

Retail Simulation Engine | Product Engine

f a c t s h e e t

A category manager has to understand the customer. He must have a profound comprehension of the customer's view on his assortment and his articles which includes not only sales and profit figures. The Product Engine from Dacos® as a component of the Retail Simulation Engine allows such a view on the assortment and depicts with a high degree of transparency coherences within the assortment not recognizable up to now.

If for example articles with a low compound value, a low gross profit and a reduced purchase frequency are detected in time, it is recommendable to replace these articles by those which will entail an increase in the gross profit of the respective merchandise group. In this context compound effects have to be taken into account so as to allow an increase in the gross profit of additional assortment segments. The quicker such fragile articles will be recognized and replaced by stronger articles, the higher the gross profit will be for the assortments in question. A sustained increase in the company's success will be the consequence.

The Product Engine is to be seen as a supplement to the Retail Simulation Engine with regard to analyses on the assortment, sales slip value and compound purchase. These analyses provide essential key information on how to assemble an individual assortment.

Assortment analysis

The assortment analysis supports category managers in identifying articles with a performance below average and consequently in finding delisting candidates based on this information.

The assortment analysis starts with a view on the aggregate figures of the selected merchandise groups. It moreover includes information on the merchandise group, the article group description, the quantity, the revenue, the profit and its respective margin, days with and without sales, and all this information with reference to one subsidiary or to one subsidiary group.

Subsequently, the result of the assortment analysis demonstrates the development of one individual article with regard to its environment. In terms of a forecast the data will be transferred onto the following three months taking into account seasonal influences and trends, as far as the existing data includes this information.

The demonstration is effected in a combined, split window. Initially the last month of the analysis period is to be shown. The upper part of the screen shows the monthly view as a *bubble graph*. In the bottom part you will find the results as a table with the figures showing what proportion the considered article has in the respective mini merchandise group (the lowest level of the merchandise groups) as to quantity, revenue and profit.

The *Bubble Graph* offers a 3-dimensional view on the result of the assortment analysis which is variable in time. Every article, respectively every element of the aggregation will be symbolized by a circle. The circle area depicts how high the profit of a considered article is in proportion to the monthly profit (respectively the weekly profit). On the horizontal level you will see the quantity proportion of the article in comparison with the total quantity of the mini merchandise group. The vertical level indicates the changes the quantity proportion of the article experienced in relation to the sales volume of this very article within the same period of the previous year.

Sales Slip Value Analysis

In addition to the sales and profit data of the considered articles, the sales slip value analysis includes the real slip value. How high is the slip value if a considered article appears on it? Does an article which possibly does not yield any considerable profit take along with him on his slip other high-profit articles?

The sales slip value analysis considers for one subsidiary or subsidiary group per article exactly those sales slips which include this very article and consequently calculates the following figures:

- ▲ Number of sales slips per month

Determine delisting candidates

Get an idea of the relative development of individual articles

View on both the profit and quantity proportion and on the changes as to the previous year

Include real sales slip data

- ▲ Average revenue, profit and quantity per month for all sales slips that include the respective article
- ▲ Average revenue, profit and quantity per month per individual sales slip
- ▲ Average quantity of different articles per individual sales slip

Hereby the user gets valuable information on what product purchases are combined with especially profitable purchases of other products. In addition to the assortment analysis the sales slip value analysis is an ideal tool to look with determination for those articles appropriate for promotional campaigns.

Moreover, the sales slip value analysis offers a "sales slip prognosis" for three months based on the latest purchase figures. As far as the data basis offers the respective possibility, seasonal influences and trends are taken into account by this prognosis.

Compound purchase analysis

The compound purchase analysis allows to analyse what articles the customer frequently purchases with each other. Thus the compound purchase analysis represents a qualitative counterpart to the sales slip value analysis which analyses the slips of a selected article as to its quantity and provides sales relevant figures such as the average revenue, profit and quantity of such a slip with regard to a subsidiary or a subsidiary group.

What a compound purchase analysis is used for:

- ▲ To create consumer profiles for certain products: *"Tell me what you intend to buy, and I tell you who you are."* Compound purchase analyses shed light on the consumer group of those articles under examination. This information is for instance relevant for the direct marketing to address systematically certain consumer groups with promotion campaigns (e.g. coupons) including compound merchandise groups.
- ▲ To compose an article mix for promotion campaigns. Based on the key articles for a promotion (e.g. articles taken from a manufacturer's Trade Promotion), the compound purchase analysis provides information on what merchandise groups the consumer perceives as a compound article to these products and what consumer groups are addressed by the promotional campaign. The decision on whether a strong focus is to be set by encouraging the purchase of additional compound articles or whether other non-compound articles are to be promoted is based on this specific information.
- ▲ To create subsidiary profiles. What is the difference in compound purchases with different subsidiaries? Detected differences at this point may help to better understand the customer behavior of a specific subsidiary (in comparison with other subsidiaries). This enhanced comprehension on the other hand exerts decisive influence on how a subsidiary will deal with pricing, product portfolio or presentation in future.
- ▲ To detect promotional effects. What is the difference between compound purchases realized in periods of engaging promotional campaigns and those realized in non-promotional periods? Detected differences at this point reveal for example how the consumer group of an article changes in the course of a promotion.

Example:

What does a customer purchase along with cereal bars? With a full-line provider you will come across articles such as bread, butter and milk – and this is no surprise.

So as to enable a more qualified answer to the preceding question, the request has to be precised:

What does the customer buy more frequently along with a cereal bar, namely significantly more frequently than on any slip? Under these circumstances, the answer will also include e.g. articles belonging to the merchandise group sport nutrition, cerealia, diet nourishment, wellness teas, rice wafers. The result is a consumer profile with direction to the sporting sector and health-conscious nutrition.

You can find Dacos Software GmbH on the Internet at www.dacos.com.

Detect articles appropriate for promotional campaigns

Identify articles which are frequently purchased along with each other

Realize customer groups of individual articles

Determine an article mix for promotional campaigns

Develop subsidiary profiles

Measure promotional effects

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