

# Merchandising and Marketing Optimization

Closing the Gap Between  
Insights and Actions



# The Retail Challenge

**Merchandising** decision making is typically conducted based on historical, aggregated data

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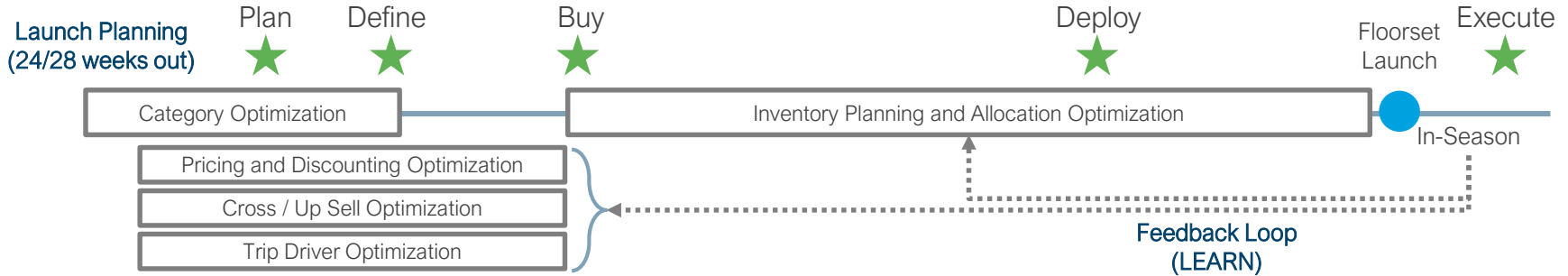
**Marketing** decision making is typically done independently and is based on customer level data

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This separation between functions creates **data and insight gaps**



# Decision-Making Processes



Decision-Making Process	Objective	Key Question	Business Impact	Primary Stakeholders	Secondary Stakeholders
Plan	To define the assortment in line with true market demand.	Do we have the optimal assortment? Are we anticipating market trends well?	Missed assortment alignment market trends > Loss of brand value	Merchants	Planners and Marketing SMEs
Buy	To place the right buy orders to meet the chain level demand with minimal waste.	Are we anticipating the demand well? Are we building enough stock for supply constraints?	Missed opportunity to buy and stock in time > Higher cost to procure or waste at the end.	Planners	Direct Procurement SMEs
Deploy	To allocate right product at the right place and right time for maximum sales impact.	Are we deploying right to each store? Is our supply in-sync with true demand? Do we have the right channel strategy?	Missed opportunity to allocate in time and in place as per demand > Out of / excess stocking and cannibalization.	Demand and Deployment SMEs	Supply Chain SMEs and Marketing SMEs
Define Promotion	To define optimal promotion strategy to meet the financial and brand expectations.	Is our discounting strategy effective? Is our demand elastic to promotion? Where to promote, what to promote?	Missed opportunity to meet the financial goals due over or under promotional strategy.	Marketing SMEs	Planners
Execute Promotion	To act on the defined promotion strategy at micro-segment level.	Is our promotion strategy in line with our plan? Where do we promote? How do we promote?	Missed promotion plan will impact category build leading to missed targets.	Marketing SMEs	Store Ops SMEs

# The Opportunity

Apply customer level data and AI/ML together to measure and optimize the inventory planning to **achieve better business results**



# Benefits of Closing This Gap with Customer Level Data and AI/ML

Leverages customer level data beyond marketing use cases

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Enables more informed, accurate and timely decision making for the business

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Provides suggestions based on AI/ML algorithms

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Same data is optimized and applied to both Merchandising and Marketing functions

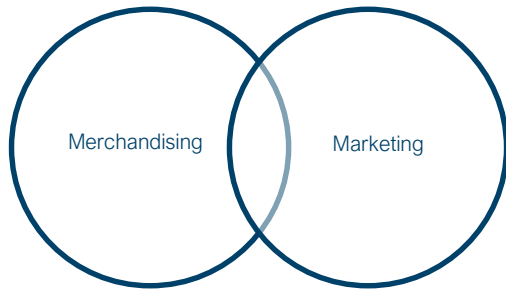
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Measurement and continuous business improvement are built into the process

# Our Solution

## Acxiom Merchandising and Marketing Optimization

Leveraging Customer Level Data and AI/ML Technology to **Unlock New Growth Opportunities** and **Better Measurement and Decision Making** for Inventory Planning & Allocation and Marketing Optimization





# Is your inventory planning and allocation in line with 'true market demand' at the store-SKU level?

## DESCRIPTION

Inventory decisioning is typically top down, financially motivated and based on historical information allocated at store-grouping level. There is a high degree of error.

This solution enables the business to optimize measurement and inventory decisioning in a more agile, data-driven manner from the bottom up (SKU-Store/Channel level) considering marketing team's inputs prior to buy / deploy decision-making.

## DATA

Data, identity resolution and data unification are applied to improve the intelligence and accuracy of customer level data used to inform analysis.

## PLATFORM

Platform senses innumerable demand signals in real time to pin-point expected out of stock or excess stock situations for SMEs to take proactive steps (optimal initial allocation or store transfers or replenish).

Make better informed, more timely decisions

# Acxiom Merchandising Optimization

- In today's customer-driven business environment, it is imperative to have the right stock available in the right place, at the right time and at the right price.
- Managing optimal level of inventory in the DC and store is a challenge retailers face.
- Understocking can lead to lost sales opportunities, and overstocking leads to heavy markdowns and missing gross margin targets. Retailers can lose 8%-10% sales overall due to under/overstocking.
- Most retailers today have huge volumes of structured and unstructured transactional and operational data. Despite having "information," retailers don't have the "insights" needed to continually make the most of their business.
- Today's retailer expects information systems to be cognitive-smart, intelligent and self-teaching. Systems must be able to look at the big picture to recommend the best strategy.
- This solution views enterprise-wide inventory data in real time and is able to analyze and understand if the current sales trend could lead to running out of stock. It leverages consumer level data and key audience propensity insights.

Platform presents empirical evidence of the opportunity based on historical data and advanced predictive machine-learning algorithms leveraging market-level data, customer level data and audience propensity data.

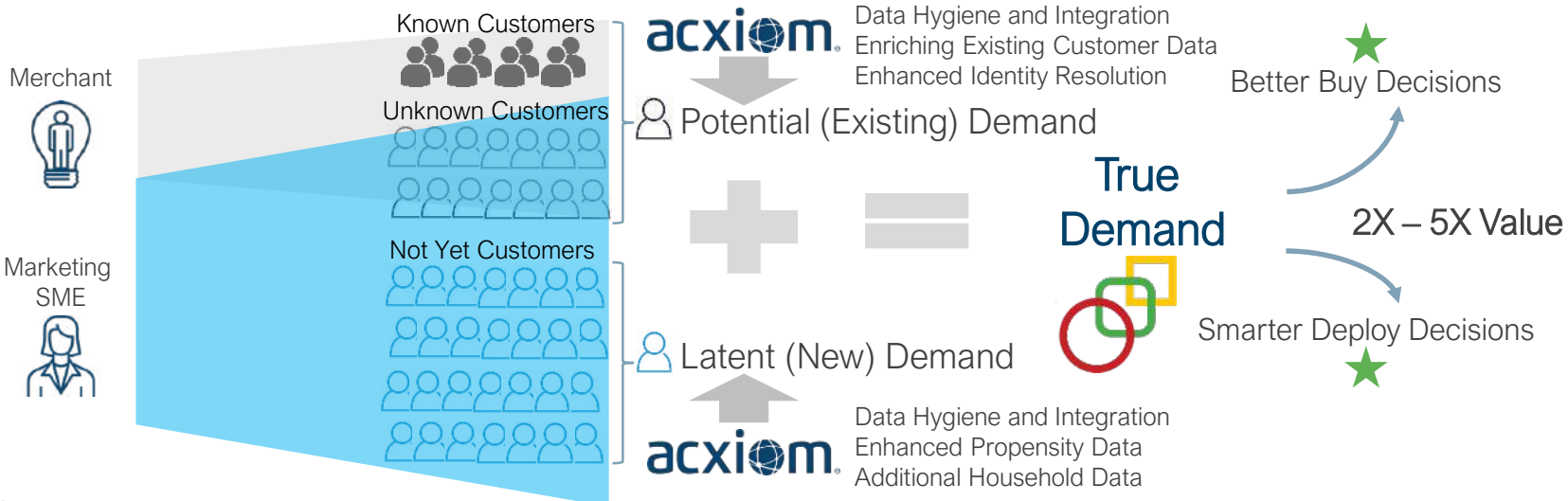
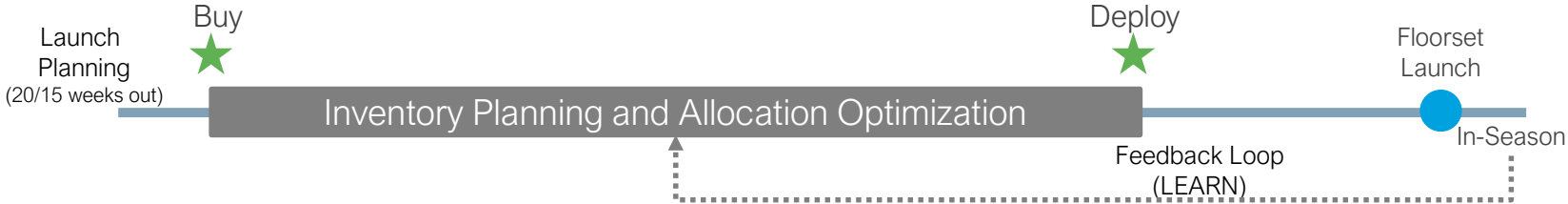


Platform utilizes a question-and-answer mode to enable user to dig deeper into business areas with insights scooped from customer level datasets.





# Inventory Planning and Allocation Optimization Process



# Merchant's Goals



Leverage consumer level data to predict the number of sku units that will be sold without changing marketing and advertising practices.

Store & Week Level



Leverage consumer level data predict the potential number of sku units that will be sold with targeted consumer level marketing and advertising

Store & Week Level



Create audience segments based on potential to direct highly targeted messaging to new consumers that will be sku driven

Store & Week Level

# Inventory Planning Tuning

Identify ROI Levers that correlate marketing & advertising efforts to potential

- Channel Spend
- Conversion Rate
- Lifetime Value
- Margin at SKU level
- Predicted volume

Future Ideas:

- Incorporate Weather Models for the year
- Influence staffing or consumer needs
- Incorporate disaster events

# Inputs

Map of Store, SKU, Week and Counts for the size of the audience

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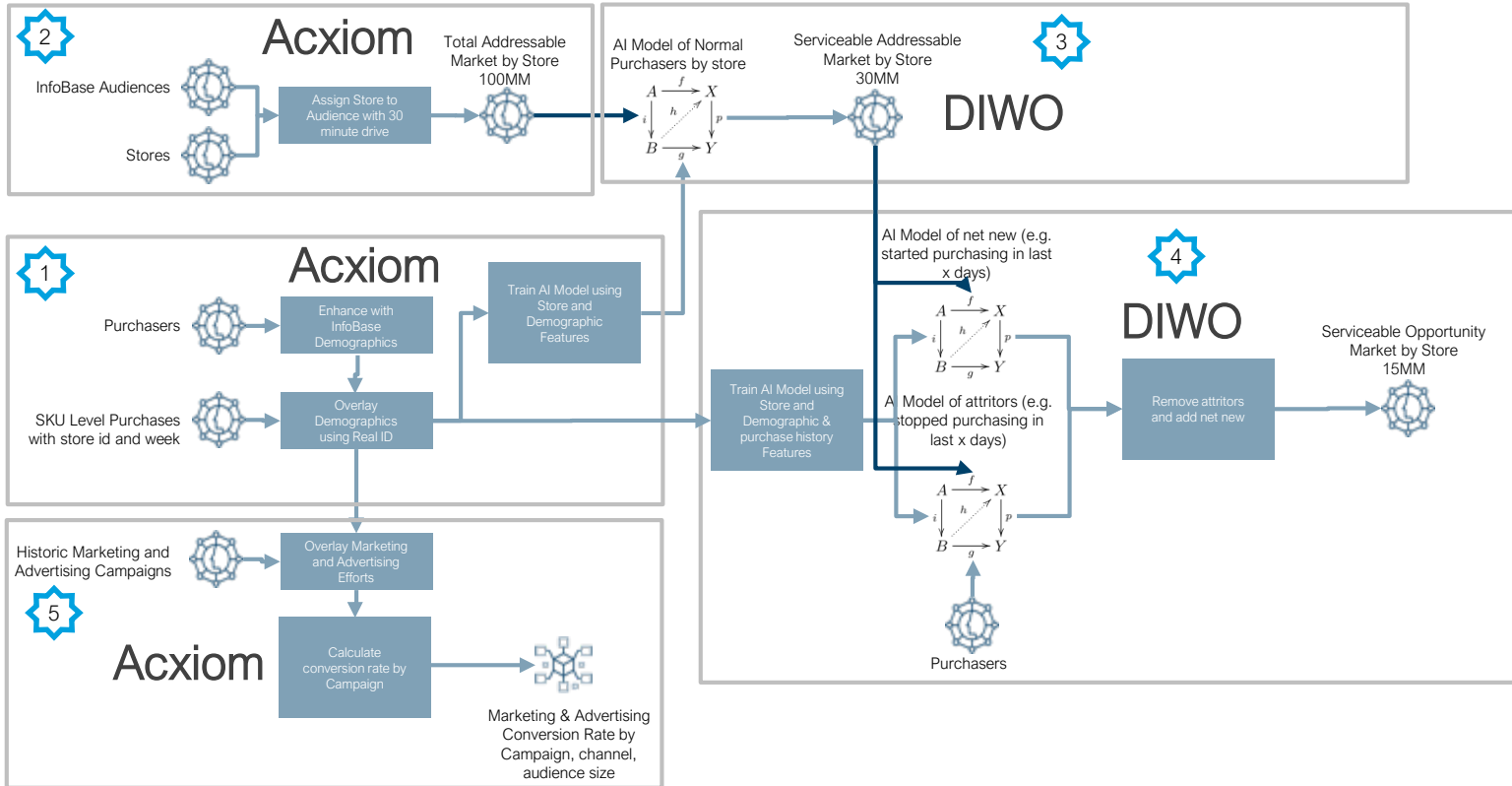
Historic marketing and advertising performance metrics (e.g. how much lift has the past efforts driven)

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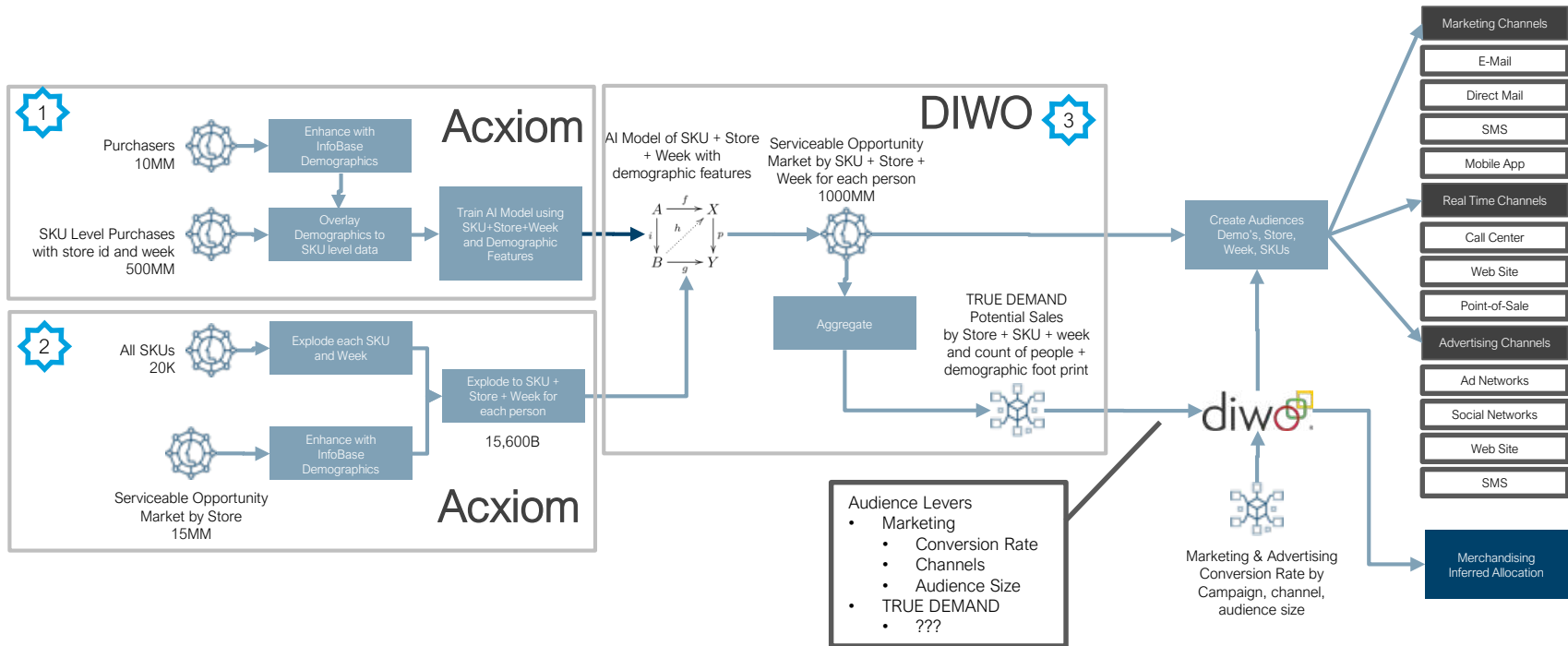
Data informs marketing and advertising platform that can then react to the agreements of marketing, inventory planning and purchasing so that:

- Merchandising can build, deploy and optimize an effective inventory planning and allocation process that is adjusted in real time before and during the season
- Marketers can build a marketing plan based on all this information and activate against that in a timely manner, adjusting to real time insights to increase or decrease marketing and advertising efforts

# Audience Market Opportunity



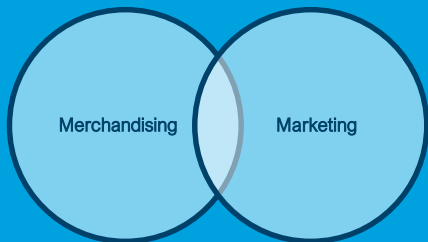
# SKU Opportunity





# Engagement Process

Leverage Customer Level Data and AI/ML to Unlock New Growth Opportunities and Better Measurement and Decision Making for Merchandising and Marketing



Workshop for Selected Use Case(s)

Data and Readiness Assessment

Solution Recommendations

Proof of Concept

Analysis and Refinement

System Wide Deployment

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