ART OF ASSORTMENT PLANNING & OPTIMIZATION IN RETAIL

by

ATRINY GROUP

WHO ARE WE? THE PROVIDER OF CUTTING-EDGE SOLUTIONS AND SERVICES FOR SUCCESSFUL DIGITAL TRANSFORMATION JOURNEYS IN RETAIL AND LOGISTICS

10 YEAR OF OPERATIONS ON INTERNATIONAL MARKET

5 OFFICES WORLWIDE [PL, CZ, UA, USA, KZ]

BEST OF BREED SOLUTIONS FOR RETAIL ORCHESTRATION

OVER 200 SUCCESSFUL PROJECTS IN RETAIL

100+ SEASONED RETAIL **CONSULTANTS**

Category Management
Assortment analytics , store clustering and assortment optimization connected to space availability in stores

Forecasting & Replenishment
Demand Forecasting, automated orders creation & stock distribution through out the supply chain

Price Management
Price Planning & Optimization, based on market data & competitive knowledge, markdown optimization & sell out management

Promo Planning
Planning of promotional campaigns, selection of necessary assortment, forecasting & sales planning
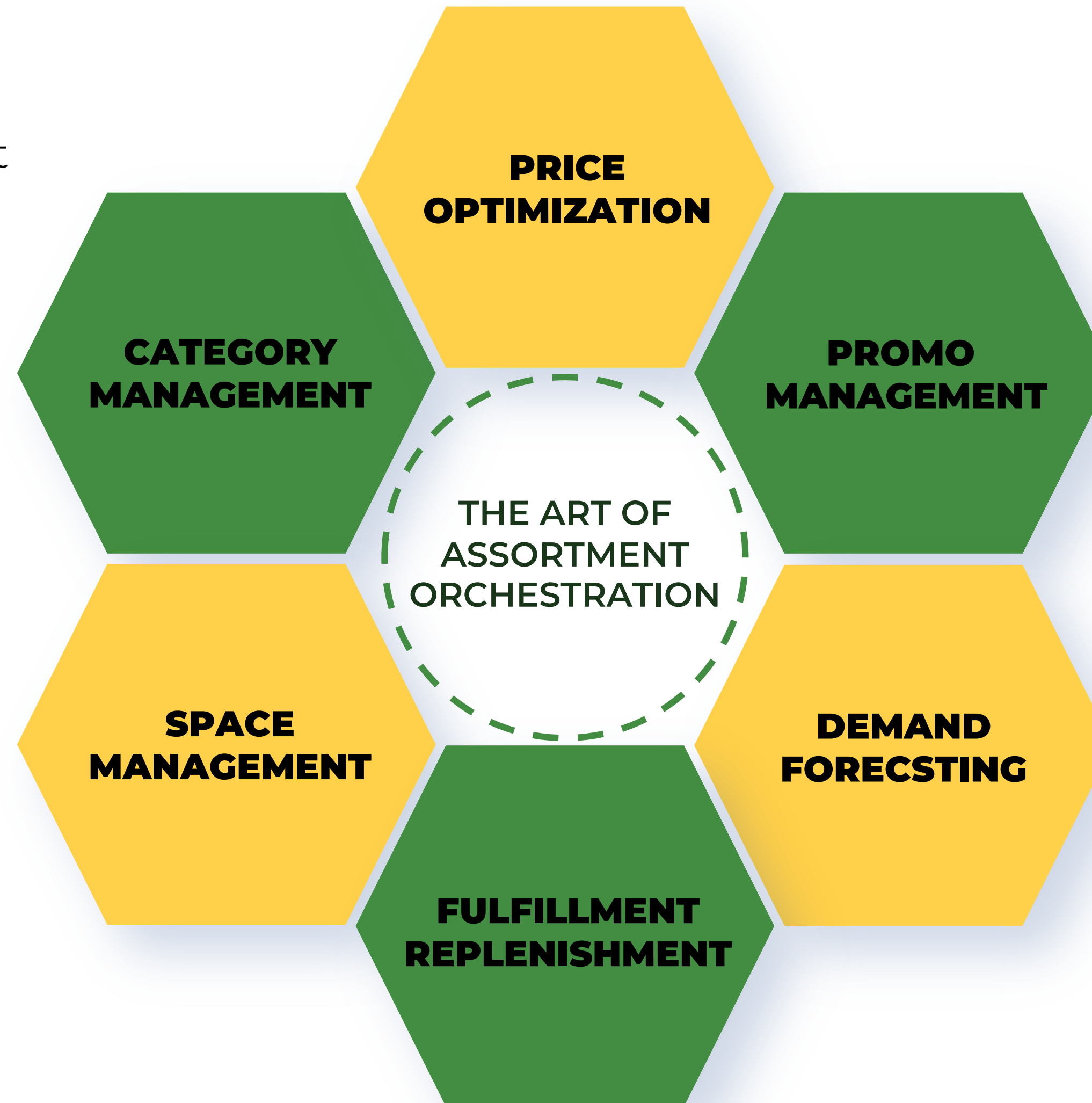
Enterprise Resource Planning
Central operations in retail, master data management and end-to-end store operations & mobility

THE ROLE OF ASSORTMENT FOR THE ENTIRE COMPANY OPERATIONS

- Changes in products assortment
- Category roles
- Seasonal Demand patterns
- Products attributes, hierarchy
- Demand transferrability

- Allocation of products into promo
- Performance of promo
- Promotion calendars
- Impacts on demand
- Markdowns & marginality

PRICE OPTIMIZATION

CATEGORY MANAGEMENT

PROMO MANAGEMENT

THE ART OF ASSORTMENT ORCHESTRATION

SPACE MANAGEMENT

DEMAND FORECSTING

FULFILLMENT REPLENISHMENT

- Shelf capacity & facings
- Sales & Performance metrics
- Seasonal & Promo placement
- Planogram versions
- Assort. decision for execution

- Sales targets & plans
- Forecast visibility
- Assortments open to buy/ship
- Products links, halo
- Demand transferability

CHALLENGES TO BALANCE
BUDGET & EFFORTS

Regular Assortment Optimization

Personalized Promo Offering

Mass Promo Assortment

Balancing Marketing Budget

Shopper Insights for effective balancing

Redistributed demand (cannibalization), loyalty indices, other insights

OPTIMIZING VS SIMPLY RATIONALIZING?

Challenges

× Product not carried

× Product not found

× Product out-of-stock

× Customer forced to make an alternative decision

Lost Sales

Transferred Sales

What do shoppers do when they can't find an item?

57%   **43%**

Buy from competitor   Ask for help
Delay purchase
Buy an alternative

96% of global shoppers have left a store without making a purchase on at least one occasion.

Hidden potential of millions EURO

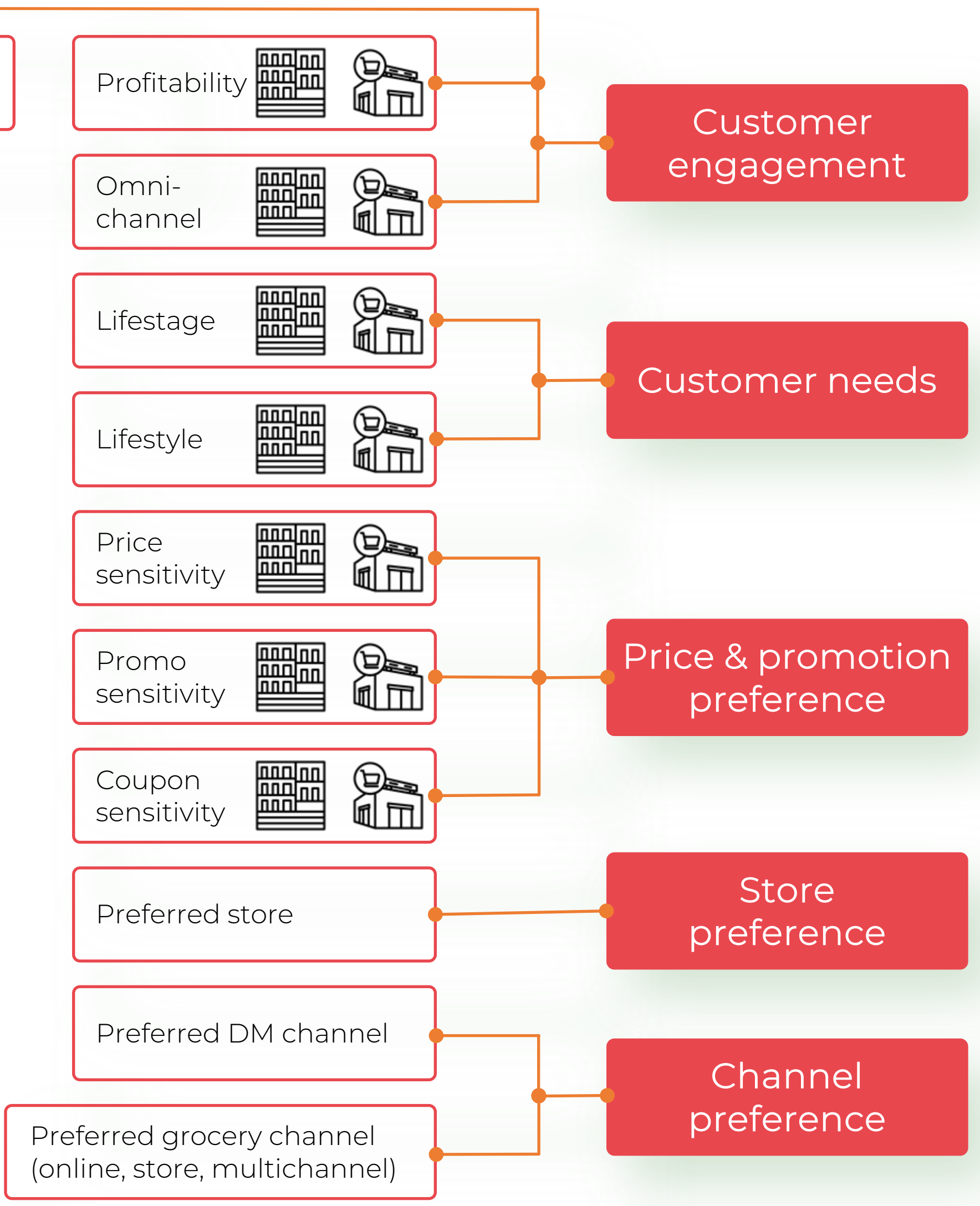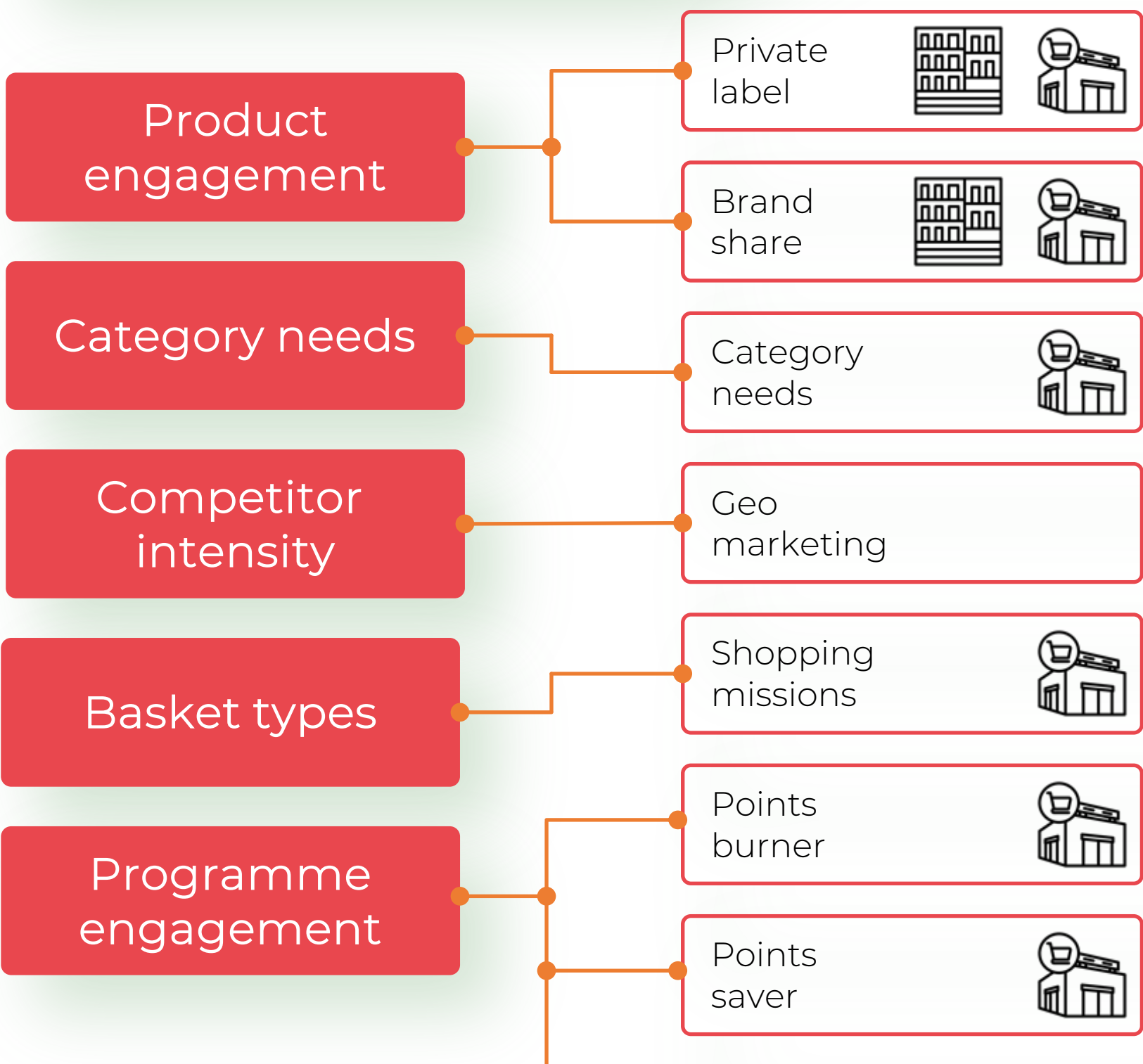# GETTING "1 VIEW OF THE CUSTOMER" FOR ASSORTMENT DECISION

Customer segmentations can be summarised at a category or store level to differentiate the actions

STORE FORMAT

PRODUCT, BRAND OR CATEGORY

ONLINE

Product engagement
- Private label
- Brand share

Category needs
- Category needs

Competitor intensity
- Geo marketing

Basket types
- Shopping missions

Programme engagement
- Points burner
- Points saver
- Points chaser

Loyalty & potential

- Profitability
- Omni-channel

Customer engagement

- Lifestage
- Lifestyle

Customer needs

- Price sensitivity
- Promo sensitivity
- Coupon sensitivity

Price & promotion preference

- Preferred store

Store preference

- Preferred DM channel
- Preferred grocery channel (online, store, multichannel)

Channel preference

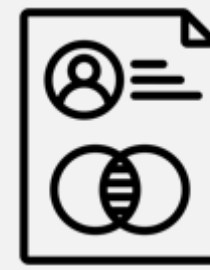# GO UNDER THE HOOD OF YOUR CUSTOMER

Basket Analytics

Look into your customers' baskets to understand who they are and what they're shopping for

Customer Migration

Determine how committed customers are to particular brands and the potential for customer migration between products

Customer Profile

Use segmentation to determine who buys your products & track customer interactions with your products and categories

Behavior analysis

Understand what impacts the segments of your customers , what is the drives for shopping in your stores

Switching insights

Understand the sources of product sales: what factor increases or decreases sales

New Product Intro

Find sources of new product sales: switching from competitors, attracting new customers or cannibalizing your own portfolio

Distribution Monitoring

Track weekly distribution at the network level to make plans to further expand distribution and improve sales performance
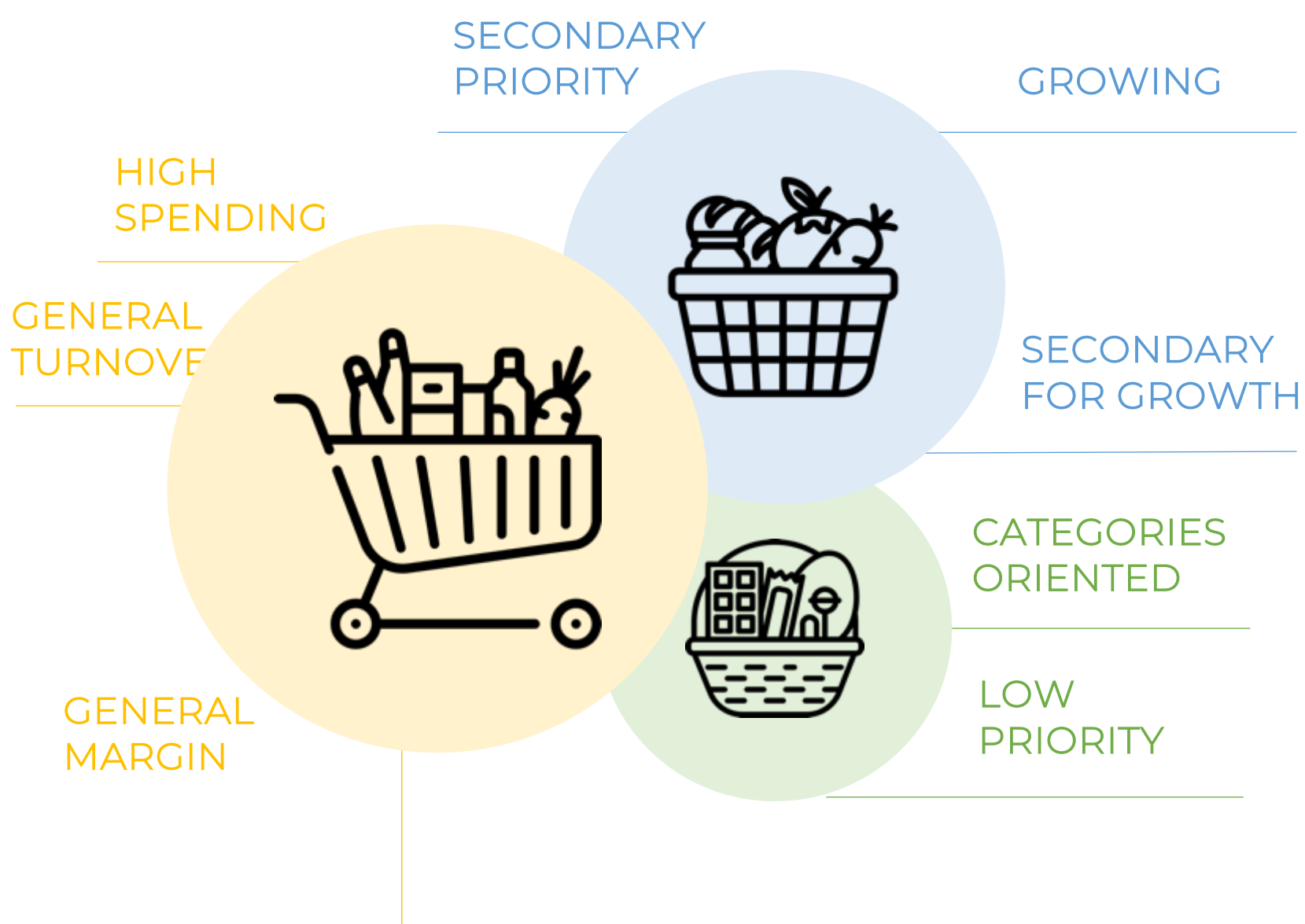
Category Potential

Go deep with analytics and understand performance of your categories vs clusters vs market

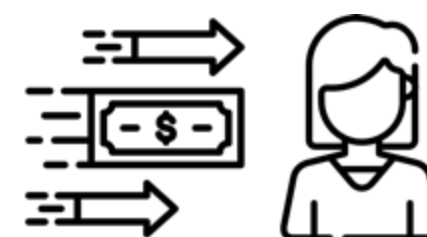# UNDERSTANDING CUSTOMER THROUGH MAIN BEHAVIOR PATTERS

CUSTOMER ENGAGEMENT

SECONDARY PRIORITY

GROWING

HIGH SPENDING

GENERAL TURNOVE

SECONDARY FOR GROWTH

CATEGORIES ORIENTED

GENERAL MARGIN

LOW PRIORITY

PRICE SENSITIVITY

Price focused

Quality focused

Customer 1				Most Price Driven
Customer 2				Price Driven
Customer 3				Price/Quality Neutral
Customer 4				Quality Driven
Customer 5				Most Quality Driven

SHOPPING STYLES

Convenience

Health

HEALTHY FOODIES	CONVENIENCE SEEKERS	DIETARY MONITORS	KITCHEN ENTHUSIASTS	WALLET STRETCHERS
Keep it fresh & naturally good	Make it quick & easy	Offer the healthy Alternative I want	Provide me with the ingredients I want	Make my budget go further

DAILY UPDATES

QUARTERLY REVIEWS

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RETAINING YOUR MOST VALUABLE "PRIMARY" CUSTOMERS
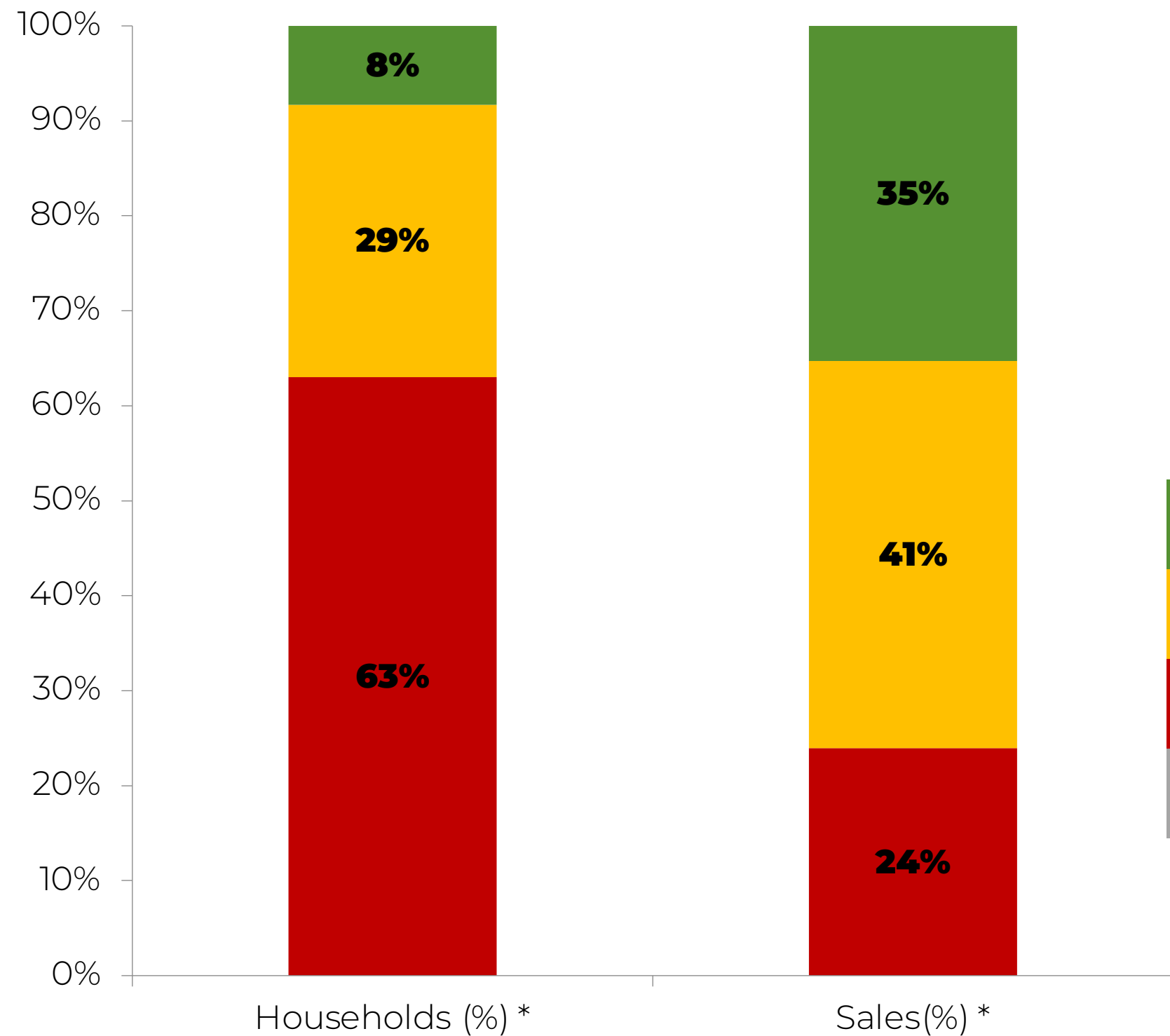
Monthly Figures

	€ per Customer	€ per Basket	Frequency	Categories per Customer
PRIMARY	166 €	25 €	7	38
SECONDARY	69 €	20 €	3,5	19
TERTIARY	32€	16 €	2	8
ALL CUSTOMERS	**65 €**	**20€**	**3,2**	**16**

▶ **1 Primary is worth 2.4 Secondary Customers**
▶ **1 Primary is worth 5.4 Tertiary Customers**

✓ Converting **3% of SECONDARY** into **PRIMARY** represents a **+€30M** monthly opportunity

✓ Converting **2% of TERTIARY** into **PRIMARY** represents a **+€25M** monthly opportunity

USING CUSTOMER INSIGHTS INCREMENTALLY TO THE EXISTING SALES METRIC

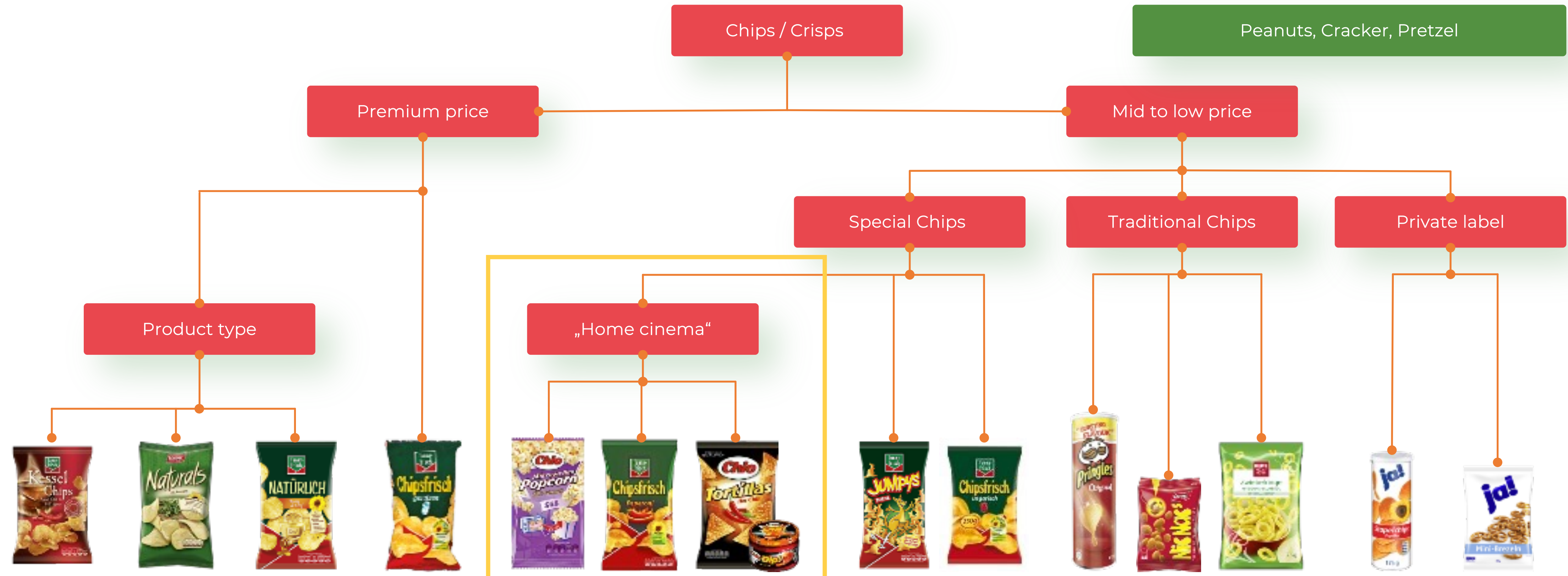| Article comparison – to fill the smallest PE?	Composite loyalty score	Item preference score	Primary penetration	Cardholder value
Walkers – Ready salted Sales: 7,13 € Profit: 3,33 €	12	0%	2,6%	2,4%
Kettle – Lightly salted Sales: 7,07 € Profit: 2,90 €	35	5%	4,4%	3,9%
Tendency towards Walkers given its higher average profit	Customer retention / attract is stronger for Kettle	Kettle favourite article for 5% of the cheese customers	Kettle more attractive to the best customers	Value of Kettle-shoppers is higher
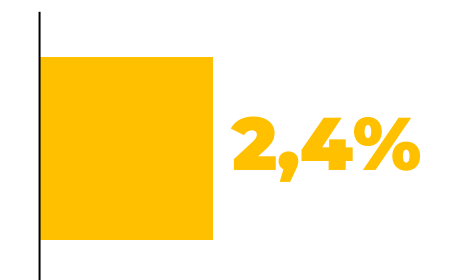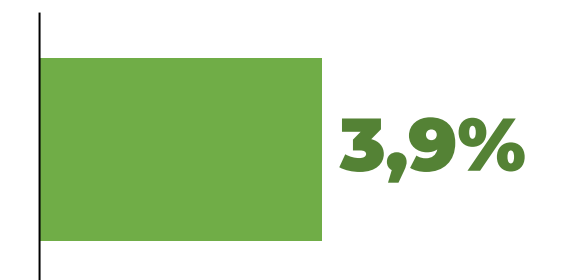
ENHANCING CUSTOMER UNDERSTANDING THROUGH
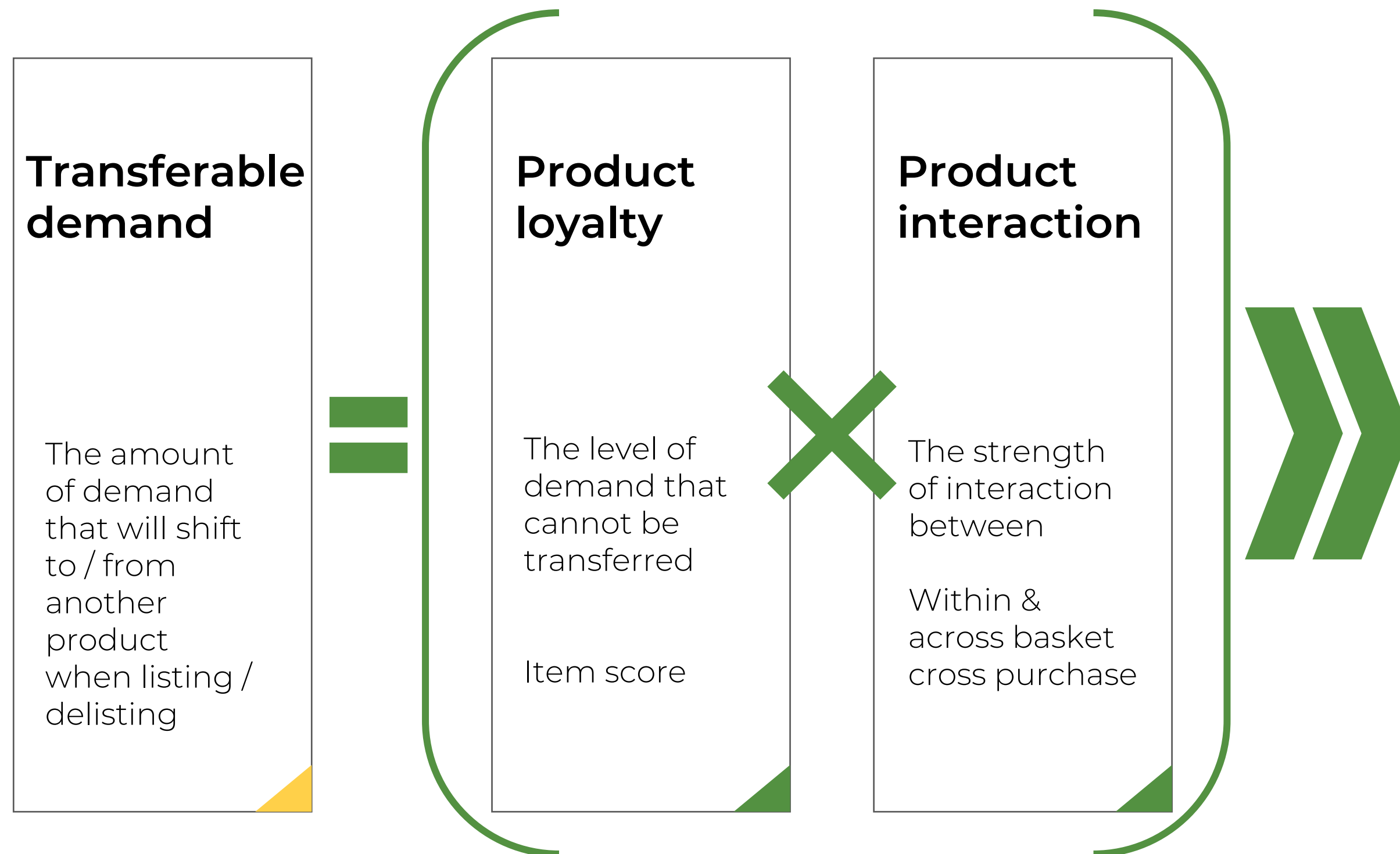## CUSTOMER DECISION TREES (CDT)

Topping	Units	Brand Type	Dough	Manufacturer	Brand	Pizza type	Size
Cheese	single	Mainstream	Standard	Dr Oetker	Bistro	Baguette	200g
Meat	multi-pack	Own Label	Stone baked	Wagner	Steinofen	Pizza	710g
Spicy	single	Discount	Stone baked	Freiberger	Alberto	Pizza	464g
Healthy	single	Mainstream	Stone baked	Wagner	Pizza Classica	Pizza	464g

UNTILIZATION OF DEMAND TRANSFERABILITY TO FORECAST SHIFTS IN DEMAND PATTERNS

APPROACH

Transferable demand

The amount of demand that will shift to / from another product when listing / delisting

=

Product loyalty

The level of demand that cannot be transferred

Item score

×

Product interaction

The strength of interaction between

Within & across basket cross purchase

SIMPLIFIED EXAMPLE

Total Performance

Performance before the optimization

Redistribution of revenues after delisting

Performance after the optimisation

DIGITALIZING THE EXPERIENCE WITH

Num8erz
Range

Num8erz.Range

Digital tool that automates time-consuming category manager's tasks. It transforms complex assortment rationalization problem into clear, straightforward process with predictable result on main KPIs (margin , revenue, traffic, customer satisfaction, stock level, service level).

Num8erz.InsightsPanel

Sales and customer behavior analytical panel for CPGs and Retailers. It enables data driven decision making. It provides business valuable conclusions and predictions, using sales and customer behavior analyses.


Num8erz.PromoBoost

Intelligent Retail Promo planning, forecasting, analysis tool. It allows Marketing Professionals to make well proved promo decisions with guaranteed predictable incremental impact.

UNIQUE IN-DEPTH ANALYTICS TO GAIN INSIGHTS ON CUSTOMER BEHAVIOR

Customer Behavior Analysis

Basket Analysis

Price Sensitivity

Customer Decision Tree

Customer Churn Forecast
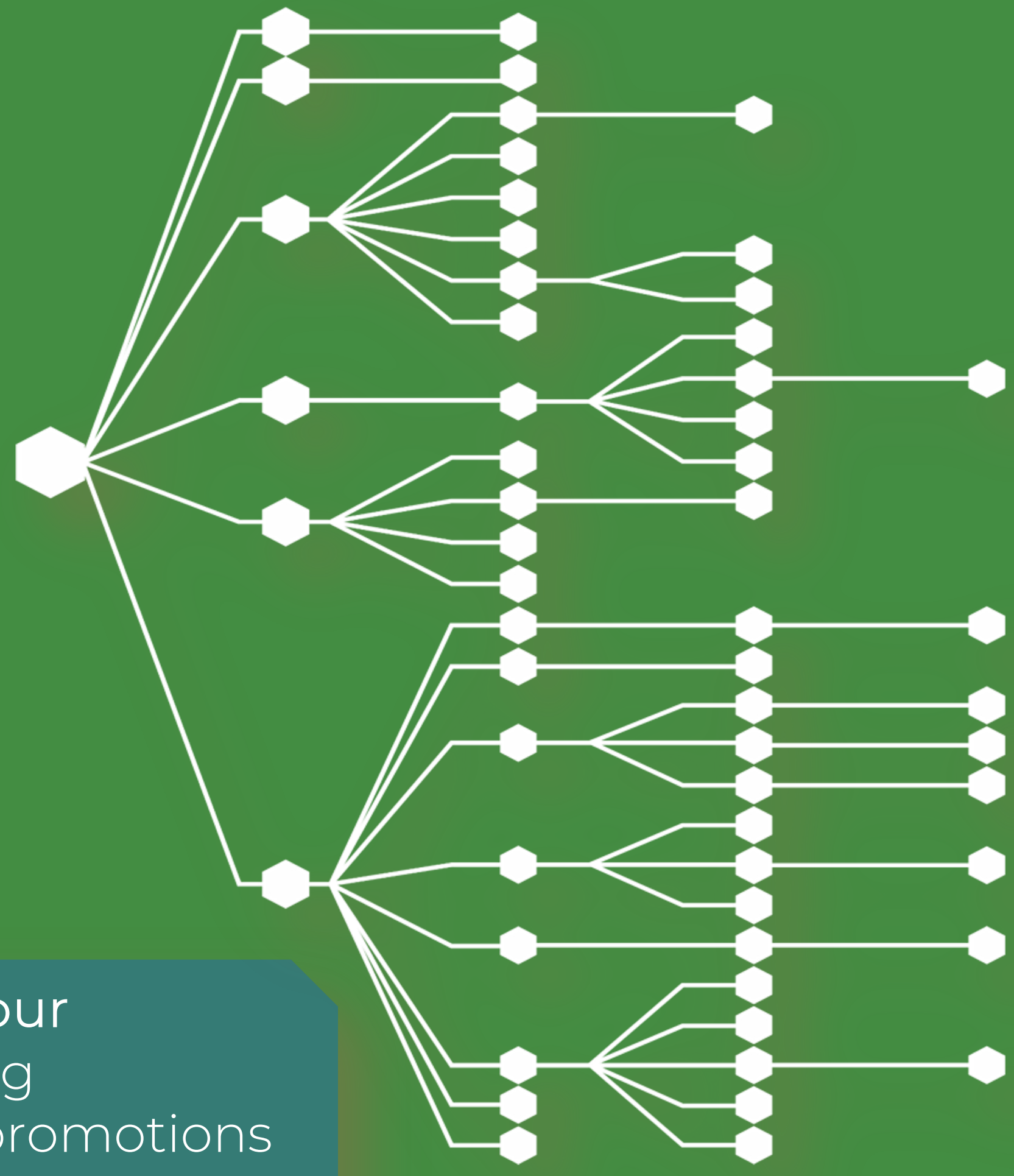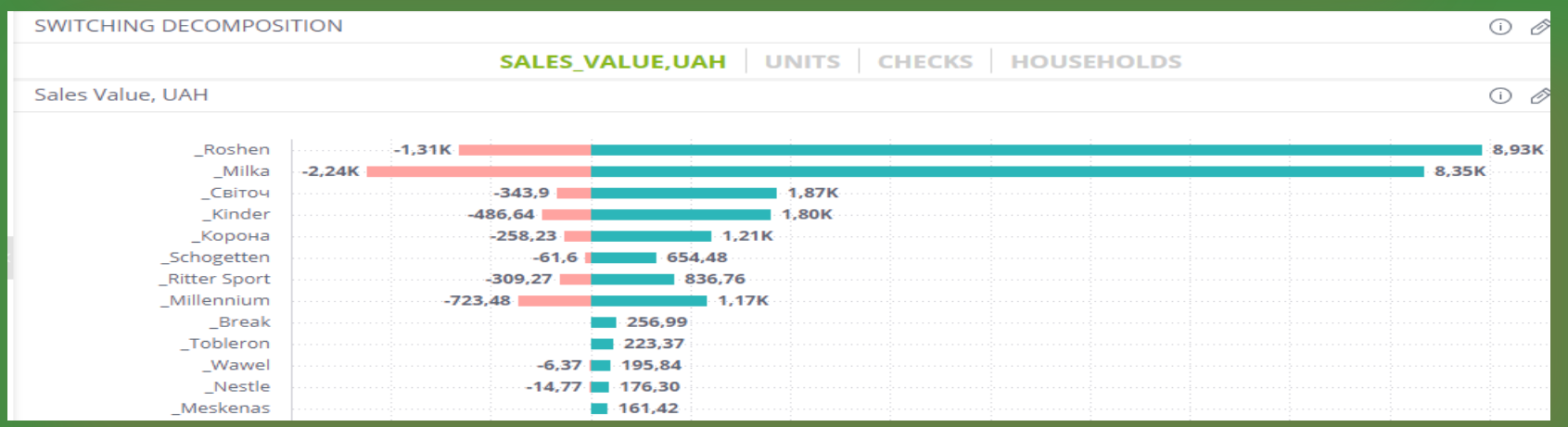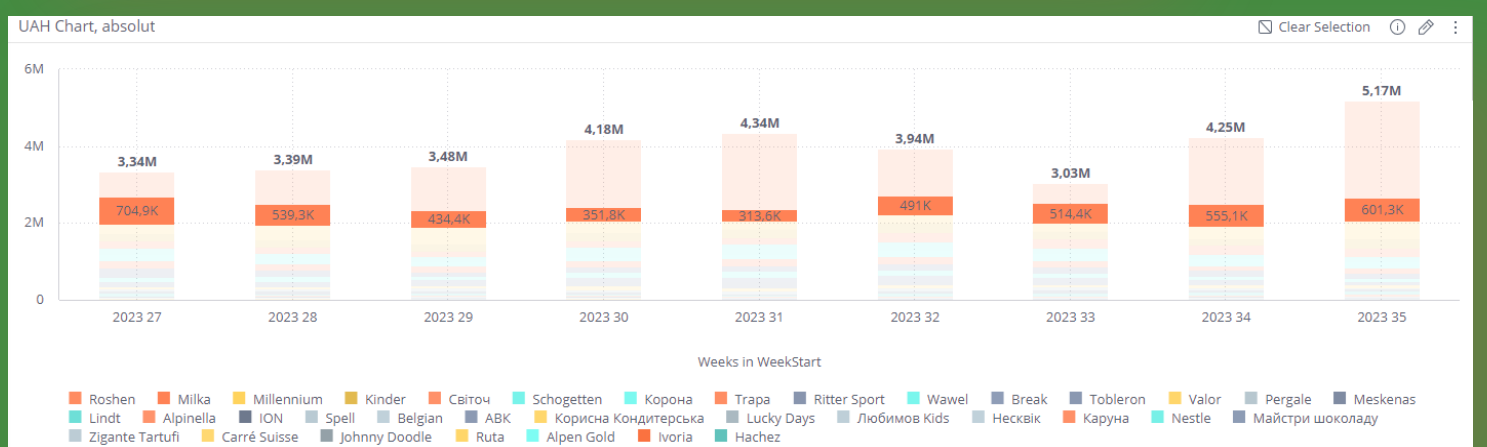
Pre-configured, real-time analytics around your customers' behavior to enrich all your planning operations, from category management and promotions to supply chain management.

CLEAR & TRANSPARENT CATEGORY REVIEW PROCESS WITH PREDICTABLE RESULTS

Category role defenition

Customer Decision Tree formation

Cluster analysis

Assortment policy execution

Demand Transferability

Assortment optimization scenarios

Impact evaluation
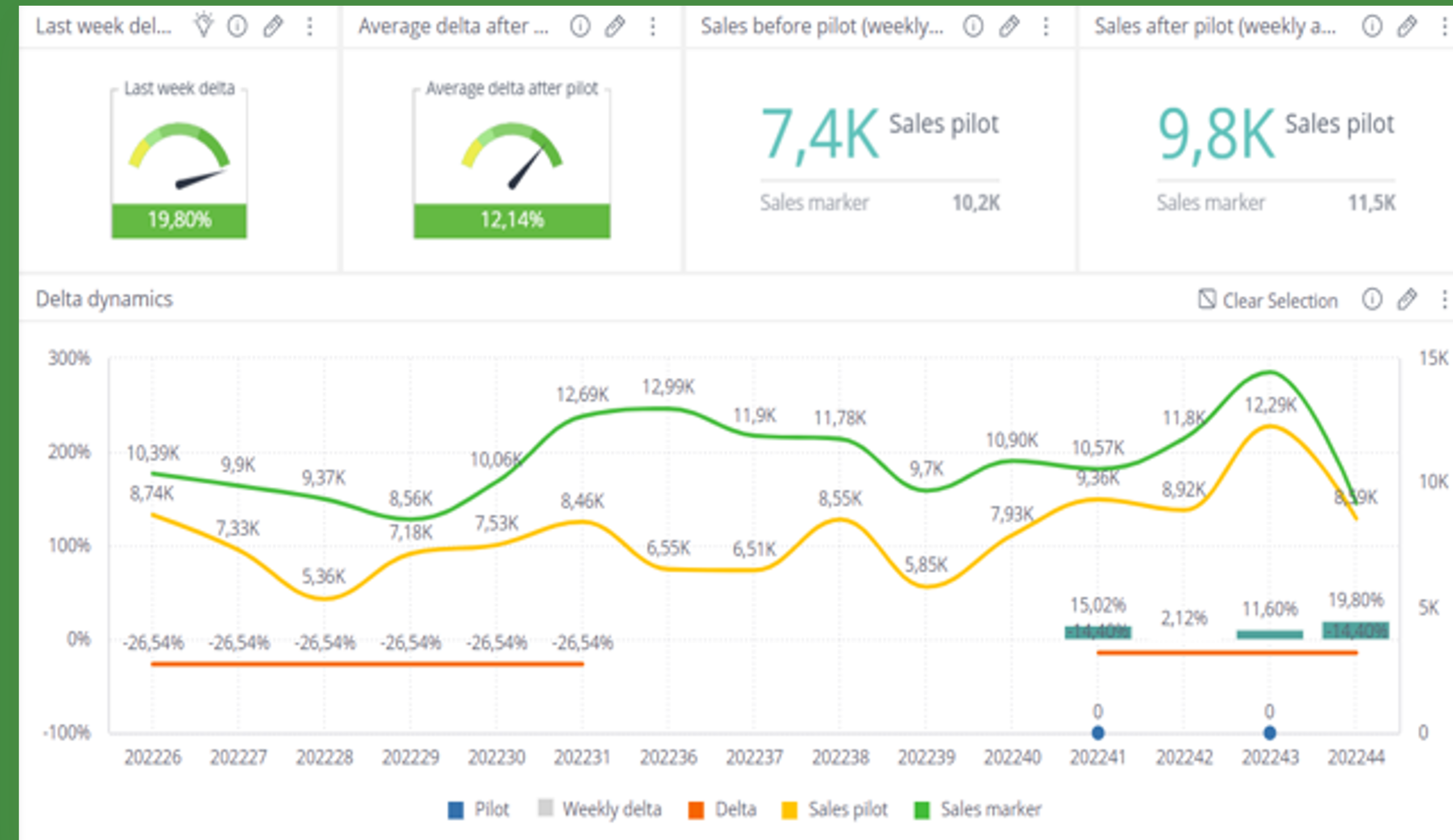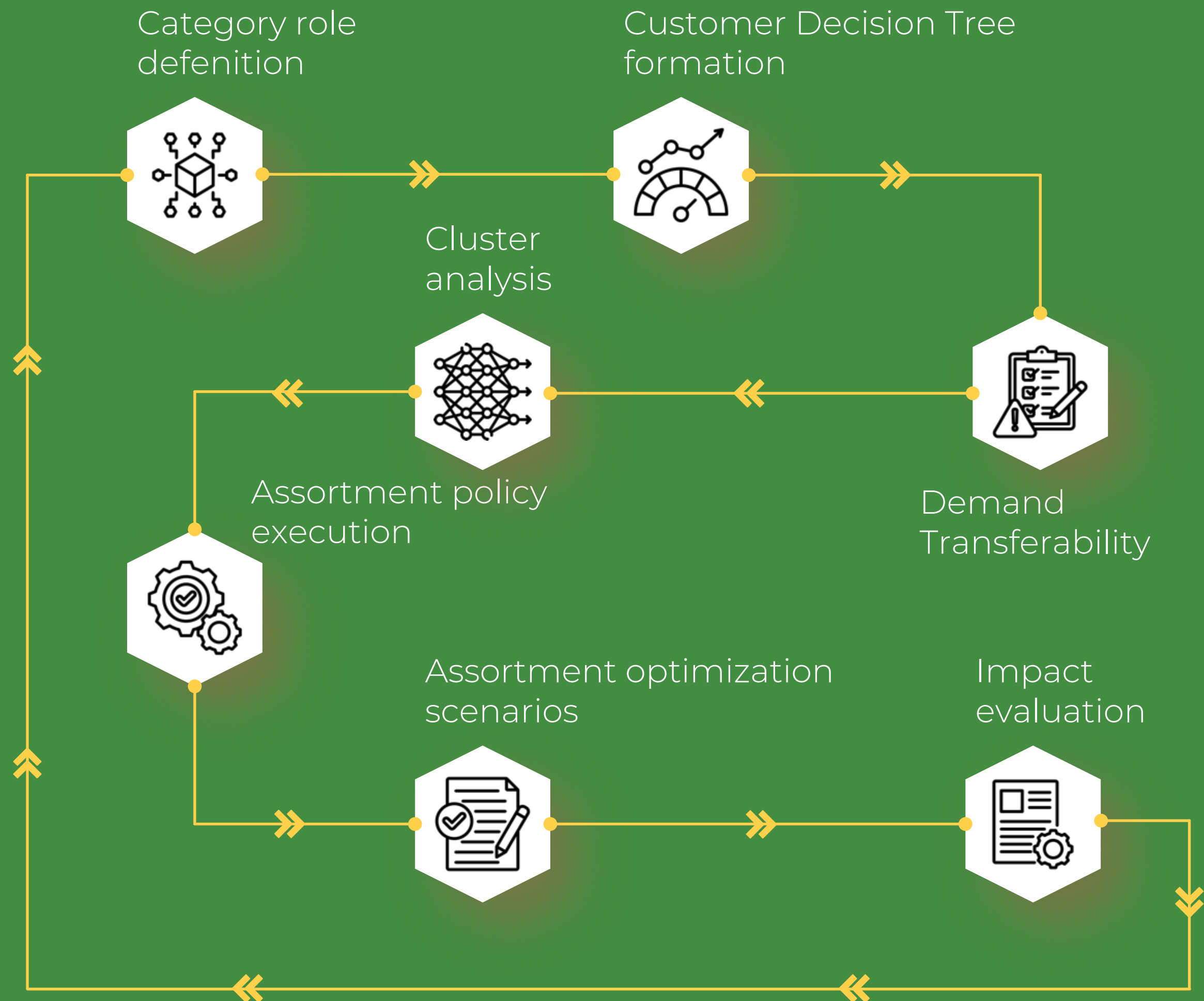
END-TO-END CAPABILITIES FOR PROMOTIONS PLANNING & FORECASTING
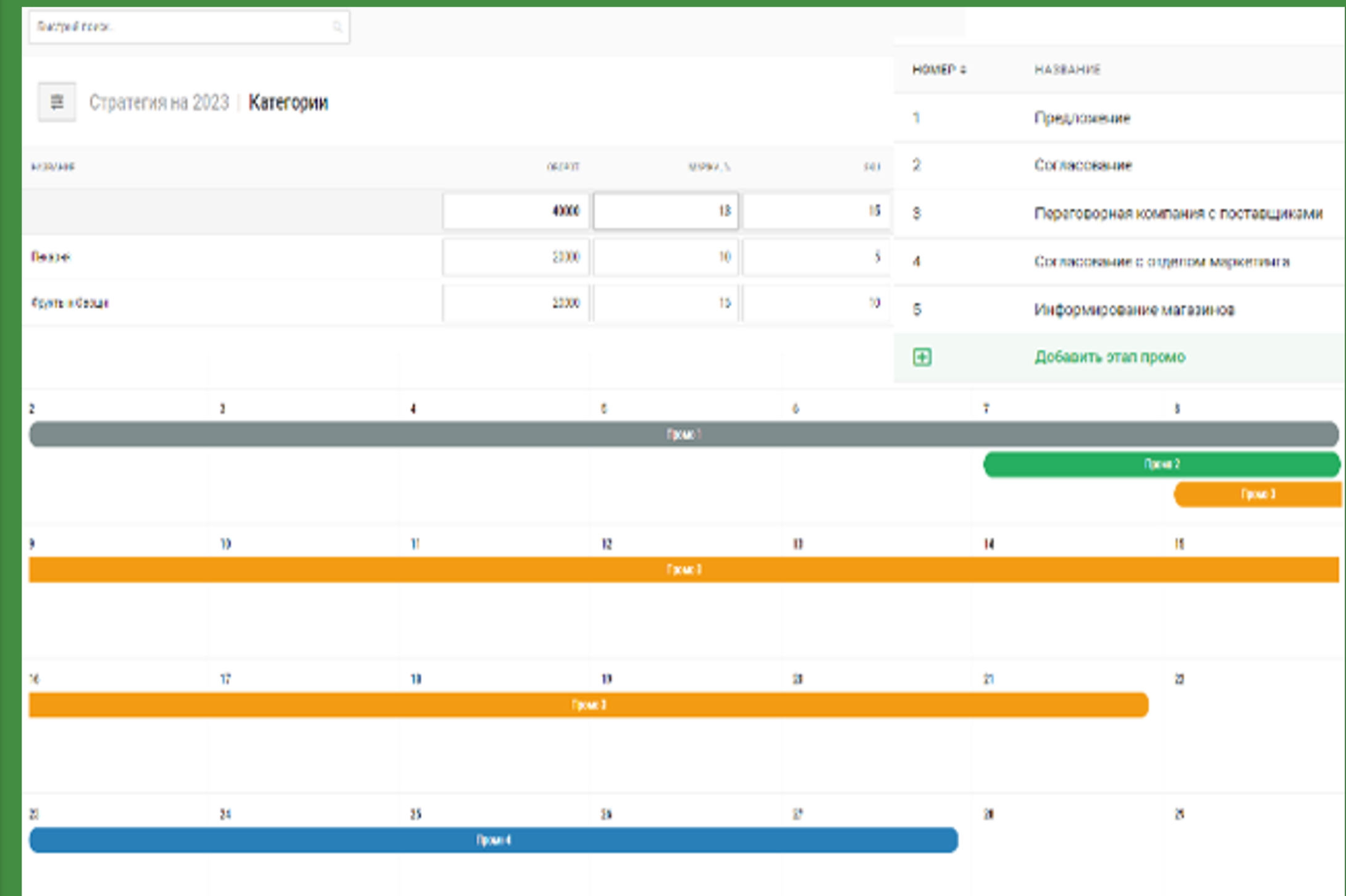
Promotion Planning

Detailed analysis of the effect of the promotions

Promo mechanics orchestration & recommendations

AI-powered multifactor forecasting model

REAL RESULTS

5 to 12%
TURNOVER INCREASE IN CATEGORY

up to 3%
INCREASE IN MARGINALITY

up to 10%
REDUCTION OF INVESTMENTS INTO INEFFICIENT STOCK

up to 50%
REDUCTION OF LABOR COSTS

+ MAIN BENEFITS

- Digitalization of the process with business discipline and transparent workflows.

- Optimization of assortments based on precise customer understanding , habits and predilection in each store.

- Increase in profits and margins, in parallel reducing operating and logistics costs

- Automation of the e2e planning process for reduction of the labor costs

- Obtaining inputs for the rest of planning processes such as supply chain, promotional management, pricing, etc.

CONTACT US!
TO EXPLORE MORE!

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OUR CUSTOMER