

## In Retail, Data Elbows Aside Chief Merchants

By Suzanne Kapner  
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Retailers' powerful chief merchants, once lionized for their knack for spotting consumer trends, are seeing their intuitions being displaced by algorithms.

Companies increasingly are relying on number crunching rather than a top merchant's instinct as they try to combat sluggish sales and changing shopper behavior. Driving the trend are big-data tools popularized by online retailers that take the guesswork out of picking goods.

"In the past, it was 'I like orange, so consumers will like orange,'" said Andrew Dubin, a longtime merchandising executive who until June was the chief merchandising officer of footwear and accessories retailer Cole Haan. Today, he said, "a great deal more goes into the buying decision," including software that helps him measure the performance of product on his shelves compared with those at rival retailers.

Data's growing dominance is remaking roles in the industry. After a 14-month search for a chief merchant, Kohl's Corp. gave the job to its head of marketing. Target Corp. recently split its chief merchandising and supply-chain

roles, which had been held by the same person. In November, Wal-Mart Stores Inc. decided not to fill the position after its chief merchant left. Now executives in charge of categories such as food and apparel are reporting directly to Wal-Mart's U.S. chief.

The chief merchant is often the No. 2 executive in the chain of command and seen as a potential successor to the CEO. The position entails helping set a retailer's fashion sensibility, whether its Target's cheap-chic formula or J. Crew's preppy take on classic clothes. But along with that "right brain" creativity chief merchants are now being asked to master "left brain" analytical skills.

J.C. Penney Co. Chief Executive Marvin Ellison recently told analysts that the retailer is going to focus more on the "science of retailing" when it comes to presenting, allocating and replenishing merchandise. "For a retailer the toughest thing to do is get the right product, the right style, the right quantity," Mr. Ellison said.

Not everyone is in favor of the greater role that numbers are playing.

Gwen Manto, the former chief merchandising officer of Sports

Authority, remembers the first time she saw a GoPro wearable camera at a trade show in 2010. She knew it would be a hit and bought all of the manufacturer's supply on the spot. Her instinct turned out to be right.

Ms. Manto said that had she been making a similar purchase today, she would have first had to study reams of data to determine how similar cameras had been selling and at what price.

"You now need so much data before you make a decision that opportunities can pass you by," said Ms. Manto, who left Sports Authority in 2012 and is now head of product innovation at Aloha.com, a health and wellness company.

Consolidation among retailers has resulted in chains that have grown so big that buying by instinct isn't an option any more. But that scale comes at a price. "Stores all start to look the same," said Paula Rosenblum, an analyst with RSR Research. "Retailers forget about the art of picking products that are interesting to consumers."

Ms. Rosenblum said that baby boomers relied more on gut feel, but as they start to retire

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they are being replaced by a younger generation that has grown up with data. In the past few years, so-called price optimization software has become a common tool. Rather than having a merchant decide when to mark down goods, "the computer solves that problem," she said.

Kohl's halted a protracted search for a chief merchant in June, and gave the job to Michelle Gass, who retains her current roles overseeing marketing, public relations, social media and philanthropy. A former Starbucks Corp. executive, Ms. Gass had little experience as a department store merchant when she joined the retailer two years ago.

A Kohl's spokeswoman said Ms. Gass has learned on the job, and had helped the retailer secure new brands such as Stride Rite following the departure of its chief merchant in March 2014. CEO Kevin Mansell said at the time of her appointment that he decided to combine the roles because merchandising and marketing had become more intertwined.

"The role is much more strategic, it's not just about picking product," said Richard Jaffe, an analyst with Stifel. Still, Mr. Jaffe worried that it

might be too much for one person to handle. "It's hard to have a fashion vision and be a quantitative expert," he said.

That hasn't stopped others from trying. Target ran into trouble when it gave Kathryn Tesija the twin titles of chief merchandising and supply-chain officer. The latter relies heavily on math to get products from point A to point B.

Ms. Tesija gave up the chief merchant role in early July and remains a company adviser until April. Meanwhile, the company is searching for her replacement. In August it promoted John Mulligan, its former finance chief, to the newly created role of chief operating officer with oversight of the supply chain.

A Target spokeswoman said the change "allows our merchandising team to build deeper expertise, have greater focus and operate with clearer accountability." Through a Target spokeswoman, Ms. Tesija declined to comment.