

This Analyst Brief covers how retail planning delivers benefits, addresses challenges, and offers a competitive advantage that is inherent to a strong planning culture.

Engine of Change: The Digital Imperative Behind Advanced Retail Planning

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Retail Planning Is Core and Continuous

Planning is more critical than ever in the volatile retail environment. Tariffs, competition, inflation, supply chain, overstocks, out of stocks, war, price wars, customer boycotts, and more are shattering any semblance of stability in retail markets. Yet some retailers navigate these waters more successfully than others. This Analyst Brief examines some of what it means to employ strong planning solutions in retail.

Planning Demands

The act of buying and selling products after offering added value such as associated services, ease of acquisition, or transportation of goods to locally accessible stores is a staple characteristic of retailers.

Merchandisers must plan to deliver on this promise. For retailers, planning is a critical function. IDC research finds that over 99.6% of retailers have implemented some form of retail planning tools.

Retail planning is a core and continuous effort that is part of almost every retailer's routine. Coordination across planning allows a retailer to succeed at strategic goals such as business profitability and increasing shareholder value. Ensuring coordination also puts a heavy demand on retailers to deliver and work toward planning operations for their stores or websites.

Retail Maturity

Retailers are becoming more sophisticated about planning. In IDC's 2024 *Global Retail Survey*, 45.82% of retailers stated that they have detailed merchandising and planning capabilities. However, large percentages of retailers remain in the earlier stages, with over half having a less than "detailed" planning capability.

Just over 3% of retailers claim they operate with an "advanced" level of retail planning maturity. Advanced retailers can leverage next-generation integrated and automated planning capabilities. Flexibility, agility, and scalability are desired outcomes, but when combined with advanced planning, retailers also realize added benefits of faster deployment, improved customer and employee satisfaction, and efficient workflow planning.

There is a direct correlation between planning success and improving business outcomes. Even a single planning function such as price optimization can translate into a 9% net sales gain in just its first year of implementation, growing into multilevel digits depending on the retailer and vertical, according to IDC research. Demand planning has shown 5–10%

AT A GLANCE

KEY TAKEAWAY

Integrated and holistic planning is part of more mature retail planning operations. Systems centralize data and workflows. For example, consider a large home improvement firm that applies multiple planning functions through coordinated data access and delivery. IDC estimates that by combining a holistic, integrated format, the firm could achieve lower inventory and carrying costs, reduce stockouts, and improve overall sales and gross margins.

gains in the first year, with gains up to 20% in subsequent years. Planning maturity quickly produces an ever-increasing set of improvements to the bottom line.

Planning Across All Retail Operations

Planning spans many retail operations, but usually these are not integrated, holistic, or scenario based. Integrated planning offers efficiency, cost savings, and increased sales. Figure 1 shows a snapshot of the overlap of retail planning and operations. Each of these planning tools translates into financial, strategic, and competitive advantages for retailers.

FIGURE 1: **Retail Planning — Back-Office Operations**



Source: *Planning Smartness: AI in Retail Scenario Planning* (IDC #US51924322, May 2024)

- » **Forecasting — demand planning:** Demand forecasting is the fundamental piece for planning purposes. Demand forecasting tools can drive up to 30–40% of incremental value to organizations including increased annual revenue, increased profits, reduced inventory carrying costs, and customer satisfaction improvements, according to IDC research.
- » **Merchandise financial planning (MFP):** A staple functionality for many retailers, MFP allows retailers to align financial goals with inventory and buying decisions for products they will sell. IDC research finds that MFP tools offer in the range of 10–25% lower inventory costs and 2–5% higher gross margins.

- » **Price optimization:** Price optimization is the primary lever retailers can use to move merchandise quickly. When used effectively, price optimization can typically provide retailers with up to 9% increased profit gains initially, according to IDC research, with incremental gains afterward.
- » **Inventory management:** Inventory is the basis for merchandising and must be managed. Retailers can reduce inventory carrying costs, out of stocks, overstocks, and secondary and tertiary impacts in transportation and warehousing.
- » **Capacity and workforce planning:** Not all stores will be able to carry everything all the time. The associated workforce management also matters and can drive value for retailers through appropriate scheduling and collaboration.
- » **Space and assortment planning:** What you sell is important, almost as much as the price. IDC research finds that typical assortment planning solutions can drive up to 8% ROI on initial go-live of a solution, optimizing assortments, SKU rationalization, and in-store space across multiformat stores.
- » **Market planning:** Promotions and campaigns drive customer behavior. This includes loyalty programs, special perks and offers, and how a retailer will roll out products in the market.
- » **Strategic and integrated business planning:** Keys to retail business are the organization's strategic approach, the organization's relationship with partners and suppliers, and the delivery capabilities to distribute goods across entire chains of stores.

Benefits

Planning offers key benefits for retail businesses including tracking metrics, customer insights, and operational efficiency:

- » **Metrics:** Tracking metrics is an important part of planning, with impacts across planning applications (see Table 1).
- » **Operational efficiency:** Retailers indicated 75% improvement to shrink reduction and an 18% improvement in waste reduction when leveraging planning technology, according to *IDC FutureScape: Worldwide Retail 2024 Predictions* (IDC #US51280023, October 2023). The efficiency of retail operations is closely tied to strong planning.
- » **Customer understanding:** Planning tools can capture and help retailers understand customer sentiment and interest in driving sales and growth. In *IDC FutureScape: Worldwide Retail 2024 Predictions* (IDC #US51280023, October 2023), retailers indicated a 40% improvement in contextualized offers, a 25% improvement in customer retention, and a 20% improvement in customer satisfaction using planning tools.
- » **Cost savings:** Integrated business planning across silos and functions enables a retailer to develop plans that reduce costs. These costs extend from optimized pricing to storage. Retailers estimated a 30% improvement in cost reduction when using planning technology, according to *IDC FutureScape: Worldwide Retail 2024 Predictions* (IDC #US51280023, October 2023).
- » **Sales growth:** Integrated planning enables retailers to capture higher sales and faster growth across entire product sets and lines to improve merchandising and delivery.

TABLE 1: *Tracking Metrics for Planners and Impacts*

Metric	Description	Planning Impact
Forecast accuracy	The accuracy of forecasting is based on actual versus prior predictive algorithms. This may include MAPE or standard error calculations.	Forecasts are the basis for predictive planning. Wide variations translate into worthless planning — hence the importance of accuracy.
Weekly sales, stock, and intake (WSSI)	Weekly data is used to compute stock intake and the ability to sell product based on designated pricing.	WSSI allows for rapid changes to stocks or rerouting inventory when needed with a regular weekly view, mitigating out of stocks and reducing chances for overstocks with costly holding costs.
Same store sales/comp sales	These measures review median store sales based on store characteristics, usually clusters of stores with similar attributes and demographics.	Same-store sales, when used at corporate strategic levels, are high-level markers and are useful when planning across large chains with hundreds of stores.
Sales per square foot	Based on square footage per store, planners will review store expectations when identifying MFP targets, planogramming, and optimizing shelf space.	This is a critical metric to identify planogramming effectiveness. A strong planning solution will optimize in-store space.
Gross margin, return on investment (GMROI)	The gross margin of sales (revenue — cost of goods sold) is divided by the average inventory cost (beginning to end of time period). The metric offers a fast way to examine both profitability and inventory efficiency.	Planners look at GMROI to understand profitability. It is especially useful for assortment planning, SKU listing/delisting, and new product introductions. This measure also considers inventory efficiency.
Inventory turnover	Based on a period of time, this metric shows how quickly products are sold and replaced. This metric is a great indicator for identifying slow-moving goods and products that need faster replenishment.	This is a critical metric for planners to understand allocation planning and replenishment planning, especially across evergreen products.
Sell-through rate	This is the rate of sales for specific products. Unlike turnover, it does not include replenishment or available stock but rather the sales velocity of products or entire stores.	This planning metric is used in price optimization, assortment planning, and financial goal setting, as well as promotions and eventually capacity planning.
Conversion rate	This is the percentage of customers in store or online who purchase goods, an indicator of customer behavior and potential problems in ensuring customers who arrive at the store actively purchase.	This is a key metric not only in omni-channel and online selling but also for in-store foot traffic-based conversion. Planners need to understand how well a product converts to avoid leaving money on the table.

Source: IDC, 2025

Considerations

While planning does confer many benefits, there are also inhibitors that make it a challenging task, especially across a broad enterprise with thousands of stores and hundreds of thousands of products. Key factors to keep in mind include the following:

- » **Data management:** Retailers need the ability to command data, including historical data and current transaction data. For retail planners, the enormity and complexity of the data is inherently challenging. The data not only has to be available but must be clean and in a consumable format. While this complexity can be an inhibitor, modern planning tools have begun to leverage AI to reduce the burden for retailers.
- » **Silos:** Most organizations suffer from operational and data silos. A single version of the truth is not available to many retail planners to centralize data access. With data and operational silos aligned, planners can realize benefits such as increased profits, cost savings, and better customer experiences.
- » **Legacy toolkits:** Retailers face planning constraints with limited data, operational functions, and active planning capability. Makeshift consultative projects and out-of-date tools require enormous capital inflow to modernize. Retailers lacking in working capital, IT planning expertise, and resources can be stuck with the sunk costs of decisions from three CIOs ago.
- » **Manual versus automation:** Unfortunately, many retailers continue to use antiquated tools that leverage a manual setup. Spreadsheets contain entire planning structures across hundreds of stores and products based on prior-year sales data. Automated planning tools can lower costs and increase efficiency. However, this requires integrated automation across planning functions. Newer planning tools incorporate automated and sometimes end-to-end integration of data, workflows, and decision-making.

Trends

Retail CIOs Invest in Planning

Retailers are investing heavily in planning technologies, with significant purchases scheduled through 2030. Retailers view planning tools as an absolute imperative to operational planning. The most effective CIOs partner with their line-of-business counterparts to ensure that planning technologies are up to date, flexible, scalable, and data rich. IDC research finds that purchasing continues, where 85.14% of respondents indicated they would be investing in retail inventory management tools and over 40% reported investing in the categories of demand forecasting, supply chain planning, assortment planning, price optimization, merchandising, and promotions management.

The AI Use Case Value in Planning Is Becoming Evident

Retailers are applying AI in retail planning applications. Commonly used in price optimization, AI/ML allows retailers to process vast quantities of data that humans cannot. Demand forecasting tools are also shifting toward AI to apply more complicated, holistic algorithms beyond regressive analytics. Agentic AI allows retailers to formulate complicated scenario planning to build contingency plans, emergency supplier contracts, and delivery scheduling. Retailers are adopting and embedding AI more frequently into existing platforms and toolkits.

Change Management for Retailers Is a Key Part of Planning Maturity

Retailers must move from ad hoc planning to more sophisticated and advanced planning avenues to stay competitive. Understanding the market, customers, and forecasts and being able to apply that data to the planning cycle are now more important. With more collected data, new retail entrants are arriving rapidly, while existing ones are improving their game. Change management will be a focal point for many retailers as they examine their planning portfolio.

Conclusion

Retail planning is an essential continuous function for nearly every retailer, serving as the backbone for navigating a volatile and competitive market. While most retailers understand the importance of planning, only a few have advanced to a sophisticated, integrated, and automated state that leverages advantages in technology. Mature retailers can use planning to achieve greater flexibility, agility, and scalability, which results in significant business outcomes and more efficient workflows. There is a clear link between planning maturity and business success, where even improvement in a single planning function translates into net sales gains with compounded benefits over time.

The true power of retail planning is realized when it fully integrates across multiple operational functions rather than operating in silos. A fully holistic, scenario-based planning capability integrates across these functions, driving efficiency, cost savings, and revenue growth. Advanced, coordinated planning allows retailers to convert operational challenges into innovation, resilience, and sustained growth. Things to consider when looking to modernize toward a stronger planning solution include:

- » **Retail planning delivers measurable business benefits.** Differentiation is key, and decision-making that uses data offers solid sales growth and better merchandising.
- » **Successful planning is no walk in the park.** Managing vast and complex data sets, overcoming internal hurdles, and modernizing legacy systems are difficult, requiring investment and change management.
- » **Retailers investing in advanced, AI-enabled planning solutions will have a competitive market advantage.** Such retailers are able to focus on the transformation across functions and holistic workflows, and that helps set them apart from their rivals.

The most effective CIOs partner with their line-of-business counterparts to ensure that planning technologies are up to date, flexible, scalable, and data rich.

About the Analyst



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Ananda Chakravarty is vice president for IDC Retail Insights, responsible for the Retail Merchandising and Marketing Analytics Strategies practice. Mr. Chakravarty's core research covers in-store and digital retail merchandising, digital tools, artificial intelligence, intelligent store operations, retail marketing, and retail media. It includes application of data and data analytics for retail including pricing, tech, and decision-making. Ananda builds actionable strategic research focused on retail business merchandising and marketing.

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