SAS® Promotion Optimization

Precise, targeted and profitable promotions

Overview

In order to stand apart from the competition, increase market share and improve profitability, you need a high-performance analytical foundation. This foundation should enable you to analyze valuable data assets, work collaboratively using a consistent business process and create targeted promotions that improve margins and customer loyalty.

Creating the most effective customer retention and migration strategies requires an accurate and adaptable demand forecast to predict consumer demand down to the store/SKU level. This is the best approach to implementing localized and targeted promotions that deepen your relationship with customers.

Built on a high-performance analytics platform, SAS Promotion Optimization reduces time to insight, giving you more planning time to target your most valued customer with promotions that further your corporate strategy, profitability and product relationships.

Using real-time, what-if scenarios, you can evaluate the effects of multiple promotion strategies and quickly tailor events to target the right customers at the right time.

■ Challenges

- **Lack of insight into promotion effectiveness**. Without the necessary analytical systems, retailers cannot measure the incremental effect on demand and profit of affinity, cannibalization or other factors.

- **Process complexity**. Without an integrated platform for workflow automation and exception management, you cannot optimize based on objectives, consumer demand, halo and cannibalization, or monitor ongoing performance.

- **Disparate data and systems**. Merchants, marketing and IT struggle to integrate sales, cost, competitive, loyalty and third-party data that provides the insight to enable targeted promotions that provide competitive advantage, enhance customer loyalty and optimize profitability.

- **Demand forecast accuracy**. To accurately account for variability across markets you need a scalable, accurate and integrated forecast to understand how consumers will respond to offers in order to gauge promotional and advertising effectiveness.

Integrated processes for maximum return

The SAS® Solution

SAS Promotion Optimization provides retailers with proactive answers to create profitable and targeted promotions, aligned with corporate strategy. The solution generates optimized price and promotional vehicle tactics using the industry's most accurate demand forecast at the store/SKU level.

Using a high-performance analytical platform to speed insight into the vast amounts of retail data, SAS provides retailers with the knowledge to influence customer behavior by creating targeted promotions that increase:

- Transaction frequency.

- Up-sells.

- Cross-sells.

- Basket size.

Demand forecasts also inform your supply chain to maximize in-stock positions. Powerful what-if scenarios enable you to evaluate proposed vendor deals and know how customers will respond to promotions improving your vendor negotiations and optimizing financial results.

Why SAS®?

Retail promotional activity continues to increase and become more complex. And competition for the consumer dollar is intense. Additionally, a more informed consumer with more choices results in shopping behavior that constantly changes. Using the industry's leading analytics to optimize promotions and ads presents an opportunity for retailers to deliver targeted offers. Retailers choose SAS because:

- **Delivering relevant, engaging and targeted promotions** is necessary to enhance consumer loyalty and increase profitable consumer spending. It is no longer good enough to promote to simply increase sales and unit volume. The sales must drive increased profitability and be measured against goals.

- **Promotion optimization based on consumer demand** at the store/SKU level creates the most effective and compelling offers for your customer segments. You can promote proactively and strategically with a detailed understanding of customer, market and product impacts.

- **Promotion planning and execution is streamlined** on a common platform for data and forecasting. Marketing and merchandising are able to synchronize and streamline activities across all of your promotions and ad planning activities, your supply chain is better informed, and your negotiations with vendors are more effective and productive.

Benefits

Increase sales and margins

Understand consumer response before implementing promotions by using powerful what-if scenarios to model and evaluate the effects of alternative strategies and select those that deliver the highest sales and margins. With a detailed view of elasticity and cross-category effects, you can better maintain price image and corporate goals for sales and margins. You can optimize promotional pricing and circular placement for maximum profitability. Merchants can evaluate trade spending on brands by vendor or by category, ensuring profitable promotion spending for current and future events.

Maximize optimization and forecasting

Run forecasts and optimization computations more quickly using a high-performance platform, enabling you to evaluate more scenarios and find new profit opportunities. Create optimal promotions by using high-performance demand forecasting to accurately predict consumer demand down to the store/SKU level, then localize promotions based on store, zone or segment-level demand.

Improve efficiency and accuracy

You get automated recommendations that account for trade funds when selecting items for a promotional vehicle or in-store promotion. Configure the user interface based on your business process for creating and publishing marketing calendars, simplifying workflow and approvals. Improve the accuracy of your costs on demand from your pricing systems. A single promotion can

be established with a price offer and miles offer, or price offer and points offer. You can define marketing vehicles and versioning to manage promotions across stores and banners.

Improve vendor negotiations

Conduct vendor negotiations with confidence. Store-level forecasting and what-if scenarios provide insight about how your customers will respond to the promotions in your stores. Use reports and embedded application views to focus spending on items that create incremental profit. Easily track trade spending on brands by vendor or by category.

Capabilities

High-performance modeling and optimization

- Evaluate promotional alternatives to deliver the most effective, targeted and profitable promotions.

- Automatically adjust promotion recommendations based on current consumer demand.

- Use business constraints and the demand forecast when determining which promotional strategy will maximize results relative to financial goals.

- Update cost on demand for improved precision.

- Use powerful what-if capabilities to evaluate alternate promotional scenarios and proactively evaluate consumer response.

- Optimize promotional strategies by evaluating product cross-effects to achieve sales and margin objectives.

Forecasting

- Model and forecast for every store and every SKU providing detailed insights that allow you to shape demand.

- Use a common data set for demand forecasting and analytical models that produce a more accurate forecast.

- Access a transparent view into model outputs so you understand why promotion recommendations are made.

- Account for seasonality, shifting holiday dates and promotional variations with advanced analytics that are capable of forecasting complex scenarios.

- Enable stores to maximize in-stock positions with accurate forecasting that informs your supply chain systems.

- Use in-house model management versus expensive consulting or subscriptions.

■ **The SAS® Difference**

- **Store-level analytics to optimize promotions**. You get optimized results by planning and implementing the most profitable promotions by deconstructing demand by store and by item.

- **A high-performance retail architecture**. You will better understand how consumers will respond and how other products are affected by promotions.

- **Easy-to-understand results with model maintenance flexibility**. Your models will "learn" with every refresh of the data and your model workbench generates alerts when adjustments are needed.

- **Lower cost of ownership with flexible deployment and integration**. You can choose to deploy a standalone solution, or it can be easily integrated with SAS Promotion Optimization or SAS Markdown Optimization, because they operate on a common platform, database, model and forecast.

Workflow automation

- Use system-generated recommendations based on rules, demand and inventory.

- Create and publish marketing calendars and approval processes with dates using configurable workflows.

- Use on-demand integration for visibility to custom metrics (e.g., customer segmentation) from external systems.

- Receive notification of assigned/ unassigned spots in marketing vehicles, regular cost and price changes, approval due dates, due dates for publishing marketing vehicles, and promotions imported from vendor deals.

Reporting

- Measure business impact using built-in reporting that provides both graphical and table comparisons.

- Establish and measure key performance indicators (KPIs).

- Create custom reporting using a data mart extract that can populate existing reporting tools.

- Maintain exported data in SAS tables or other databases.

Flexible hierarchies

- Determine the best modeling hierarchies by using the business hierarchy and a combination of product and location attributes when evaluating category and item relationships.

- Establish separate business and modeling hierarchies to support effective business decisions and the best possible modeling and forecasting results.

About SAS

SAS is the leader in business analytics software and services, and the largest independent vendor in the business intelligence market. Through innovative solutions, SAS helps customers at more than 60,000 sites improve performance and deliver value by making better decisions faster. Since 1976, SAS has been giving customers around the world THE POWER TO KNOW.®

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