

7thonlineSM OPTIMIZATION SERVICES

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7thOnline, Inc.
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Intelligent Seeding through Optimization for apparel, footwear & accessories

Many merchandising decisions are data-driven, yet the sheer volume and complexity of the data prohibits merchants from effectively utilizing it. With 7thOnline Optimization Services, merchants can translate otherwise unwieldy data into actionable recommendations that provide maximum profit potential. Our optimization solutions have been built with the flexibility to account for each of our client's specific business process requirements.

ASSORTMENT OPTIMIZATION Generates the recommended distribution of purchasing dollars across various categories and classes of

merchandise by store as well as the SKU breadth and depth by store. Recommends target stores for products with certain attributes to best match the store assortment with local demand.

SIZE OPTIMIZATION Recommends size profiles for open stock, pack configurations for pre-packs, and distribution of open stock and pre-packs to stores.

SPACE OPTIMIZATION Recommends optimal allocation of floor space to each merchandise category.

Custom optimization services also available.



Assortment Optimization

In order to determine optimal store assortments, retailers must consider financial and strategic objectives, historical sell-thru and missed opportunities, local demographics, and many other factors. Though much of this data is available to them, the volume and complexity prevents them from effectively leveraging it. Instead, merchants are forced to rely on intuition and their own number crunching, resulting in unnecessary missed sales opportunities and excessive markdowns.

With 7thOnline Assortment Optimization, retailers can be confident that they are investing in a merchandise mix for each store that maximizes profit potential. Based on historical performance, customer data, and strategic objectives, 7thOnline Assortment Optimization generates the optimal category, class, and SKU breadth and depth to meet local demand while incorporating the necessary constraints. The optimization can be performed at various levels depending upon the retailer's requirements:

Inventory Optimization Generates the recommended distribution of purchasing dollars across various categories of merchandise (e.g. fashion, basics, key items, etc.) required to maximize financial performance.

Class Optimization Recommends the dollars and units by class for each store required to maximize gross margin.

SKU Optimization Recommends the number of style/colors by class by store and the associated units required to maximize gross margin.

Location Optimization Recommends target stores for products with certain attributes to best match the store assortment with local demand.

Open-to-Buy Optimization Determines the profit maximizing allocation of financial targets to match assortment planning levels.

Key Features of Assortment Optimization

- Estimates sales potential at different price discount levels
- Identifies the top selling styles and recommends the quantity needed to maximize margin contribution
- Identifies and accounts for lost sales on styles with under-purchased units
- Identifies and accounts for an under-purchased breadth of styles
- Considers the potential price erosion as more units are added to styles
- Determines the optimal balance of adding units to the top selling styles or adding additional styles
- Customizable to meet specific retailer requirements

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“Markdowns and overstocked inventory are often not a result of misguided assortment strategy, but rather a result of poor execution of merchandise allocation and distribution. With 7thOnline Optimization Services, merchants can be confident that they are executing assortments that best match their customers’ local buying behavior and maximize profits.”

Dr. Saman Hong, VP Analytics & Optimization Solutions



Key Benefits of Assortment Optimization

- Increased SKU productivity (identify and reduce under-performing products and invest more in top sellers)
- Increased full-price sell-thru and reduced markdowns and stock-outs
- Improved customer satisfaction and loyalty through localization of assortments
- Reduced administrative costs and errors
- Proprietary algorithms built specifically for apparel, footwear and accessories
- User-friendly interface facilitates rapid user adoption

Size Optimization

Every retailer loses a significant portion of sales and gross margin due to a mismatch between store size distribution and local demand. The amount of data and quantitative analysis involved in determining the optimal size allocation

by style by store is prohibitive. Furthermore, the calculations of the size distribution are often oversimplified, not taking into account the price, revenue, and margin impact of missed opportunities, stockouts and overstocks in particular sizes. Without correcting for past mistakes, history is repeated rather than improved upon. These shortcomings in retail sizing result in lower profits and disappointed customers.

Retailers can avoid these unnecessary sales and margin losses with 7thOnline’s powerful size analytics and optimization capabilities. Through historical POS analysis and proprietary optimization algorithms, 7thOnline Size Optimization determines the optimal size distribution by store that will minimize lost sales due to early size breaks without increasing inventory. For case pack styles, the algorithm determines the optimal size mix for each pre-pack and the optimal distribution of available pre-packs to each store.

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Key Features of Size Optimization

- Account for missed sales potential from sizes that were out of stock early as well as margin losses from overstocked sizes that were sold at discounted prices
- Optimize size profiles and store allocation for open stock
- Optimize pack size configurations and distribution of packs to stores
- Automatically apply size profile to purchase order

Key Benefits of Size Optimization

- Enables merchants to mirror the size profile of local demand at the class and door level
- Reduced size breaks and increased full price sell-thru deliver higher revenue and gross margin contribution
- Lower distribution costs given optimized case pack configuration and allocation
- Improved customer satisfaction and loyalty

“With 7thOnline Size Optimization, you can be confident that you are executing a size distribution strategy that maximizes sell-thru, minimizes early size breaks, and enhances the customer shopping experience by best matching inventory with local demand...Improving size distribution accuracy is one of the most rapid and cost-effective ways to impact profitability.”

Dr. Saman Hong, VP Analytics and Optimization Solutions, 7thOnline, Inc.

Space Optimization

7thOnline Space Optimization recommends allocation of floor space to each merchandise category to maximize sales and profit contribution per square foot from each store.

Why 7thOnline

- Domain expertise and experience in retail technology and operations research
- Industry specific functionality and algorithms at the forefront of optimization technology
- Proven track record with industry leading retailers and manufacturers in the apparel, footwear, and accessories sectors
- Proven Returns
 - ✓ Increased full price sell-thru (up to 14 percentage points documented)
 - ✓ Reduction in stock-out level (up to 15 percentage points documented)

For more information, please contact 7thOnline Sales at 800.775.7571 or sales@7thonline.com.