

WINNING WITH PAGES FROM AMAZON'S *Playbook*

A LOOK AT KEY SOLUTIONS ACROSS PERSONALIZATION,
PROMOTION AND CUSTOMER ENGAGEMENT
THAT ARE HELPING RETAIL BRANDS KEEP PACE
WITH RISING SHOPPER EXPECTATIONS ACROSS CHANNELS

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AVOID DRIVING CUSTOMERS TO AMAZON BY BEING OUT-OF-STOCK ON KEY ITEMS



By Mark Garland,
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Nearly one quarter of Amazon’s North American retail sales come from customers who tried to shop physical stores first, according to recent research from IHL Group. Based on IHL’s analysis, 24% of Amazon’s retail sales are driven by consumers who first tried to buy an item at a physical location but found their local stores were out-of-stock on the item.

IHL has estimated that the combination of overstocks and out-of-stocks cost retailers more than \$1 trillion globally in lost revenue. While that number is alarming enough on its own, the problem multiplies when you consider that retailers are running the risk of turning a bigger share of wallet over to Amazon if it is viewed as a more convenient option for shipping and repeat orders.

We are addressing this issue with hundreds of retail clients by making sure their inventory is profit optimized. Our clients have seen annual profit improvements between 1% and 3% of sales. That’s \$10 million to \$30 million per year for a \$1 billion dollar retailer — and money that drops right to the bottom line. Other retailers can achieve this level of result even starting from relatively immature analytics capability, without significant capital investment. Here are the five steps to attain these benefits:

1. Benchmark your inventory efficiency and financial productivity;
2. Implement financial investment modeling: optimal financial return vs. chasing service levels;
3. Determine the customer behavior that drives the right mix of inventory for every item at every location;
4. Clearly demonstrate the return on inventory in a live pre/post, test/control environment; and
5. Deploy highly measurable, flexible and scalable solutions that utilize the latest advances in machine learning and advanced analytics.

By infusing retail inventory decisions with technology adapted from financial technology (fintech), retailers can now leverage their data to make profit-driven decisions about inventory — as well as many other aspects of their businesses. According to Gartner’s *Retail Assortment Planning: Not What It Used to Be*, “retailers are investing in new, analytically driven applications that will allow them to be very prescriptive with assortment in and across channels.”



SOLUTION SPOTLIGHT

Profit Optimized Store Replenishment applies a sophisticated economic model that analyzes demand patterns, inventory costs, margin, case pack size, lead times, and other supply chain parameters to determine the inventory level that maximizes profitability.

WHAT DOES “PROFIT OPTIMIZED” MEAN?

There are lots of ways to set inventory levels for the items you carry in your omni retail environment. Most methods involve some serious guess-work. Not only do traditional replenishment systems ask you to decide what the right level of inventory is, you have to do it for every single SKU-Location. That simply doesn’t scale, so you end up taking shortcuts that further compromise the quality of your decisions.

With 4R’s Replenishment Solution, there is no guessing. The right answer is the most profitable answer, and we know how to find it, for every item, at every location, every week.

That means that the time your team has been spending adjusting parameters can now be focused on more strategic challenges, while the business enjoys a substantial profit improvement.

Our cloud-based solution is designed to scale. We mine hundreds of terabytes of data to produce hundreds of millions of reorder points every week, for some of the largest retailers in the world. We also generate reorder points for small but fast-growing retailers who need a solution that is cost-effective, easy to deploy, scales with their business, and squeezes every last dollar of profit out of their inventory.

Benefits At A Glance

4R Omni Replenishment delivers profit-optimized reorderpoints for every SKU, at every location, every week.



Profit Driven Approach

We offer a replenishment solution that automatically determines the level of inventory that will maximize your profitability.



Low Risk

There are no upfront software license fees, hardware hosting costs, or staff training expenses. Profit-optimized replenishment starts accruing benefits from day one.



Scalability

We deliver hundreds of millions of reorderpoints to our clients every week, including some of the largest retailers in the world.



SaaS+

4R’s unique Software-as-a-Service “Plus” delivery model provides dedicated customer service experts as well as cloud-based software. Our team performs Quality Assurance on our deliverables and consults with you on a weekly basis. They act as an extension to your team, ensuring you are receiving maximum value.

To Learn More...



Retail TouchPoints is an online publishing network for retail executives, with content focused on optimizing the customer experience across all channels. The *Retail TouchPoints* network is comprised of three weekly e-newsletters, special reports, web seminars, exclusive benchmark research, an insightful editorial blog, and a content-rich web site featuring daily news updates and multi-media interviews at www.retailtouchpoints.com. The *Retail TouchPoints* team also interacts with social media communities via Facebook, Twitter and LinkedIn.

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