



# OUTSOURCING: THE HEART OF RETAIL MERCHANDISING

## Abstract

Outsourcing retail merchandising has emerged as a strategic approach for retailers aiming to enhance efficiency, reduce costs, and leverage specialized expertise. This POV explores the need to outsource merchandising and multifaceted benefits, such as product placement, pricing, promotions, and inventory management. By partnering with external experts, retailers can streamline operations, access a broader talent pool, and adapt quickly to market changes. Additionally, working with an external expert enables retailers to incorporate the latest technological advancements including AI without committing to CAPEX or a solution which may have a short shelf life thereby ensuring they remain competitive in a rapidly evolving landscape. This approach enables retailers to focus on core competencies, ultimately driving growth and improving customer experience.



## Introduction

Amid turbulent times with factors such as inflation and consumer spending focused on value-seeking purchases and experiential shopping, there is an enormous pressure on retailers to maintain or improve gross & profit margins, leading them to adopt strategies like cutting annual profit forecasts and look for unconventional ways (like hyper-personalization, channel optimization, working with influencers, etc.) of operating business to stand a better chance of survival. In these uncertain times, retailers are adopting a proven resourcing strategy to enhance efficiency, boost productivity, expedite transformation and ease financial stress. That strategy is outsourcing.

Retailers are doing this by consolidating operations and creating shared services seeking help from service providers like Infosys, with some large/mid-sized retailers already establishing or exploring an opportunity to establish a global capability center (GCC), also called as captive center. Through this, retailers get the power to leverage global talent, foster innovation, and scale their business efficiently. Retailers must carefully consider the risks and complexities of outsourcing versus establishing their own global capability centers.

It is of utmost importance to have a dedicated global business services leadership team in place when planning global expansion to ensure improved collaboration & communication among the global business services teams, to ensure alignment with business

objectives, have a standard governance approach, and optimize the outsourced/captive services.

As customer preferences and market dynamics shift at an unprecedented pace and retail landscape continues to evolve, retailers must swiftly adapt and implement effective strategies to stay competitive and meet organizational goals. It is imperative that merchandising being “the heart of retail”, retailers maintain a dynamic link between merchandising and revenue generation to ensure ongoing retail success.

In today’s fast paced environment, ensuring that products are perfectly placed, and promotions are executed seamlessly can make all the difference between a successful sales campaign and a missed opportunity.

The retail landscape is evolving at an unprecedented pace, fueled by cutting-edge technologies and shifting consumer behaviors. In this digital era, the role of the chief merchandising officer has expanded significantly, encompassing a diverse array of responsibilities and skills far beyond the traditional brick-and-mortar framework. Today’s chief merchandising officer, also referred to as the chief merchant officer, needs to understand consumer behavior across multiple touchpoints, both online & offline. With the rise of e-commerce and the advent of new channels, their focus must expand to include digital and omnichannel merchandising, cutting-edge product design and development, and strategic management of the product portfolio.

In today's omnichannel retail landscape, the role of a merchandiser has transformed significantly. Supported by different stakeholders across the retail value chain like category managers, replenishment managers, finance

teams, etc., they are now responsible for delivering the right product across the right channels at the right price, to the right customer, at the right time. With the advent of new age tech, such as Gen AI (generative artificial intelligence),

advanced analytics and automation is being applied to retail businesses in particular, merchandising to increase gross margins, thereby, impacting profitability, operational efficiency and reducing risk.



Merchandisers are being empowered with these technologies to get the following benefits:

					
Unified customer & sales insights	Intelligent demand planning	Advanced trend detection	Optimized pricing strategies	Enhanced inventory management	Real-time KPI tracking

As the retail industry rapidly evolves, the role of the chief merchandising officers has become increasingly crucial. They are now at the forefront of adopting data-driven and consumer-centric strategies.

This shift underscores the importance of collaboration with expert partners who could help achieve organizational goals and deliver a world-class customer experience. By working together,

retailers can look at not just cost savings but leverage diverse expertise, foster innovation, and ensure that every aspect of the merchandising process is optimized for success.





## Driving efficiency in retail merchandising: Transform with outsourcing benefits

Retail merchandising needs to do many things right to drive superior customer service and eventually gross margin & profitability. Here are some key benefits that outsourcing can bring to improve Merchandising operations:



### Save on resource costs whilst managing peaks & troughs

Tapping into offshore low-cost locations can save retailers up to 70% on labor & infrastructure costs, according to Microsourcing. This can also support when demand is high during festive or holiday season and scale down immediately when demand is low.



### Scalability & flexibility

Outsourcing allows for rapid business scaling without large infrastructure investments or extensive hiring. It also provides flexibility to adapt to market changes and seasonal demands by adjusting service provider resources.



### Focus on core competencies

Outsourcing time-consuming and repetitive tasks allows retailers to focus their energies on what they do best - Retail. Merchandising teams can focus on critical areas that directly support the strategy of a brand's unique value proposition. This will also help in increasing growth and productivity.



### Access to specialized expertise

Why limit your merchandising team to local talent when you can tap into a global pool of skilled and dedicated experts? Embracing a diverse, global workforce can bring fresh perspectives, innovative ideas, and a wealth of experience to your merchandising process, driving your business to higher achievements.



### Faster time to market

Outsourcing to different time zones allows for continuous work cycles (including 24x7 operations if needed). Outsourcing processes like merchandising could also speed up iterations and prototyping in case of any process or systemic changes.



### Analysis & performance data

Precise analysis data & performance forecasts help retailers to arrive at optimized merchandising solutions. Outsourcing merchandising helps enhanced decision-making, improved efficiency and access to best-in-class analytics solutions for faster turnaround, data-driven merchandising, continuous monitoring of merchandising performance, and better resource allocation.



### Access to a plethora of new age tools & technologies

Outsourcing can be a powerful strategy, especially for a core retail function like merchandising for staying ahead in a rapidly evolving technological landscape. Partners often invest in cutting-edge technologies and latest tools to stay competitive and deliver maximum benefits to the client. Companies can leverage advanced tools and software without the need for significant upfront investments.



### Continuous improvement & innovation

Top process outsourcing providers are constantly improving their ways of working and bringing in more efficiency, productivity and effectiveness to merchandising processes using various Lean, Kaizen and Gemba methodologies by eliminating non-value-adding tasks and generating new ideas for transformation & innovation.

## Merchandising comprises of 5 broader areas:



Product selection and inventory options (strategy & assortment planning)



Supplier sources, vendor options (vendor/supplier management)



Buy quantities & inventory holding (demand forecasting/ planning)



Target markets and customer segments (allocation including replenishment)



Merchandising methods and selling techniques (pricing & promotions)

Companies could consider outsourcing the following activities within merchandising:

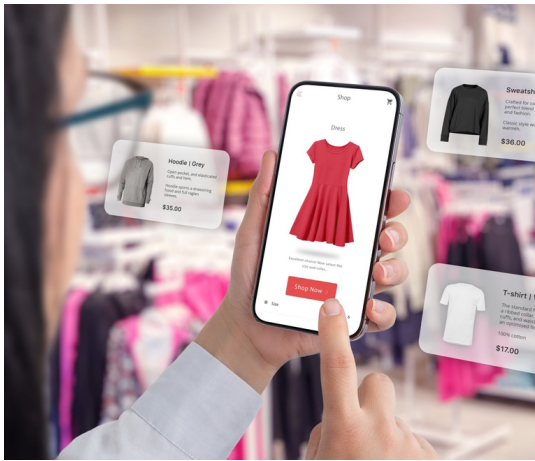
- Range and Assortment Planning
- Supplier Management
- Product Item Setup and Maintenance
- Allocation & Replenishment
- Demand Planning
- Promotions and Pricing
- Inventory Management
- Space Planning/ Planograms and Visual Merchandising
- Online/Site Merchandising





## Range and Assortment Planning

- Manage data spread across systems to plan a new range and apt assortment.
- Demand Forecasting using historical data and bringing in statistical models and tools.
- Product selection: Identifying & selecting the right mix of products to meet customer requirements and generate higher revenues & margins.
- Pricing & promotion planning
- Managing inventory levels, managing reorders, and optimizing inventory turnover
- Data Analysis & reporting by providing insights through sales analysis to ensure decision making & strategy adjustments.



## Supplier Management

- Supplier set up in the system
- Manage supplier database
- Supplier performance management
- Supplier relationship handling
- Supplier query resolution
- Supplier funding management
- Supplier claims administration



## Product/Item Set up & maintenance

- New product set up using data provided by suppliers
- Validate product information given by suppliers or vendors
- Creation of items in the PIM systems with appropriate attributes
- Work with Merchants and suppliers to establish standards for data collection and accuracy.
- Taxonomy enrichment through input templates used in product data collection
- Perform quality checks for data accuracy and maintain documentation on rules, job aids, as they change or to improve performance.
- Add/ modify/ remove the existing items or kits



## Allocation & Replenishment

- Fresh Merchandise allocation to stores
- Work with Merchants to work on any exceptions in allocation
- PO/ Invoice admin and analysis
- Inter store transfers
- Support in any tool upgrade or algorithm customization
- Need based & auto replenishment





### Demand Planning

- Basis historical data and customer purchase patterns, create demand forecast at a product level. Regularly revisit to see if any changes are needed.
- Demand Forecast for seasonal and promotional items
- Analysis and insights on the forecasting done



### Promotions and Pricing

- Promotion calendar update and maintain master data
- Check for promotion effectiveness
- Promotion and price update in the system
- Regular price push to the system



### Inventory Management

- Inventory optimization, multi-channel inventory management
- Work on aged/ dead/ excess inventory
- Manage white label/ private label inventory



### Space Planning/ Planograms and Visual Merchandising

- Planogram creation at a category/ sub-category level for space planning & proper product placement
- Space insights analysis/ KPI monitoring/ space utilization reporting
- Floor plans for new stores basis guidelines



### Online/Site Merchandising

- Product lifecycle management
- Promotion and campaign launch online
- Category page curation, site/ banner performance & insights
- Monitor all online KPIs and provide insights

Infosys BPM helping companies optimize their merchandizing operations to stay ahead of competition:

## 1 Improving & elevating Merchandizing

Infosys BPM helped a leading electronics retailer to centralize, standardize & streamline processes across demand forecasting, assortment planning, item setup, replenishment, B2B ops and site merchandizing

## 3 Automated demand & capacity planning

Infosys helped an athletic apparel & accessories retailer by transforming & automating the demand forecasting process from fee to calculations without any user intervention along with analytics for various scenarios

## 2

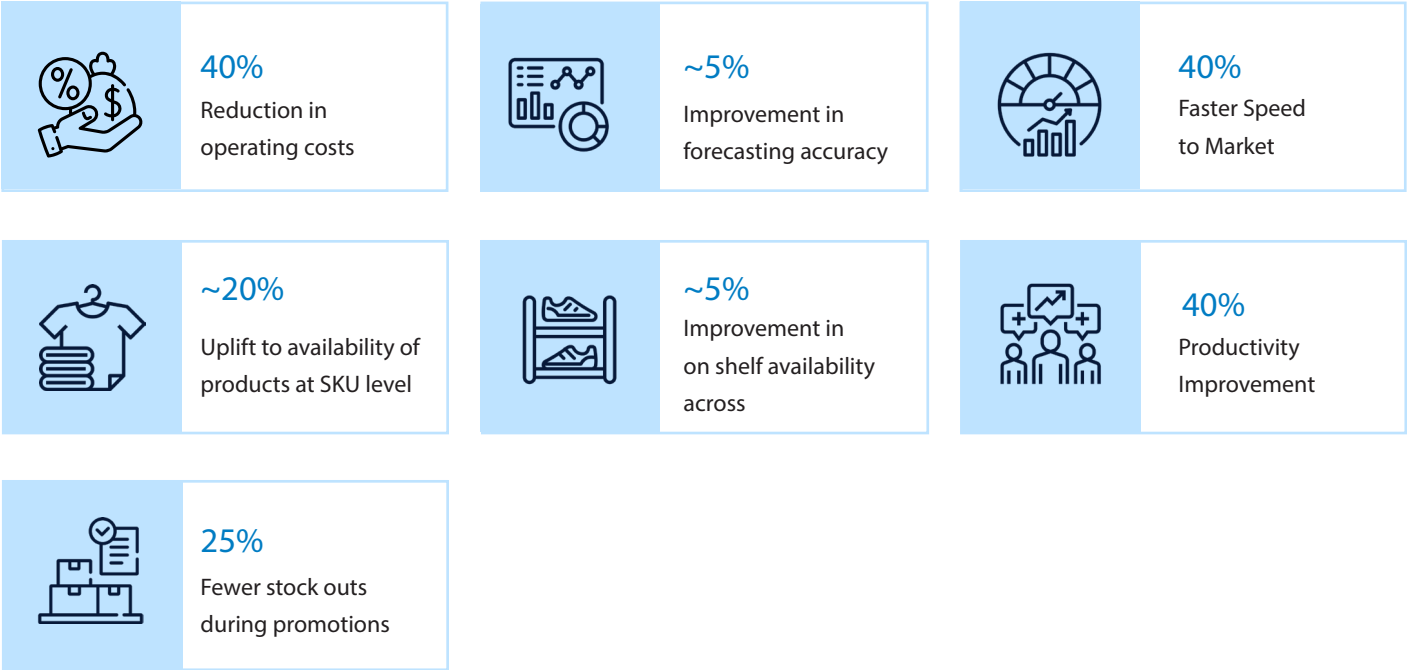
### Refashioning merchandizing with transformation

Infosys BPM helped an apparel sourcing company embark on a transformation journey by recommending and implementing a shared service center (SSC) approach for its merchandizing operations





Some key benefits which could be delivered by an external partner for merchandising are:



To conclude, merchandising is the lifeblood of retail, serving as a fundamental revenue-generating function

for any retailer. Embracing a global outsourcing model provides CMOs with the flexibility to structure their teams

according to the organization's size and scale. This approach can lead to increased revenue and higher margins.

## Authors



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Ashutosh is the North America relationship leader for Retail CPG & Logistics vertical at Infosys BPM. He has over 22 years of experience in the retail and business process industry. He works with the GBS leaders and helps in the evolution of GBS organization from being a cost focused to excellence and experience focused organization. Ashutosh has deep understanding of the Retail CPG functions like F&A, supply chain trade promotions, Master data and logistics. He has delivered transformation programs that linked the underlying business processes to the business metrics and by deploying technology enablers to drive transformation.



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Shashank is a lead consultant for retail industry solutions at Infosys BPM. He is the in-house retail expert with over 20 years of experience in the core retail industry, helping retailers steer through the dynamic retail environment. Driven by a passion for retail, Shashank delivers solutions that yield tangible business benefits and enhance key metrics. His expertise spans store operations, merchandising, sourcing, omnichannel retailing, and marketing, enabling seamless process setup for retailers. He utilizes his comprehensive retail knowledge to establish best practices and guide retailers through the complexities of the modern market landscape.

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