#MerchMktg

Path To Revolutionary Merchandising And Marketing Decisions

retail TouchPoints

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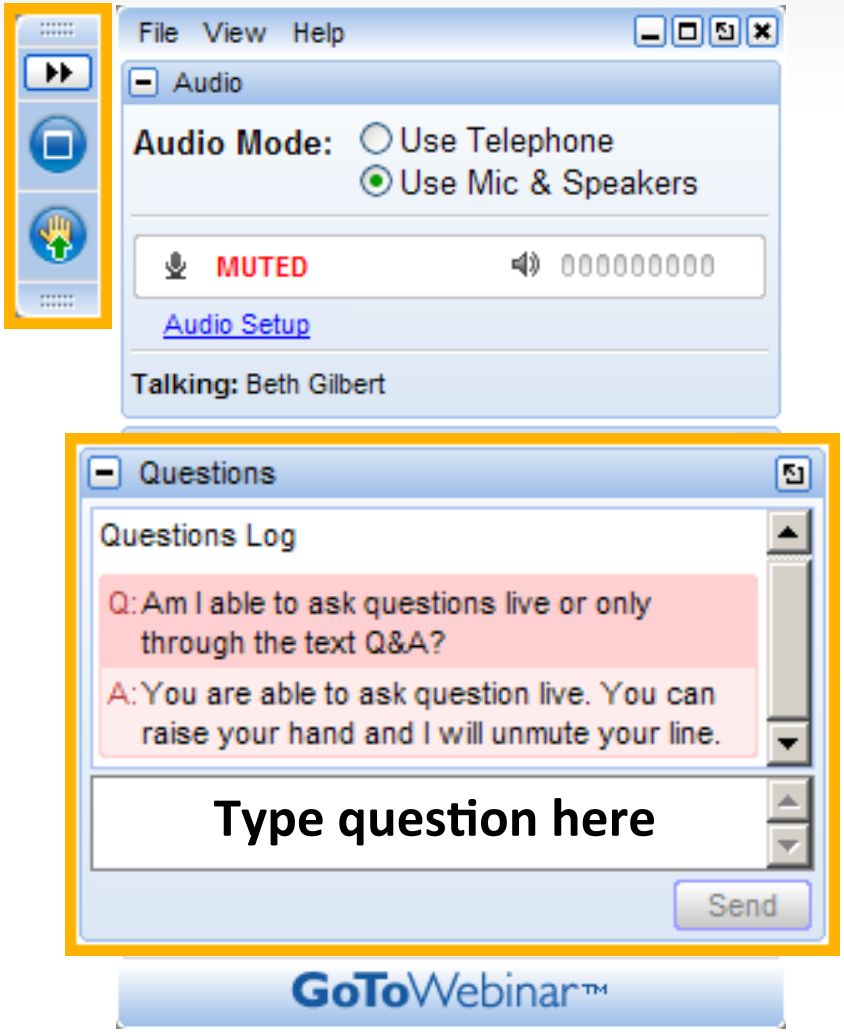
Welcome Webinar Attendees



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About Retail TouchPoints

- ✓ Launched in 2007
- ✓ Over 23,000 subscribers
- ✓ To provide executives with relevant, insightful content across a variety of digital medium

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Panelists

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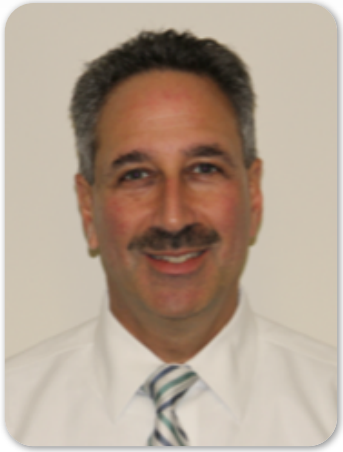

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Putting The Shopper At The Center Of Merchandising Decisions

June 26, 2012

Agenda

- Industry Trends
- An Integrated Approach to Merchandising Optimization
- Price Chopper Case Study
- Questions

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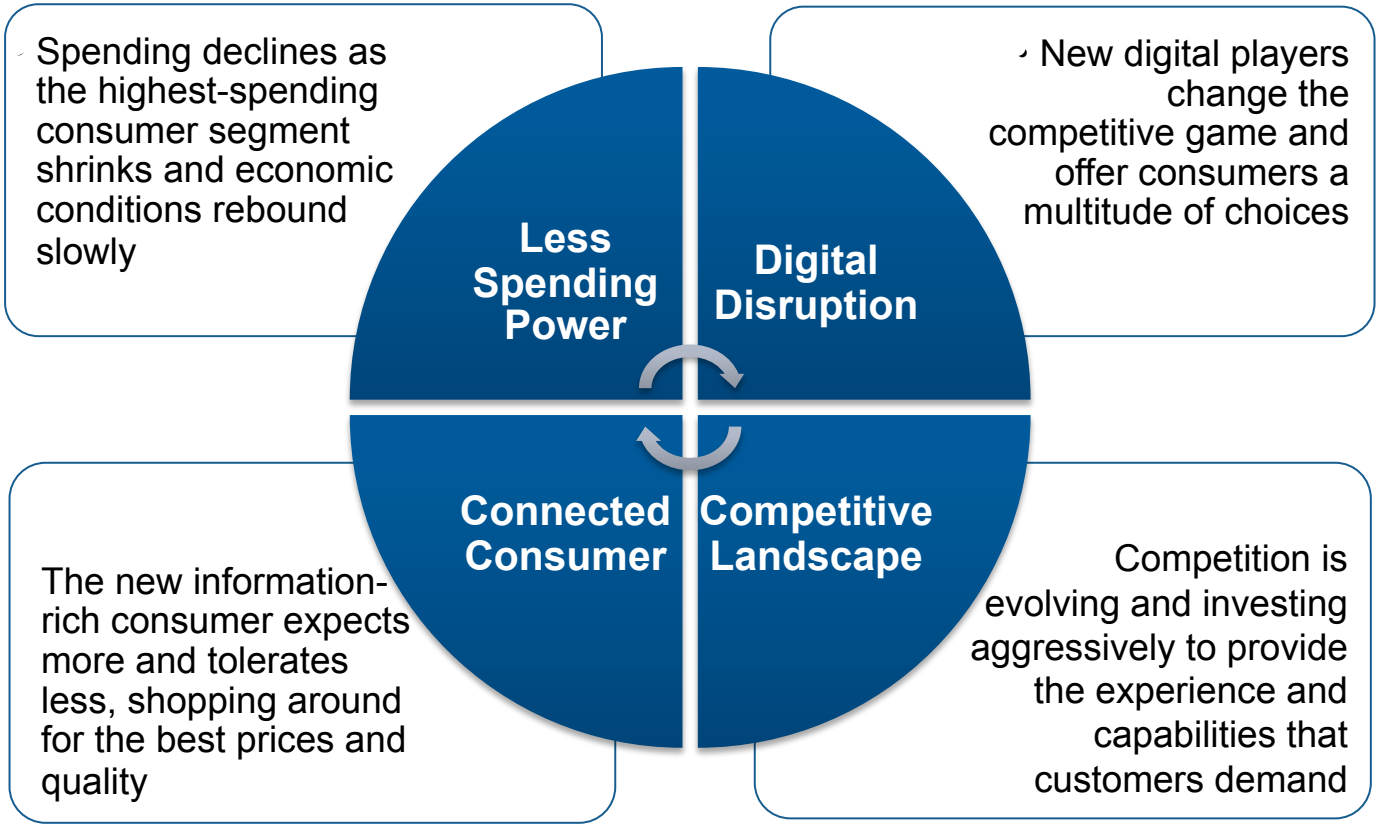
A convergence of marketplace forces is creating a fundamentally different retail landscape



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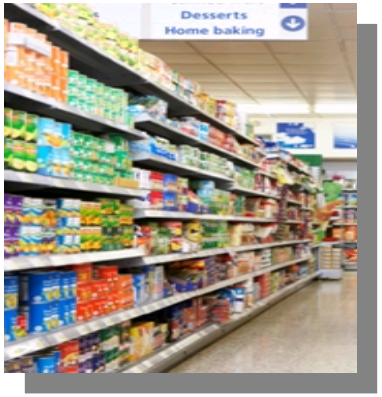
As a result, retailers are faced with more challenging pricing, promotion and product decisions than ever before

Traditional Price Competition

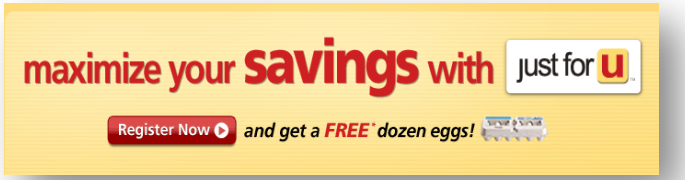
New Price Models

Online/Mobile Price Transparency

Economic Impact on Price Sensitivity



Endless Aisles Available Online



Increased Targeting and Personalization

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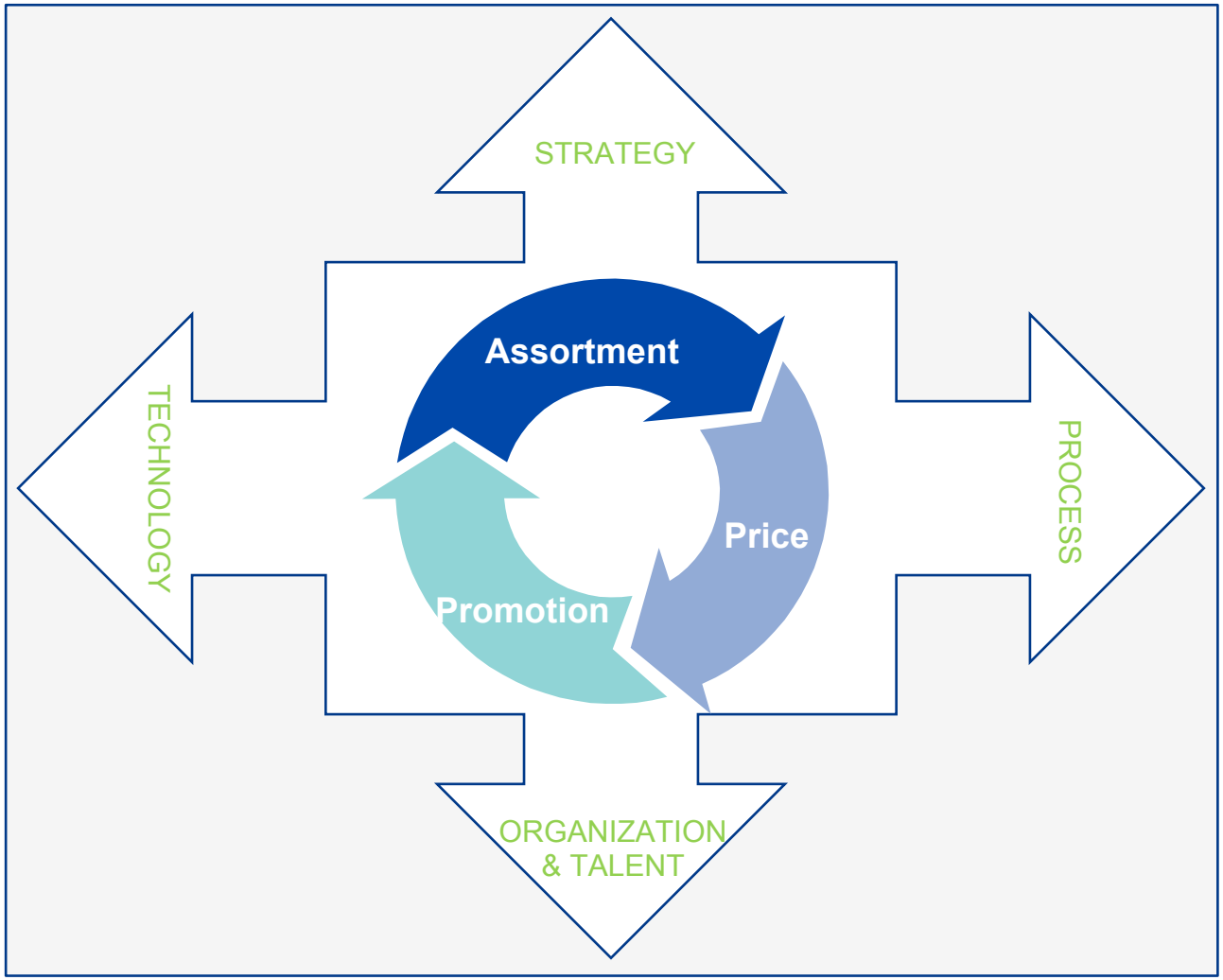
And it is important to think about these together across all dimensions



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Why is it important to think about these together?

Which brands and pack sizes should I carry to achieve my business goals?

Must understand prices of various brands and sizes

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Why is it important to think about these together?

How should I price the various brands and pack sizes?

Must know the brands and pack sizes you carry.

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Shoppers Leave Digital Footprints to Help Us Understand Them Based on What They Buy

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Shopper-Centric Retailing Model Helps Develop, Improve and Maintain Shopper Relationships

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Once You Know Who they Are, You Can Increase Relevancy through Message and Tactic

	What They Buy	Best Vehicle	Optimization
Families on the Go			Ad and Direct Mail Versioning
All Natural			Forecast display lift and find best stores for execution
Young Families			Identify top KVIs and set Rules to protect

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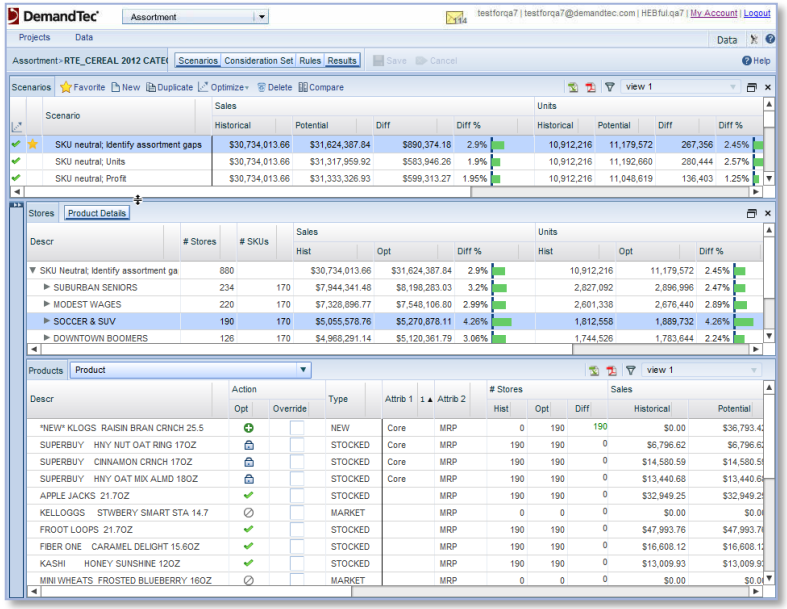
Effectively managing assortment involves shopper and category dimensions

Define Shopper Strategies and Category Roles → **Identify Store Clusters** → **Reset Category with Optimal Assortment** → **Create Cluster Specific Planograms**



Top line Sales Growth 3-10%

Across several categories, a mass merchant

- Grew top line sales by 3-10%
- Improved inventory productivity by increasing turns and reducing out-of-stocks

Determining Variety vs. Duplication

Frozen Food Categories

- Optimizations revealed that shoppers wanted more variety in some sub-categories and less in others.
- SKU Optimization efforts helped to realign appropriate mix

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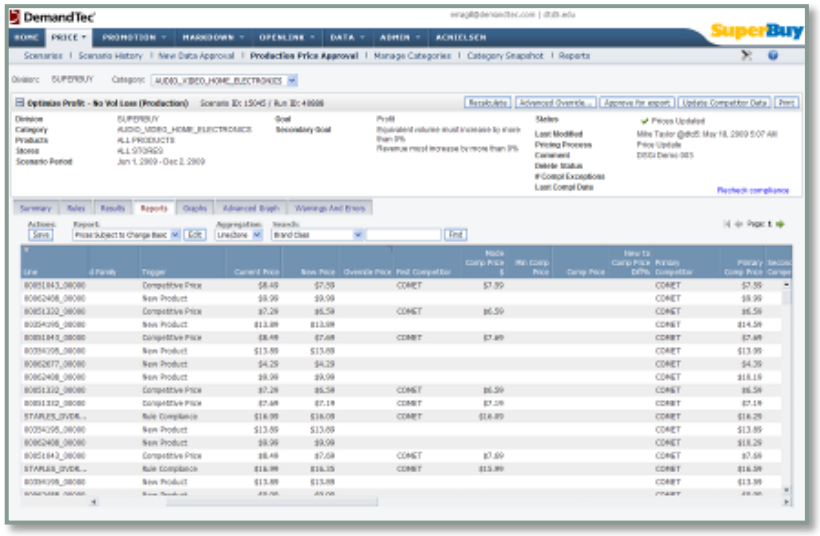
Manage prices across full lifecycle for category, competitive and loyalty goals

Develop Pricing Strategy → Set Prices → Monitor Price Performance → Promotional Pricing → Clearance Pricing



Improve Price Perception

Across Oral Care category mass merchant

- Improved price perception
- Gross margin dollars 2.01%
- Unit volume 1.02%
- Revenue 0.76%

Capitalizing on Shopper Insights

In category with flat growth mass merchant identified brands that attracted high spend shoppers and then used those brands to drive additional volume in high-value shopper base

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Manage retail promotions with analytics built into business processes

Define Promotional Strategy → Negotiate Vendor Deals → Define Promotions & Events → Optimize Promotions → Publish Across Media Channels → Reconcile & Measure

Forecast

	Promoted Products - Total -	Promoted Products - Incremental -	Promoted Products - Incremental % -	Category Results - Total -	Category Results - Incremental -	Category Results - Incremental % -
Unit Volume	7,804	3,570	84.3%	324,093	2,563	0.8%
Revenue	$15,529	$1,893	13.9%	$1,173,664	($830)	-0.1%
Gross Margin $	$2,676	$683	34.2%	$208,525	$419	0.2%
Gross Margin %	17.2%	2.6%	17.9%	17.8%	0.0%	0.3%

Promoted Products

Product Name	Baseline Unit Volume	Total Unit Volume	Unit Volume Lift %	Unit Volume Lift % - Scale
ARM&HMR PEROXICARE BKNG SDA/P	665	1,082	62.9%	
ARM&HMR DNTL CARE ORIG BK SDA	728	1,161	59.4%	
ARM&HMR PEROXICARE TARTAR CNT	594	1,351	127.5%	
ARM&HMR ADVANCD WHITE MNT GEL	658	1,217	84.8%	
ARM&HMR ADV WHT SENS THT W/BS	360	726	101.6%	
ARM&HMR ENAMEL CRE NAT WHT TP	462	889	92.3%	
ARM&HMR ADVANCED WHITE TARTAR	766	1,378	79.8%	

Top 5 Cannibalized Brands

Brand	Volume Decrease %	Volume Decrease % - Scale
ULTRA_BRITE	-1.1%	
PEPSODENT	-0.9%	
CREST	-0.8%	
COLGATE	-0.7%	
AIM	-0.5%	

Increased Revenue through Ad Versioning

Pet supply retailer increased versions of circular by 200%, driving additional sales

Analytics drive more effective promotions

Mass merchant in Mexico had 45M pesos of incremental sales over 5 months based on analytics

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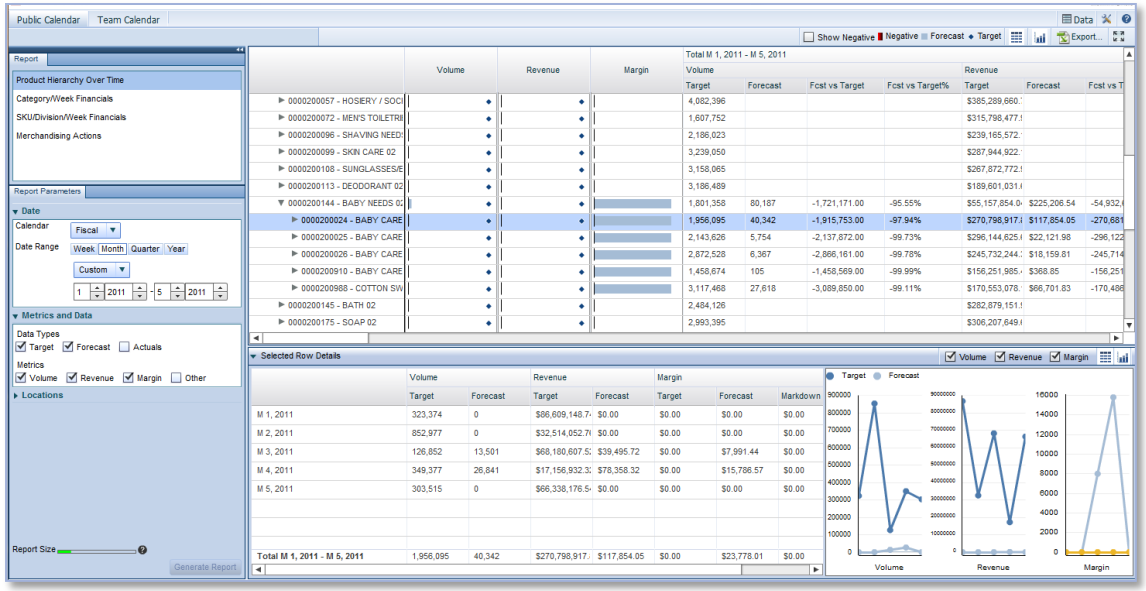
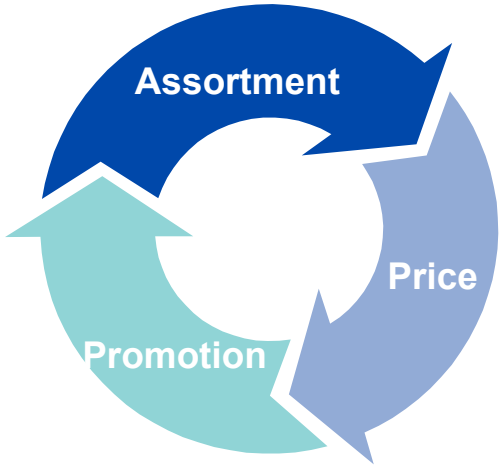
Gain visibility across merchandising actions

Merchandising Calendar



Forecast and Financial Tracking



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Price Chopper Supermarkets corporate overview

- Regional supermarket 131 stores and growing
- Operating in 6 states
- Headquartered in upstate NY
- Privately held corporation with the employees owning over 50% of the stock
- 80 years in business
- Best in Fresh and Low Prices

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Business challenge

- Large number of nanotechnology companies are relocating to Albany
- New competition is following this growth into the area
  - Historically, two major retailers in Albany market – promotional and EDLP
  - Now there are a lot of new competitors in the market
- Needed to get more competitive on everyday prices
- Needed a new process to help us effectively compete in this new environment
- Grow corporate brand

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DemandTec products used by Price Chopper

- DemandTec Price Optimization
  - Acquired 3 years ago
  - Evaluated last year
  - Renewed last year
- Roll out
  - Piloted with 5 categories, which performed as predicted
  - Evaluated with profit goal, testing accuracy of the tool
  - Able to reduce prices and achieve profit goals
- Updating Image list based on elasticity

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Lessons learned

- Technology is not enough
- Need the right skills to leverage the technology
  - 6 pricing coordinators partnered with merchandizing category managers
- Need the right processes in place
  - Meet with Category Managers to collaborate on best pricing strategies for the category
  - Coordinators run different scenarios and review options and tradeoffs with category managers
- Must manage change
  - Prove success in key categories

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Value realized from DemandTec

- **INCORPORATE THE CUSTOMER INTO THE EQUATION**
  - We think we know our business, but the science helps us better understand our customers
- Able to evaluate and compare scenarios
  - Reduce a significant amount of retails
  - Protect sales and profitability
  - Protect corporate brands
  - Enable categories to work in alignment
  - Enable departments to work in alignment
- Better manage private label price tiering
- Enlighten the merchandisers to competition and trends
- Predict the results
- Measure the results
- Working with DemandTec

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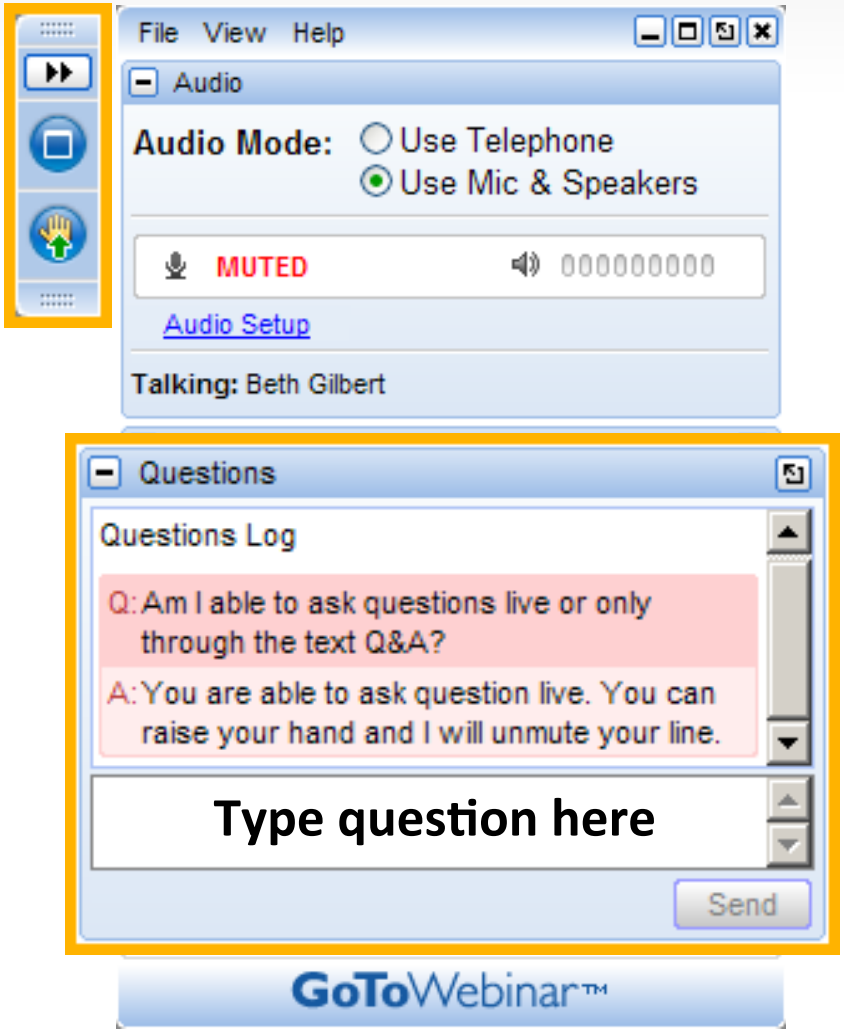
Q&A // Submit Your Questions



Q&A // Contact The Panelists

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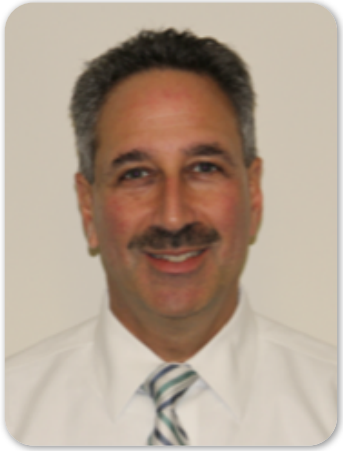

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