

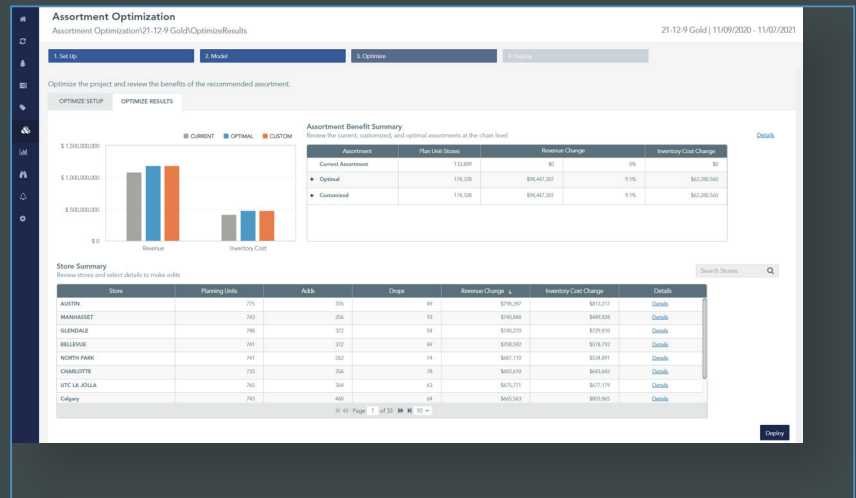


Intelligent Inventory Optimization

ASSORTMENT OPTIMIZATION

Maximizing assortment profitability
and overall financial performance

The pressure on retailers to get product assortment right is greater than ever. Merchants need to maintain a competitive mix as some consumers are willing to substitute their favorite product, if it is not available. Store space is limited and not having the right assortment blend or too narrow a mix runs the risk of losing customers to competitors and lost sales.



On the other hand, online stores, carrying too much variety and sizes could create confusion that may alienate customers and lead to overstocks and investment tied up in dead or slow-moving inventory. Supply chain complexities also add to this pressure to offer the right products in the right quantities at the right time in the right store locations.

When retailers plan assortment, they're determining the blend of products and where to place them, over a period of time in order to drive the most sales. Retailers consider more than just the product type. Product variables include size, color, price, material, and other characteristics within product categories. The variety of categories refers to the width of assortment, while the variations within that category is the depth of assortment. The challenge for retailers is finding that sweet spot between width, depth, scrambled and clustered. The sweet spot is crucial for improving profit margin and reducing unsellable or stranded inventory. Additionally, the one-size fits all assortment is no longer sustainable for retailer's long-term success. Assortment localization, (i.e. tailoring a store's assortment to reflect the demand of the community it serves) has tangible benefits.

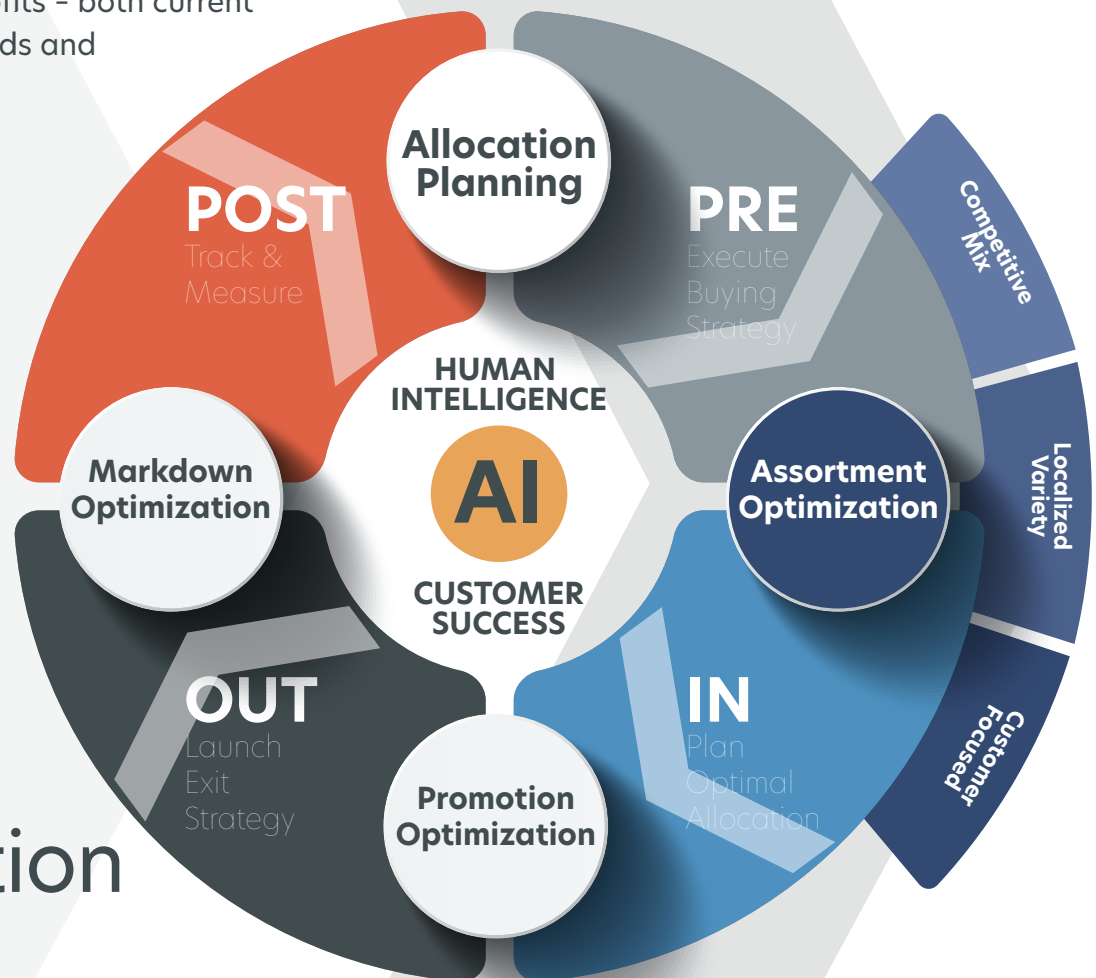
4R Assortment Optimization Solution enables retailers to create customer-centric assortments that best position product offerings at each location to meet customer preferences, improve customer satisfaction, drive sales, and maximize profits.

Successful assortment optimization requires:

- Up-to-date information on product performance
- Current customer demand balanced with historical inventory data
- Analysis of sales and profits - both current and historical - with trends and performance data
- Defined assortment benchmarks
- A cadence of continuous improvement that ensures assortment is always performing at its best

How do merchants determine the product mix that produces the best sales result for each location and maximum profitability?

SKU Lifecycle Optimization



4R Assortment Optimization gets you closer to the sweet spot - at the localized level

The 4R Assortment Optimization Solution At-A-Glance

| AI and Machine Learning Techniques | Advanced Analytics | Sophisticated Analytical Models | Localization Analyzer | Size Optimization Automation |
|---|--|--|--|---|
| Uncover correlations between product attributes and sales, identify substitution patterns, model the impact of promotions and seasonality, and predict demand for each item at every location, even where a product has never been sold | Identify the demand patterns for products and determine the optimal assortment to carry at each location | Create clusters of stores that adhere to operational requirements while maximizing profitability | See the benefits of multiple assortments versus one-size-fits-all assortment across stores | Generate size patterns and manages detailed size distributions to improve profitability by identifying which sizes are needed at which stores |

5 Reasons 4R Assortment Optimization is for You:

1

Proprietary Demand Modeling: Pinpoint growth opportunities by uncovering correlations between product attributes and demand, identifying substitution patterns, predicting trends for each item at every location, even when a product has never been sold

2

Next-generation optimization engine: Identify profit-optimized product mix for each location capturing local customer characteristics, preferences, and trends to bring valuable customers into the store

3

Proprietary algorithm: Zero in on the number of assortments that balance operational requirements against profitability

4

Flexible Customizations: Tailor capability to accommodate business needs and rules, including inventory investment constraints, product lifecycle status and age, and operational capabilities

5

Continuous Improvement Methodology: Implement workflow for modeling and rollout management, simulate alternative assortment strategies, performance monitoring and measurement tracking, and ensure assortment decisions are always performing at their best



Why Choose 4R?



Predictive Demand Planning

Machine learning forecasting solution identifies pure demand with our proprietary approach to demand decomposition and lost sales estimation.



Replenishment Planning

Delivers true multi-echelon recommendations for every SKU at every location within.



Allocation Planning

Allocates the next unit of product to the best store that maximizes in-season sales and minimizes stranded end-of-season inventory.



Assortment Optimization

Identifies the most profitable assortment of products for each location.



Markdown Optimization

Maximizes full sales price while at the same time exiting the seasonal cycle as profitably as possible.

- › Highly experienced SCM and analytics team that can help guide you towards a fast ramp-up and quick results.
- › Harness the power of Big Data and Machine Learning to drive insights.
- › Monitoring and measurement of critical events in your supply chain that require attention and real-time adjustment.
- › Proven algorithms that reduce complexity and optimize inventory performance.
- › Integration of customer data, ERP, marketing, distribution and CRM data to provide analysis and insights on critical forecast & profitability variables and promotion effectiveness.
- › Scalable solutions that grow with your business, so you pay only for what you need.
- › Quarterly health reports that include a wide array of performance data.

"We are always looking for ways to enhance the in-store experience for our team members and guests. The 4R solution will build on our existing inventory management processes to simplify store operations and dramatically improve our in-stock position. As we look to optimize inventory across the board, 4R is delivering a solution with robust insights and data to drive sales and make it easier for our team members to provide the items our guests need while on the road."

*~ Brian Ferguson, Chief Merchant
Pilot Company*



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