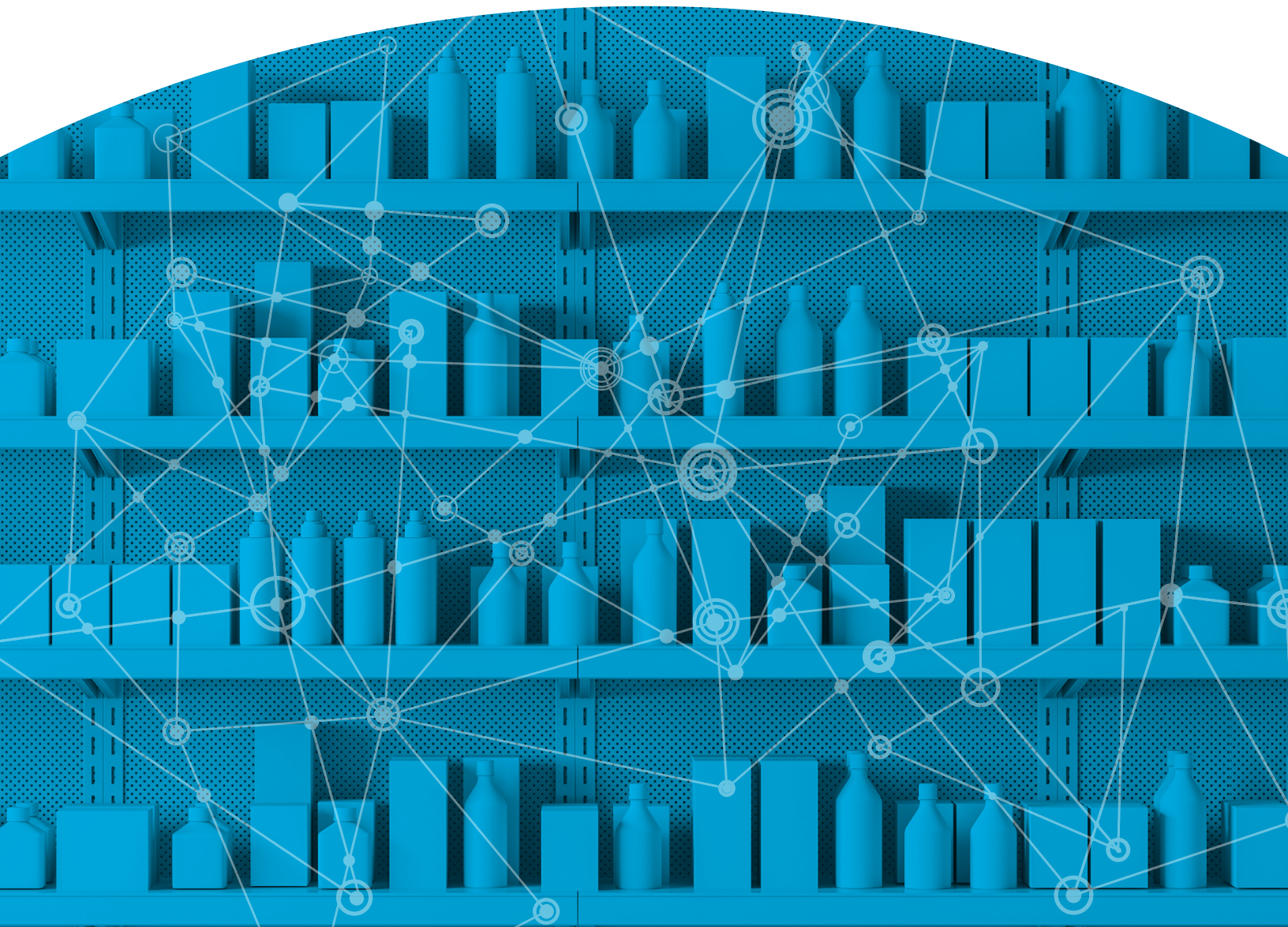


Smarter Category Management

Perfecting assortment localization
with a synchronized approach



Forget static category management plans.

In today's retail environment, category management must be intelligent, agile and synchronized with every other supply chain activity.

In the past, retailers could reset their planograms and displays a few times a year and the sales would roll in. With fewer choices available, loyal consumers were content to settle for what was available at their local brick-and-mortar store versus looking elsewhere.

In today's hyper-competitive retail climate, consumers have unprecedented power to dictate the specific products they're looking for, the channels they prefer, the way purchases are delivered and, increasingly, the price they wish to pay.

With a broad range of available options, from physical stores and e-commerce to direct-to-consumer channels, shopper loyalty has all but vanished. Loyalty must be earned every day, with every sale. This begins by understanding customers what they want and exceeding expectations, but historic sales data isn't enough to understand future demand. From product sourcing to the store shelf, retailers are left scrambling to keep up with consumer preferences that seem to change on a minute-by-minute basis.

How can retailers get ahead in this environment? The answer is to transform category management from a static, calendar-based event to an agile, responsive and ongoing process that's tightly synchronized with the broader global supply chain. This means starting at the store shelf and working backward through all planning processes, with a keen focus on appealing to local customer

preference. When retailers focus their resources on a shared, real-time view of demand, category management can become part of a continuous feedback loop in which demand changes are sensed and acted upon simultaneously, across the entire network.

The right technology makes this possible — an integrated, retail platform powered by artificial intelligence (AI), automation and end-to-end synchronized planning.



This eBook demonstrates how every retailer can achieve intelligent category management by:

- #1** Synchronizing supply chain processes beginning at the shelf edge
- #2** Building store plans optimized for demand, space and labor
- #3** Continuously monitoring and adjusting plans
- #4** Ensuring store-level

Category Management Doesn't Exist in a Vacuum

Synchronizing the supply chain from the retail shelf results in an agile, cohesive response, driven by real-time demand.

Category management traditionally focused on a straightforward concept: keep retail shelves neat and as well-stocked as possible. But in today's world of demand volatility, multiple selling channels, supply and labor shortages, and growing competition, it's not that simple.

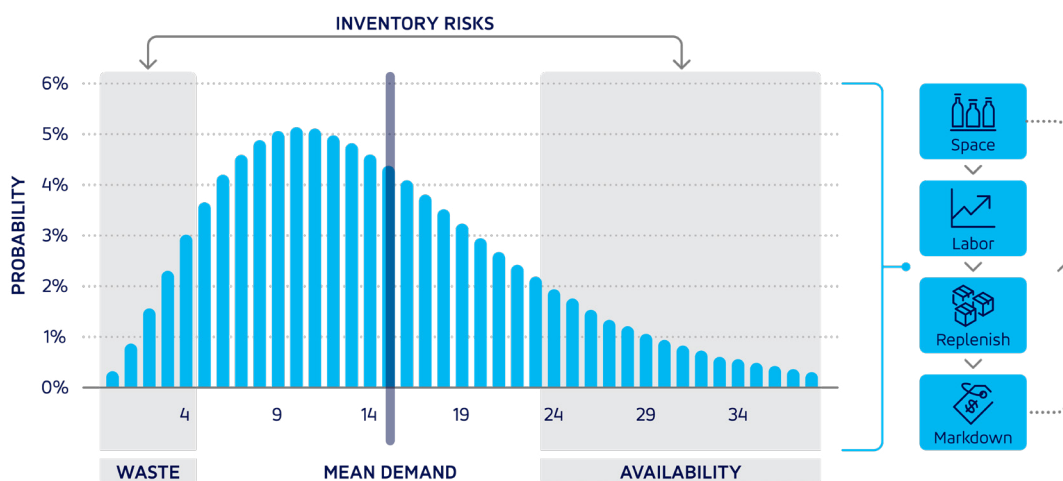
Category management doesn't exist in a vacuum; it's part of a sprawling, complex global supply chain focused on achieving specific financial goals. Planners must understand the interplay between product substitutability, pricing and transferable demand. Every change, no matter how small, can influence everything else. Retailers need to allocate scarce resources, like labor and inventory, in a way that best serves these goals, while minimizing potential risk. In today's fast-changing world, that response might be different tomorrow. Or even later today.

Blue Yonder's edge-powered retail platform — including the industry's leading category management solutions — makes this possible. These technologies begin with giving retailers a clear

understanding of customer preference at every store, and then synchronizing processes across planning, merchandising and execution for all channels with an orchestrated workflow and common user experience, rather than siloed processes. An AI-driven, probabilistic demand forecast helps retailers make faster and more informed decisions across the supply chain to ensure the store shelf is optimized to demand. All functional managers can leverage this singular demand forecast to work toward common goals. And as conditions shift, the entire team can pivot synchronously in real time, creating a rapid, agile response that avoids risk and maximizes opportunities.

Category management is a strategic part of the larger supply chain and plays a critical role in retail success. Store performance data, along with assortment and space data, are fed back into the forecast engine, thus creating a closed feedback loop that makes future plans better. This results in higher customer satisfaction and greater revenues.

A single probabilistic demand model used across all merchandising planning for a synchronized approach



A single view of demand helps all multi-functional teams make decisions faster, with more complete information, for better business results

Building Optimized Assortment and Space Plans

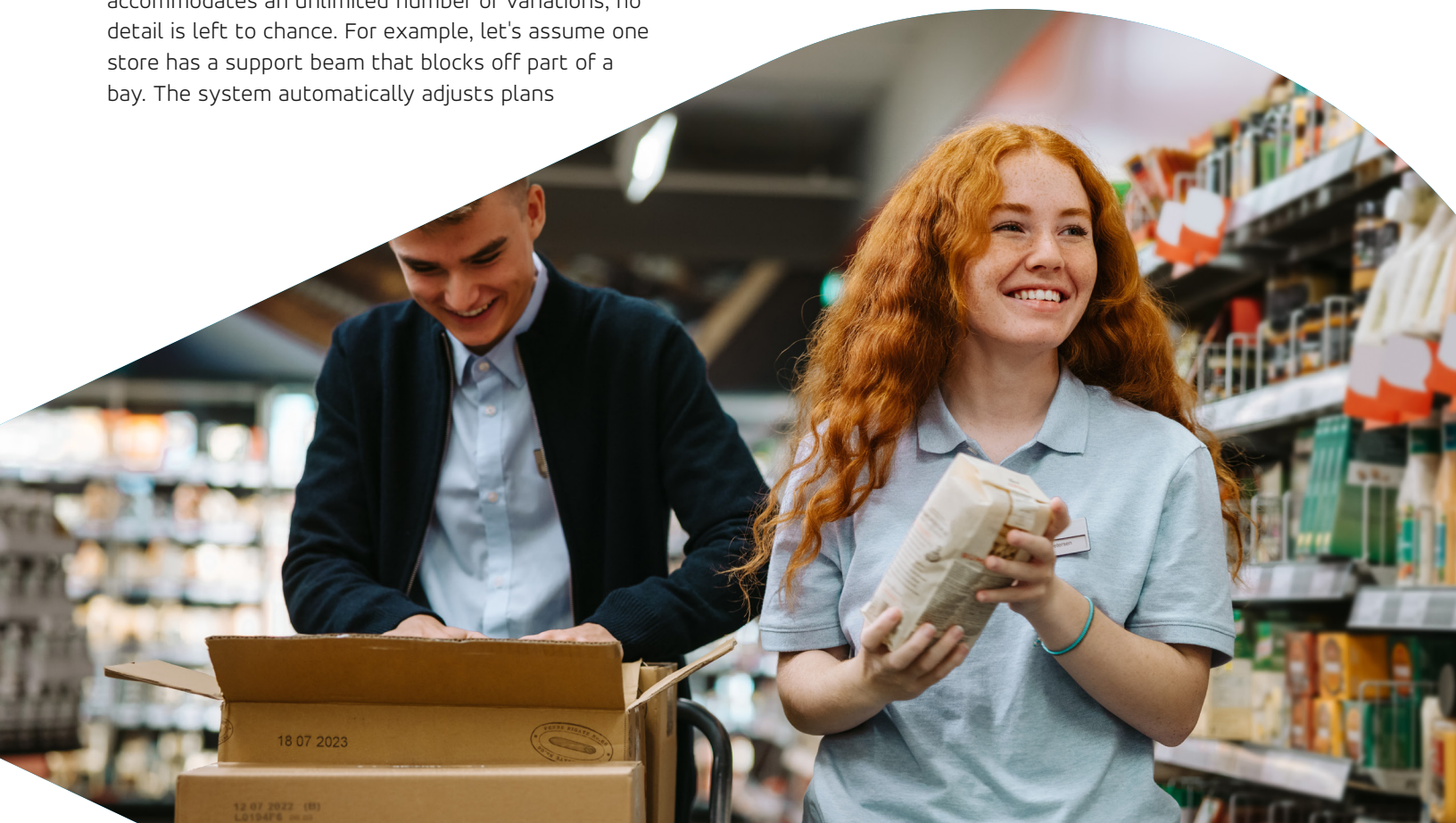
Blue Yonder's category management considers demand, space and labor constraints — arriving at customized, implementable plans for every store.

Creating an optimized assortment plan is far more complicated than starting with a generic plan and making adjustments to fit different store formats. Instead, it requires an understanding store-specific demand, local preference, and space constraints and labor availability, all at a granular level. With this approach, each store's space and assortment plans are inherently achievable because they automatically consider real-world conditions and constraints.

Trying to capture and account for these differences can be daunting without the right technology. Blue Yonder's category management can ingest enormous volumes of data, including forecasted demand, shopper insights, store layouts, shelf and space availability and more, to automatically generate hundreds of thousands of customized store space and assortment plans. With unmatched scalability that accommodates an unlimited number of variations, no detail is left to chance. For example, let's assume one store has a support beam that blocks off part of a bay. The system automatically adjusts plans

for this store, designing a planogram based on four and a half available bays for a category that typically spans five to maximize all available space.

Without this level of insight and automation, store associates must decide which plans to follow and which ones to ignore. Not only does this lead to a mismatch between corporate strategy and store operations, but it can also lead to incorrect assumptions in space performance, which can lead to poor decisions. There's always a balancing act that takes place between the items that are ideal for a store to carry and the available space. When these decisions are made at corporate based on data before plans go to the store, everything the associates see is perfectly tailored to store constraints, which sets store associates up for success.



Building Optimized Assortment and Space Plans

Blue Yonder excels at creating optimized assortment and space plans that are:

Demand-aware

Today, consumer demand is a fast-moving target — and retailers need to consider that stores must act to serve traditional, shoppers while operating as online fulfillment centers. Blue Yonder demand forecasting engines understand and address this complexity, ensuring that every local store has the right assortments in place, at the right time, to address local demand across all sales channels.

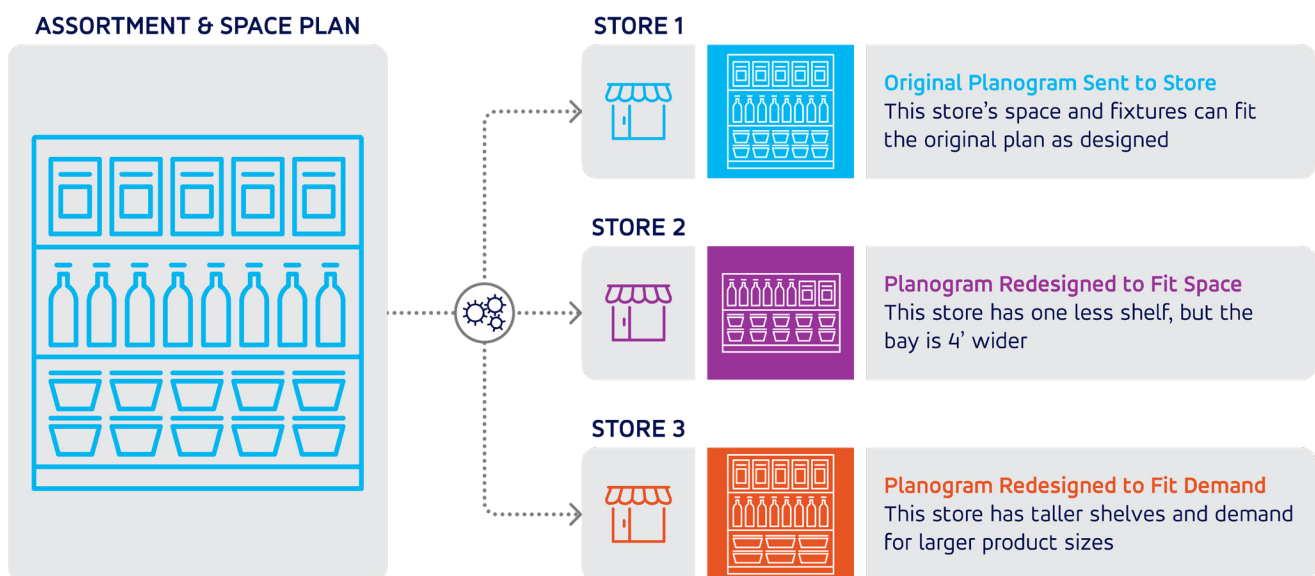
Space-aware

Store-level assortments that are localized to shopper demand is just the start. Plans must also be carefully configured to take advantage of every inch of available shelf and display space. Robust and powerful, Blue Yonder's space planning solutions automatically generate hundreds or thousands of planograms that address the unique space constraints of every single store.

Labor-aware

There's no point in creating perfect assortments and space plans if there are no employees available to execute them. Blue Yonder helps retailers recognize employees' time and skills as a critical constraint. Plan changes are sent down at a pace in line with available labor, to minimize disruption and ensure executability.

Even the best plans are ineffective if they can't be implemented at the store



Automatically refining space and assortment plans to exactly fit every space and store-level constraints makes store execution of corporate plans easier and can help with in-store picking.

Driving Continuous Improvement

Blue Yonder helps identify opportunities and potential problems quickly to understand root causes and quickly take action — to deliver better and better results.

The perfect store plans, perfectly executed, aren't perfect for long. Taking a calendarized approach to resets assumes that 3-6 month old plans can still be effective. With today's rapid pace of change in retail, six months can feel like a lifetime. Not only that, semi-annual resets require countless labor hours to execute and cause significant disruption to store operations and the shopping experience. This outdated approach also leads to poor business results.

Blue Yonder's category management solutions provide insights never before possible with more traditional systems. Ongoing monitoring of assortment and space performance allows users to make decisions as soon as a change occurs. The system includes a decision workbench that provides shopper, store, and product insights into both opportunities and potential problem areas. Any shift in shopper or product trends is identified at the earliest possible opportunity, allowing for a swift and proactive response.

When an anomaly is identified, the system provides root cause analysis to determine if the problem is due to forecasting errors, execution problems, space constraints, assortment mismatches, or some combination of these. This approach helps users focus their efforts on the areas that have the biggest impact on performance.

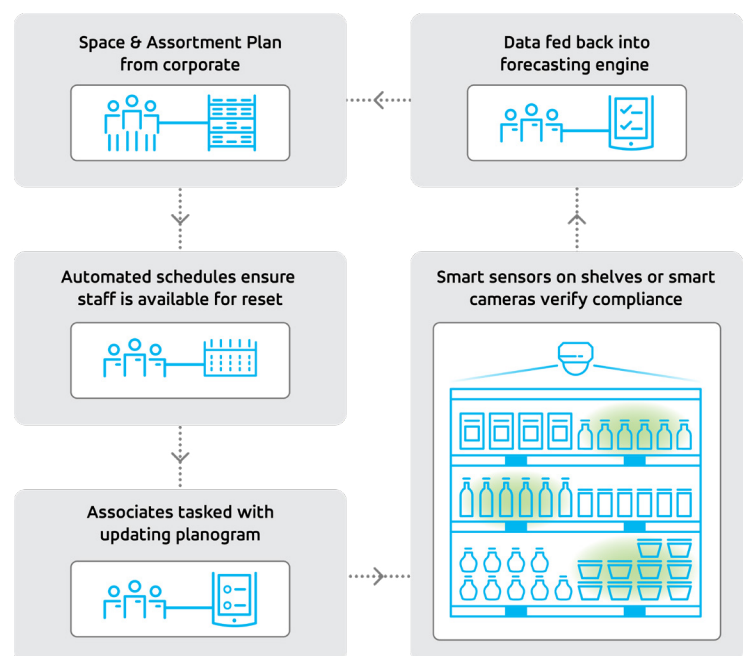
With in-depth retail expertise, Blue Yonder can consider every possible source of the exception and allow users to take corrective actions. This means that instead of completely resetting shelves and displays a few times a year, retailers can make smaller, faster adjustments that protect profit margins and support continuous upticks in category performance.

Planners can see changes in performance as they occur. So, if a trending item that has a priority position in a planogram suddenly goes out of fashion, that item can be replaced. This prevents

overstock of "has-been" items moving to clearance and allows retailers to immediately try out another category strategy. One small tweak — via a plan that's easily executed at the store-level — and category performance is back on track.

Space and assortment performance is fed back into the forecasting engine to generate an updated view of demand that can be shared across the supply chain. This approach means the demand forecast is constantly getting better, allowing planners across the supply chain make better decisions. Changes are far less disruptive to store operations, and retailers are now able to be more agile in response to change.

Continuous monitoring helps grow sales and keeps store assortments up to date with the latest trends



Continuously monitoring store performance helps identify problems and opportunities to enable micro-targeted adjustments that keep planograms in compliance with minimal disruption at the store

Verifying Accurate Store-Level Compliance

Even the best plans won't produce results unless they're executed flawlessly and maintained consistently.

There is both an art and a science to effectively planning the store. Blue Yonder has mastered the science of demand forecasting, space planning and labor management with solutions that work together to create and deploy localized, consumer-centric assortments and space plans. But the process can't end when plans are sent to the stores. Once customized plans are distributed, they must be acted upon accurately at each location.

Without compliance, retailers can't truly measure performance. If a store has only implemented 50% of their resets, how can planners know if the resets would have driven incremental sales? Sending a manager to check planogram accuracy is an expensive proposition, so it's not uncommon

that store-level compliance goes unchecked. But misplaced inventory that can't be sold, items out of compliance with corporate strategy, and employee inefficiencies — these problems must be identified before they can be addressed. Over time, these discrepancies only grow. When an item is misplaced, that could lead to the item not being ordered, which ultimately can cause the item to be eliminated (accidentally) from the space plan. So, it's important to monitor compliance continuously, not just after a change has been made.



Verifying Accurate Store-Level Compliance

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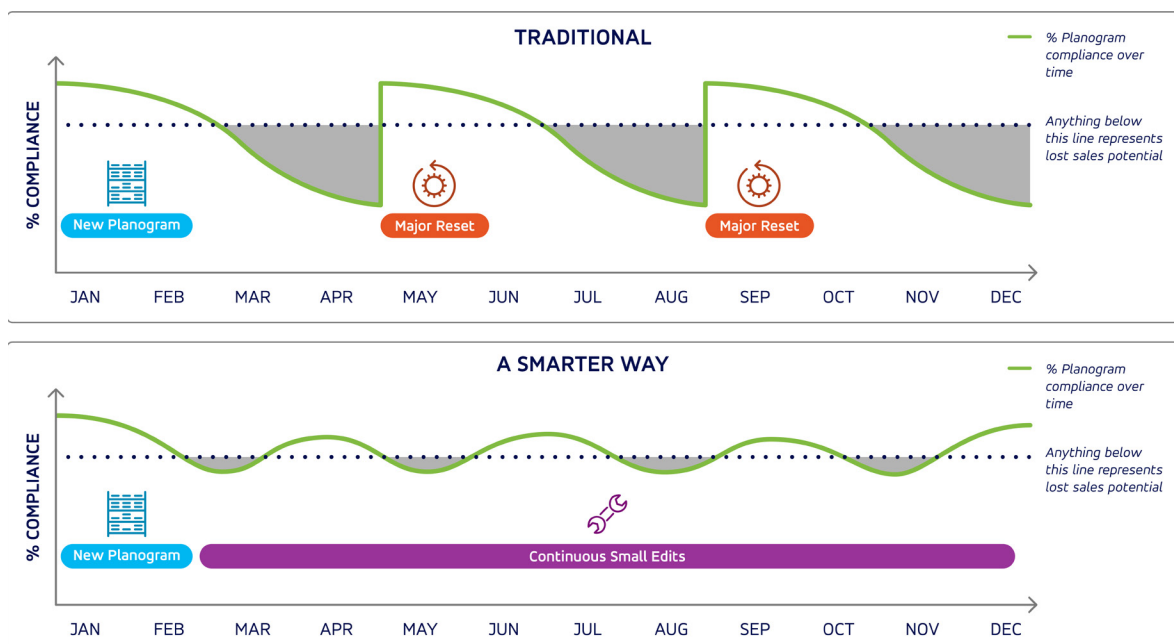
Here are some recent innovations that enable automatic verification of store-level execution and enable efficient compliance monitoring across all stores:

- **Smart edge technology.** In the not-to-distant past, verifying planogram compliance meant someone walking the aisles and scanning barcodes, a process that can be tedious and time-consuming. With IOT-enabled edge technology, smart cameras and shelf sensors can easily scan entire stores to identify outliers.
- **Employee tasking.** Optimizing planogram performance means ensuring that associates are attending to critical tasks, like resets, in a timely manner. With associate task management capabilities, management can prioritize and monitor the completion of store-level execution activities.

- **Out-of-stock detection.** There's a number of IOT innovations that can help ensure plan compliance, such as smart cameras and shelf sensors. These innovations enable real-time visibility into the exact state of store shelves and can alert employees to discrepancies that require restocking shelves and displays, resetting planograms, or placing expedited orders to avert lost sales.

Knowledge is power. By providing granular data on the actual implementation of store plans, these innovations can help retailers eliminate blind spots and gain real-time visibility into what's happening in every aisle to boost store performance. And, as in-store picking of online orders continues to grow, consistently accurate planograms can drive faster picking and reduce the cost to serve.

Automatically Tracking Compliance with IOT Technologies Improves Efficiencies and Increases Accuracy



A closed feedback loop from corporate to the shelf's edge and back enables closer monitoring of performance, which leads to forecast accuracy

Welcome to the Age of Intelligent Category Management

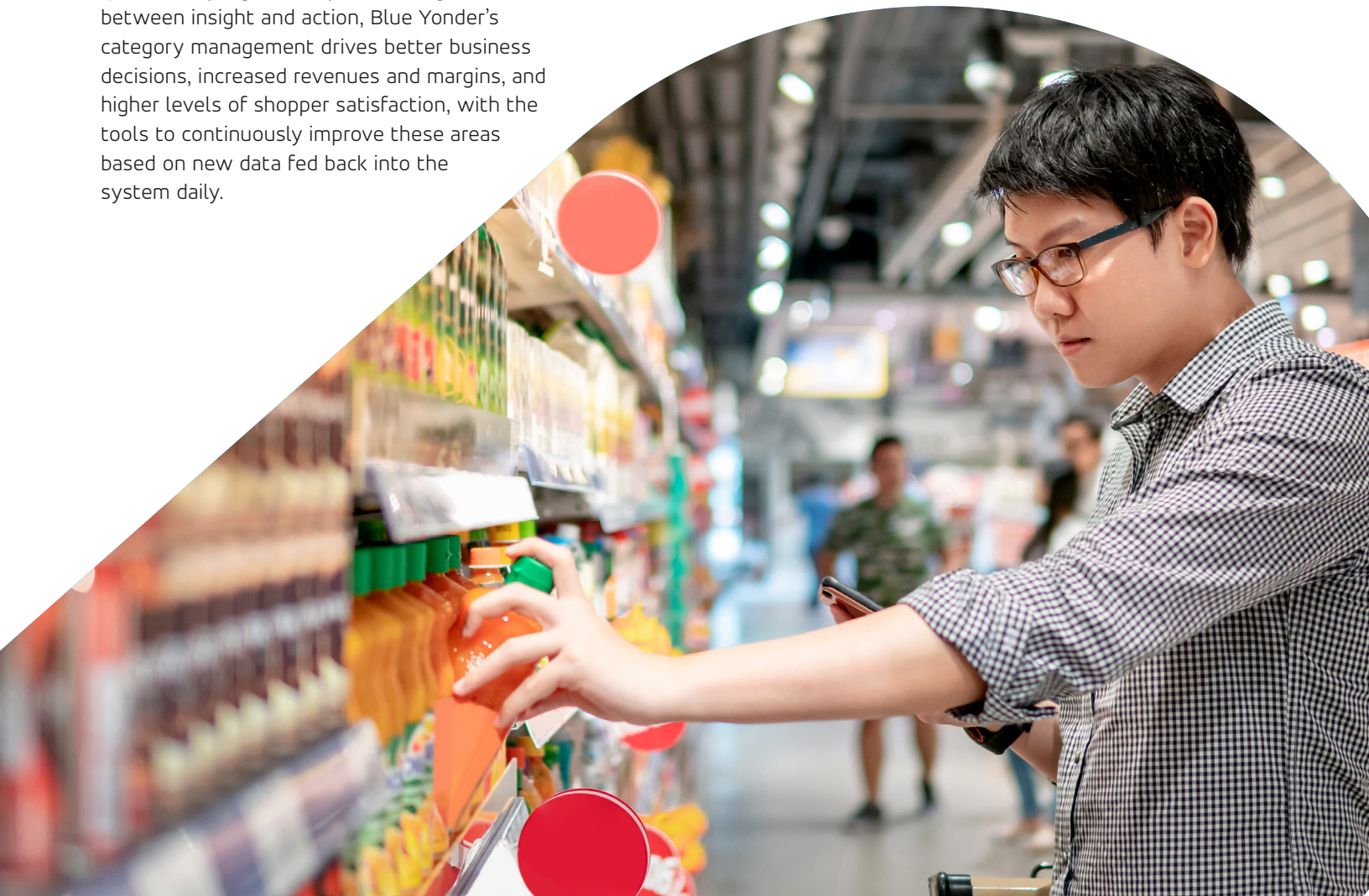
Filling shelves is not the goal. Blue Yonder solutions help shape demand and maximize revenues.

Once considered a tactical activity focused on filling shelves, today's category management is emerging as a competitive differentiator for the world's leading retailers.

As a key connection point with the consumer, category management yields a range of critical data about individual products, assortments, prices, micro and macro space management, demand trends, and localized shopper preferences.

What exactly are shoppers looking for, in every aisle and every store? Intelligent category management provides retailers with a fact-based, real-time answer to this all-important question. By significantly decreasing the time between insight and action, Blue Yonder's category management drives better business decisions, increased revenues and margins, and higher levels of shopper satisfaction, with the tools to continuously improve these areas based on new data fed back into the system daily.

Blue Yonder's ability to manage, monitor and improve the category management process has positive impacts for the complex end-to-end supply chain. As store-level results are measured and communicated in real time, every functional manager can make frequent, agile adjustments that keep strategic and financial targets in sight and on track. Instead of being viewed as an execution-based activity, category management can assume a central, strategically important role in overall performance and bring retailers closer to their consumers and what they want.



Why Blue Yonder?



We combine industry leadership in category management with mastery of the entire supply chain.

For decades, Blue Yonder's category management solutions have been recognized as the industry standard for optimizing assortments, floor plans and space plans. These solutions help retailers and CPG companies increase revenues and margins, while also maximizing the efficiency of planners and store employees.

But that's just the beginning. Only Blue Yonder offers the end-to-end retail platform to connect and synchronize category management efforts with every other function across the supply chain. Blue Yonder's state-of-the-art forecasting engines are built to gather thousands of data points, apply the most advanced algorithms and statistical models, and autonomously arrive at optimal decisions that balance outcomes with predicted risk. When a change is detected, all business functions can respond in a synchronized, orchestrated manner. This helps retailers always have the exact right items in the stores, optimized for available space, to meet local preferences each and every day.

Blue Yonder supports key value drivers that are unmatched in the industry

More accurate, agile assortments

The days of static, aging product assortments is over. In today's dynamic environment, assortments must be agile—continuously adjusted to the sales and fulfillment channels where it matches demand most precisely, based on real-time signals. Blue Yonder solutions can help retailers improve the customer experience by reimagining assortment management practices to support a new age of flexibility, accuracy and margin optimization.

More efficient stores

Faced with both demand volatility and labor shortages, stores must be managed to maximize speed and productivity. Blue Yonder provides both the strategic and tactical tools to deliver a new level of automation — for example, smaller planogram adjustments updated more frequently — without overtaxing employees.

Higher sales and margins

In today's hyper-competitive environment, retailers need to get category management right, because shoppers always have other options. Blue Yonder excels at matching store assortment and space plans to localized shopper preferences and behaviors, based on real-time signals that are communicated across the supply network.



In an age of unprecedented, and growing, demand volatility, category management will never again be simple or straightforward. But Blue Yonder helps retailers transform uncertainty into a competitive advantage by sensing changes in real time and pivoting faster, smarter and more cohesively than competitors — from the shelf edge across the supply chain.

Visit <https://blueyonder.com/solutions/space-floor-planning>
to learn more

blueyonder.com

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