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WATERSTONE'S

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WATERSTONE'S & GALLERIA

ABOUT WATERSTONE'S

Waterstone's is the leading specialist bookseller in the UK, with nearly 200 high street and campus stores in the UK, Ireland and Europe. It opened its first store on the Old Brompton Road in London in 1982 and revolutionised book retailing with its commitment to providing excellent product range, exceptional customer service and deep book knowledge.

Now owned by HMV Group Plc following its acquisition in 1998, Waterstone's is in a period of renewed growth, having opened 13 stores in the last two years and with new openings planned for '06. The bookstore's commercial focus is firmly on making operational changes to achieve further growth, namely through optimizing the store estate, developing promotional activity and investing in the skills of its people and systems.

THE CHALLENGE

To help fuel the planned growth of the business, Waterstone's wanted to optimize its store estate by ensuring that every sales opportunity at every store was maximised. According to Oliver Ponsonby, space planning manager at Waterstone's, book retailing is no different to other forms of retail, and requires a local approach, right down to the individual branch level.

Nick Hudson, Waterstone's product planning manager goes on to explain: "Branches in city centres have completely different sets of customer interests from those in shopping malls or market town high streets. Even branches of similar sizes in similar types of locations can produce varying customer purchasing patterns. We identified an opportunity to further analyse all the variables that impact on a customer's selection and tailor the assortment in each store to meet customer needs as closely as possible in any given location."

By more accurately matching the assortment to consumer demand in each store, every sales opportunity is maximized.

PLANNING AT WATERSTONE'S

As with all retailers, the offer at Waterstone's is divided into categories. There are 284 categories and each of these is graded in terms of sales performance at each location between 1 and 24. For example, Ponsonby says that west London is characterised by a fondness for fiction, so as shoppers enter this particular store they will find fiction in pride of place at the front, left-hand side.

What was required was a system which would be able to use the masses of data to create category assortments which matched local demand, and make recommendations at the individual store level.

a customer reference

GALLERIA'S SOLUTION

Galleria is the leading provider of customer-centric merchandising solutions. It offered a proven solution, which is able to analyse each store's total floor space and automatically generate ideal assortments based on sales data, specific space restrictions, current sales strategies and promotions, as well as being able to take into account unique elasticity curve data, i.e. how much the space can be flexed for each category and what impact this has on sales.

Commenting on why they chose to work with Galleria, Ponsonby says: "We believed Galleria could provide an effective bridge between our statistics and space recommendations and a store plan. We also knew that Galleria had a proven track record of success with Tesco and that although a worldwide company, were also accessible, friendly and had a support team in place should we require it."

After winning the contract in June 2005, working in partnership with AVT, utilising its Retail Focus

product, Galleria implemented its synchronized assortment and space planning solution in five Waterstone's stores in Chiswick, Bath, Huddersfield, Reading and Newbury. The solution has been configured to run from Waterstone's own space templates, assortment hierarchies and imports Waterstone's own unique elasticity curve data to aid accurate forecasting. Through the application of rules the solution can also be adapted to different hierarchies when necessary. In addition, a series of import functions enables the Waterstone's team to update the data sources, such as cluster data, store details and space information.

Talking about the solution, Hudson explains: "We have worked with Galleria to deploy a software solution which will take our existing performance curves and templates and generate tailored optimal space allocations by store much faster and with an increased frequency than we can today, ensuring that we pick up on all the opportunities available to us in each location."

LOOKING AHEAD

The trial in the five stores is intended to pre-empt a company wide roll-out throughout 2006. The project is going well and according to Ponsonby, an immediate quick win was the ability to process more stores in January and February '06 than first anticipated. Waterstone's will realign 24 more stores using Galleria's solution during late spring / early summer 2006. Ponsonby continues: "Working with Galleria has been mutually productive in terms of knowledge share and receiving a workable solution. The team there are friendly, professional and keen, and that all helps to deliver a successful project on time and on budget."

The team plan to roll-out to more stores throughout '06, after which time a full analysis of the results of the implementation will be carried out.