



# SAS® Revenue Optimization Suite for Retail

High-performance lifecycle pricing



## Overview

Across channels, brands, product life cycles and retail market segments, retailers create better financial results with SAS. The SAS® Revenue Optimization Suite provides a comprehensive view of consumer demand so retailers can optimize lifecycle pricing strategies and corporate profitability.

Only SAS offers regular price, promotional price and markdown optimization on a high-performance platform to speed time to insight, allowing for proactive decisions as market conditions rapidly change.

SAS Revenue Optimization is the only solution capable of delivering the most accurate demand forecasts at the store/SKU level, enabling targeted, localized strategies and optimal financial results.

## Challenges

**Informed customers.** Retailers are faced with omnichannel customers who know prices across channels and merchandise and can view stores as showrooms.

**Deluge of data.** Retailers are drowning in data and struggle to make informed decisions about pricing — and to implement them.

**Increasing competition.** The retail industry has never been more chaotic and competitive across sectors, geographies and products. Developing and implementing or changing an informed price strategy is daunting.

**Sustainable success.** Winning retailers need knowledge to create a competitive advantage that is difficult to copy and will delight their customers from the beginning of the shopping experience and beyond.



# Precise Pricing Decisions

## Key Benefits

- **Increase sales and gross margins** with a proactive approach to optimizing price, promotion and markdown strategies.
- **Increase promotion profitability** by targeting promotions at local markets.
- **Set the right price for every product in every store** by setting pricing and promotions based on accurate consumer demand forecasts and precise market intelligence.
- **Identify opportunities to adjust prices** to boost the profitability of individual products as well as encourage customers to shift from purchasing low-margin products to high-margin products.
- **Tailor promotions and prices to customers** to increase customer loyalty and profits.
- **Maximize in-stock positions** by supporting replenishment systems with store-level demand forecasts.
- **Optimize weekly ads** for products, categories, banners and locations that maximize profitability.

## How SAS® Can Help

SAS enables retailers to proactively plan, optimize and execute pricing decisions with a comprehensive understanding of consumer demand and markets. Our high-performance computing platform speeds time to insight with unparalleled precision and forecasting accuracy.

### Accurately forecast demand, sales and margins

Demand forecast accuracy is the foundation for creating the most effective and profitable pricing, promotion and markdown strategies. An effective demand forecast must be detailed enough to reach the SKU/store level and account not only for elasticity and causals, but also for consumer preference and market intelligence.

To create effective pricing strategies, this detailed forecast must be automated and available in near-real time to enable proactive revenue optimization decisions based on localized customer-centric preferences. A retailer's ability to understand the effects of localized pricing decisions is imperative for increasing profitability and shaping consumer demand.

### Increase profitability through price optimization

Optimizing pricing is the key to increased sales, higher margins and competitive advantage for retailers. Pricing is a complicated process that must account

for consumer price sensitivity, promotional activity, competition, brand image and corporate goals. Additionally, consumer demand and consumer preferences vary across – and even within – markets, so to be successful and effective, retailers need predictive analytics to understand consumer demand at the SKU/store level. A common platform and forecast to manage these interdependencies across the life cycle enable proactive pricing decisions that determine sales, margin and basket size.

### Develop and implement effective, targeted promotions

Trade promotion spending is an integral part of retail. Consumer products companies invest hundreds of billions of dollars in promotions. With more than 70 percent of consumer purchase decisions made at the shelf, retailers must effectively plan and optimize these events to bolster profitability.

Retail leaders understand today's environment requires a targeted and systematic approach to promotions. Circulars and offers based on an average or aggregated view of the consumer fail to foster customer loyalty, increase basket profitability and shift customers to more profitable items. Retailers must be more targeted with promotions and take a proactive approach to meet customer demand.

## Systematically plan and optimize markdown pricing by store

In order to stay competitive and relevant, retailers must keep merchandise current by clearing seasonal, slow-moving or overstocked merchandise in a systematic way that maximizes sell-through and margins.

The traditional approach – chainwide schedules with static discount percentages – fails to account for inventory levels, differences in consumer demand and market conditions.

Today's leading retailers recognize the need to be proactive to optimize the revenue, margin and markdown

cadence at a store/SKU level. This store-level precision enables you to plan a pricing and clearance strategy that accounts for store sales volume, inventory and price sensitivity. To be successful, you need a scalable analytics platform that allows you to forecast and evaluate different scenarios and streamline the process using automation and alerts.

## Components

SAS provides full lifecycle pricing for retailers. Each retailer's needs and paths to competitive advantage are different. The SAS team will work with your team to understand your vision and goals and then determine the best road to success.

## SAS® Regular Price Optimization

Powered by industry-leading demand modeling and forecasting, SAS Regular Price Optimization enables retailers to create a demand-driven pricing strategy that optimizes financial targets and enhances customer loyalty. Our high-performance computing capabilities speed processing and model calibration, enabling faster optimization and evaluation of pricing iteratively and in batches.

SAS Regular Price Optimization strategically manages and optimizes prices based on competition, goals, business rules, tactics and ad placement at a customer, market or store level, for all

The screenshot displays the SAS Merchandise Intelligence interface. The top section shows a marketing calendar for 'Grocery Q4 2008 - In-season Tracking' from Sep 14 to Nov 23, 2008. It lists various campaigns like 'Fall Savings', 'Home For the Holidays', and 'Veteran's Day', along with themes and events. The bottom section is a 'Targets and Metrics' table comparing actual performance against budget and expectations for various products.

Product	Style Count	Market Count	Total		Sep 7 - Week 37				Sep 14 - Week 38				Sep 21 - Week 39 *				Sep 2			
			Actuals...	Approved	Actuals...	Approved	Actuals...	Approved	Actuals...	Approved	Actuals...	Approved	Actuals...	Approved	Actuals...	Approved	Actuals...	Approved		
<b>Total</b>			<b>15.49</b>	<b>985,275...</b>	<b>99.99</b>	<b>1,140,2...</b>	<b>83,327.47</b>	<b>88,000.00</b>	<b>77,979.30</b>	<b>89.34</b>	<b>63,583.82</b>	<b>73,500.00</b>	<b>77,034.34</b>	<b>112.08</b>	<b>70,032.38</b>	<b>78,300.00</b>	<b>96,496.00</b>	<b>135.22</b>	<b>102,493...</b>	<b>111,500</b>
CATFOOD-CAN DEL...	43	3	14.57	248,223...	91.98	291,286...	20,249.56	22,500.00	23,130.90	102.80	17,967.07	23,000.00	19,932.01	86.66	17,593.77	23,000.00	23,997.63	104.34	20,704.22	26,000.1
JUICE - APPLE	28	3	17.49	291,853...	97.04	337,316...	17,920.00	20,000.00	21,286.45	106.43	14,925.06	20,000.00	24,176.11	120.88	15,341.18	18,000.00	29,037.71	161.32	25,571.07	30,000.1
JUICE-CRANCOCKTAIL	44	3	15.12	287,835...	91.68	332,543...	22,020.34	22,500.00	22,644.54	100.64	23,123.78	23,000.00	22,063.80	96.93	28,786.12	29,000.00	28,883.56	99.60	48,660.94	48,000.1
SPORT DRINKS	54	3	14.79	157,363...	119.23	179,143...	23,137.57	23,000.00	10,917.40	47.47	7,567.90	7,500.00	10,862.42	144.83	8,311.31	8,300.00	14,577.10	175.63	7,557.46	7,500.1

The marketing calendar in SAS Promotion Optimization provides visibility to marketing intent for a quarter or season as well as metrics to compare last year's performance and budget to the expected/actual performance.

items. System-generated alerts recommend price changes based on market changes, giving your team more time to capture new price opportunities.

High-performance demand forecast models provide real-time insight, evaluating elasticity, affinity, cannibalization, cross-category and seasonality for each store and each item. The models also evaluate the effect of planned and approved promotions when optimizing price, enforcing price change rules during promotional periods.

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### **SAS® Promotion Optimization**

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Powered by industry-leading demand modeling and forecasting, SAS Promotion Optimization enables retailers to deliver the most compelling and profitable customer-centric promotions. Retailers can easily manage and execute the optimal selection of products and prices, responding to customer demand and transparently measuring effectiveness. Additionally, faster and more accurate evaluation of promotions enables retailers to more effectively negotiate vendor deals – with the knowledge of how customers will respond.

SAS Promotion Optimization uses high-performance, store-level analytics to deliver customer-centric promotions that optimize promotional price and ad placement, leading to an increased share of the customer's wallet. Additionally, by incorporating customer intelligence, you can identify customer segment relevancy and optimize direct customer offers.

Automated recommendations account for trade funds when selecting the optimal product to fill ad spots in a promotional vehicle or for an in-store promotion, improving promotion effectiveness and increasing profit. Configurable workflows increase the effectiveness of automated recommendations by enhancing collaboration between merchandising and marketing to align calendars, events, vehicle placement and customer insights.

The solution provides the ability to evaluate trade spending on brands by vendor in weekly circulars or by category across time, ensuring profitable promotion spending for current and future events. Reports and embedded views provide you with reporting to track trade spending by vendor across circulars and by category over time to enhance compliance and focus trade spending on items that drive profit.

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### **SAS® Markdown Optimization**

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Enabling leading retailers to take a proactive approach to optimize the revenue, margin and cadence of markdowns at a store/SKU level and powered by a SAS high-performance platform, SAS Markdown Optimization speeds time to insight, allowing retailers to execute critical markdown decisions with precision, keeping inventory fresh and relevant.

SAS provides the analytics, speed and retail expertise to implement optimum clearance-pricing strategies for all markdown types, including underperforming items, seasonal clearance,

category reset, holiday or discontinued items. Using real-time “what-if” scenarios, retailers can evaluate the impact of multiple markdown strategies to quickly tailor the event to meet their individual goals.

## **Why SAS®?**

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### **Advanced optimization techniques**

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While all vendors offer optimization techniques, typically they create forecasts at the category or segment level, and those “averages” are applied across stores. SAS recognizes the flaw in these approaches and is the only vendor that provides the granularity and accuracy of store/SKU level optimization. Based on recent head-to-head comparisons, SAS provides the highest level of accuracy to determine the most profitable pricing scenarios throughout the product's life.

## **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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