledge base, community forum, or applications that are shared by customers?
10. What ROI should I expect from implementing your solution?
11. How do I ensure I own and control my data?

### Features

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1. What is your product's competitive advantage over other packages? Why?
2. Functionality? Price? Dashboard? Ease of use? Flexibility? Don't say “all of the above”.
3. What key features are included in your solution?
4. What new features have you added in the past year?
5. What features are currently missing?
6. Describe the different forecasting methodologies for these channels: web, catalog, retail, email, search.
7. Describe how your product assists in forecasting reorders. Do you support unique product category seasonal curves?
8. Does your solution allow for rollups of plans across channels?
9. Does your solution integrate with purchase order management systems to automatically generate purchase orders?
10. Describe the ability of your product to integrate with merchandise and warehouse systems.
11. What type of sales and inventory historical data does your system capture and store? Describe how historical data is accessed for forecasting.
12. Does your system allow for attributing of products across product categories for analysis?
13. Does your system allow for multiple merchandise hierarchies?
14. Does your solution provide sales plan generation on the channel, department and class levels by channel?
15. Does your system create and integrate with the Open-To-Buy? Describe the Open-To-Buy update process.
16. What type of statistics and reporting does your solution provide?
17. Can data be exported from and imported into the system?
18. What level of customization do you provide for the solution?
19. Can your system support multiple channel, sites and warehouses?

### Pricing

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1. How do you price your solution?
2. Are there different pricing levels? If so, do you provide upgrades?
3. How do you charge for annual support and maintenance?
4. Are there any other fees (e.g., implementation, transaction costs, revenue sharing)?

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