

SUMMARY OF FINDINGS

BACKGROUND. In 2005, Kurt Salmon Associates (KSA) and 7thOnline jointly conducted a survey of 7thOnline's retailer and vendor community in order to understand the results generated from implementing 7thOnline's assortment planning solutions. Over 50 responses were collected both through in-person and email surveys. Experience on the system ranged from 1 to 5 years. Responses have been aggregated to retain confidentiality.

VENDOR RESULTS

Prior to implementing 7thOnline, the vendor participants in this survey did not have a systematic way of executing their assortment planning process, and they were challenged to manage vast amounts of product and demand information with highly manual, Excel and paper-based systems. 7thOnline enabled them to evolve their business processes with its web-centric assortment planning tools, while maintaining the look and feel of their old systems. Highlights of the benefits cited by survey participants include:

- Additional sales opportunities realized given better access to retail demand data and real-time available-to-sell:
 - Up to 5% additional sales per market
 - Up to 25% additional sales per year
- Better inventory management given access to more timely and accurate information:
 - Increased order fill rates by up to 12% of the total buy
 - Up to 50% reduction in excess inventory
 - Ability to shift from cut-to-forecast to cut-to-order and vice versa given better toolset
- Increased management visibility into organization-wide account-level activity, production vs. demand, and product performance during market
- Shortened cycle times due to transition from Excel to web-based tools:
 - Reduced cycle time of up to 4 weeks per market
 - Order commitments from retailers 1 – 3 weeks earlier
- Dramatically reduced workloads and error rates:
 - Reduced error rates by 50-80%
 - Up to 95% reduction in time spent creating necessary summaries and analyses throughout market

Maximum benefits were achieved by those who evolved their business processes and input the necessary management controls to take advantage of the 7thOnline system.

Additionally, the system was most beneficial to those divisions that were fully implemented across all users, providing complete real-time reporting and a single version of the truth. Challenges arose when the appropriate business processes and management controls were not implemented or enforced to leverage the value of the system.

RETAILER RESULTS

Given the size of the multi-door retailer participants in the survey, they are challenged to find a system (beyond Excel models) that enables them to manage the vast amount of product, location, and vendor information involved in assortment planning. With 7thOnline, they are able to build and analyze door and size level assortments, and the vendor's product information is always up-to-date across all plans. Highlights of the benefits cited by retailer survey participants include:

- Higher sell-thru and reduced markdowns due to higher quality buys at the door and size level
 - *"This [system] leads to benefits in terms of overall sell-thru, margin improvement, reduction in markdown requirements, and better overall profitability, not only because of the improved shipping fulfillment but also because of the time spent and the thoughtfulness put into the assortment plan in the first place."*
- Reduced end-of-season excess inventory
- More efficient buyer/seller collaboration via the system
- Better management decision-making given increased visibility into corporate-wide visual and quantitative assortments (style/color/size by door)
- 50 – 75% reduction in error rates
- Significantly reduced travel and administration costs
 - Shortened cycle times by up to 4 weeks
 - 48% less time spent on aggregate of data, report creation and data re-entry

The challenges cited by survey participants were related to the fact that the system could only be used for ordering from vendors that were on 7thOnline; thus, some buyers had to use more than one system to manage orders, and the necessary management attention was not always available due to limited implementation. Retailers have begun to implement 7thOnline's new retail-centric assortment planning solutions, which can be used regardless of whether their vendors are on the system. However, at the time of this survey, it was too early to incorporate the results of the independent retailer usage. As such, the retailer results cited here relate to the vendor-directed collaborative usage of 7thOnline.

About KSA

www.kurtsalmon.com

Kurt Salmon Associates (KSA) is the premier global solutions provider focused exclusively on the retail, consumer products, and health care industries. Celebrating 70 years of excellence, KSA helps clients achieve significant gains through strategic growth initiatives, superior product performance, and comprehensive enabling technologies. From concept to consumer, KSA's portfolio of services helps clients in the Americas, Europe, and Asia-Pacific achieve lasting, meaningful improvements that create true distinction in the marketplace.

"This [system] leads to benefits in terms of overall sell-thru, margin improvement, reduction in markdown requirements, and better overall profitability."

- SVP Systems, 7thOnline Retailer Client

About 7thOnline

www.7thonline.com

7thOnline is the premier provider of top-down and bottom-up assortment planning solutions specifically targeted to the unique planning, buying and ordering processes of the global apparel, footwear, and accessories community. 7thOnline's web-centric solution suite encompasses visual and quantitative merchandising and assortment planning tools, powerful analytical and optimization engines, and automatic order transmission capabilities in multiple formats.

SELECTED RETAILERS & VENDORS

- **Belk, Inc.**
- **The Bon-Ton Stores, Inc.**
- **Boscov's, Inc.**
- **Danskin, Inc.**
- **Dillard's, Inc.**
- **Federated Department Stores, Inc.**
- **Gottschalks Inc.**
- **Jones Apparel Group, Inc.**
- **Kellwood Company**
- **Kohl's Corporation**
- **Liz Claiborne, Inc.**
- **Peebles, Inc.**
- **Saks Incorporated**
- **Stage Stores, Inc.**

"We were able to shift from cut-to-forecast to cut-to-order because of the increased visibility provided by 7thOnline. We can drive our calendar much more effectively so that excess inventory is significantly reduced."

- VP Sales, 7thOnline Vendor Client