

ReviNews

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President & CEO

Are You Ready for the Recovery?

By Todd P. Michaud, President and CEO, Revionics, Inc.

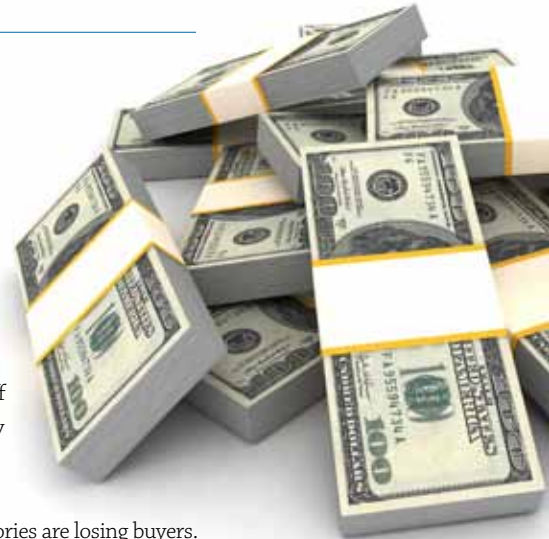


This economy has been tough for most consumers. The average net worth of individuals has decreased by more than 20%, and on average, 401K's have decreased in value by 30-40%. Unemployment rates are the highest they have been in over 25 years, and gas prices are unpredictable.

The challenging economy caught many retailers off guard. During the holiday season, for example, many retailers had excessive inventory levels left on their store shelves. Private label brands have seen unprecedented growth as a substitute for national brands, and three out of four categories are losing buyers.

Undoubtedly, today's consumer has changed. Families are eating out less often. Shopping trips are less frequent, and consumers are stocking up on items instead of often running to the store to pick up a few items. More people are using coupons and responses to ad offers as they shop around more for the best deals.

Many people want to know: Where is our economy heading? Clearly, there are early signs that banks are starting to slowly lend again, business confidence is returning, durable goods sales are increasing, and home sales are finally rebounding. Most economists predict that our economy will see positive GDP growth in 2010, if not sooner.



STEPS TO IMPROVING AFTER THE RECOVERY

1. **Monitor consumer demand signal more frequently.** By analyzing their data, a retailer will better see changing consumer sensitivities (elasticity) to prices and promotions. On elastic items, demand will change as price changes. Demand is less influenced by price changes on inelastic items.
2. **Review price strategy effectiveness.** Price strategy cannot be constant; it must change with the economy. Retailers must proactively manage costs and margins while reducing competitors' control of their strategy. Retailers must reduce reactive responses by leveraging predicative analysis. To do this, they must understand price versus demand impacts with changing elasticities.
3. **Improve promotions and offers.** Retailers must know their objectives: which products to promote, which consumers to target, which offers meet their goals, as well as what are their predicted results. Also, retailers need to leverage advanced tools that will identify the best items to promote and the best prices for those items.
4. **Mark down items more optimally.** Retailers must free up working capital tied up in unnecessary inventory by using item-store demand to predict inventory depletion as a function of time and place as well as increasing sell-thru and margin.
5. **Build upon the shift to private label products solidified during the recession.** Private labels are growing, and when consumers are able to spend more money, they need not abandon these private label products for the benefit of national brands. Improving marketing and messaging around private labeled items is essential as national brands try to reclaim lost ground.

Despite an improving economy, however, many believe that consumers have made long-term changes to the way they shop. It is to be expected that many consumers will continue this new economic behavior that they have adopted during the recession. With an improving economy on the horizon, a retailer can take steps to get ready for the impending recovery (see sidebar).

What will the economy ahead look like? As the economy recovers, will consumer behavior and spending patterns return to peaks that we saw before the recession? Will high jobless rates mitigate the pace of the recovery? These are some of the many questions consumers and retailers are thinking about. Nobody knows the answer for sure. Bottom line, as retailers and consumers, we need to be prepared for anything!

Respectfully,

President & CEO

Social Media

Building the Revionics Customer Community with Social Media

By Susan Boyme, Vice President, Marketing



You know who you are. Both time-starved and information-hungry, you crave networking and peer dialog, yet rarely have time to step out of your daily responsibilities. You are intrigued and somewhat confused by forums like LinkedIn, Twitter, and Facebook, but are open more about ways these innovations can add value to your life.

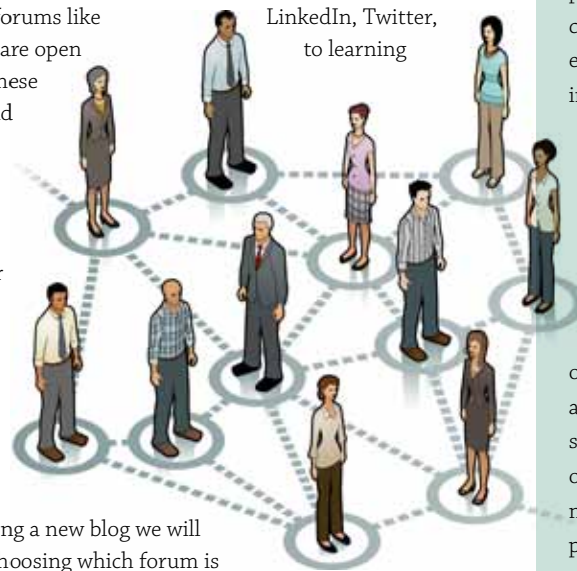
At Revionics, we believe social media can be leveraged to create an active and well-informed customer community. Our newly launched customer groups allow you to subscribe, stay informed, network with other customers, and even post job postings. You can pick your favorite social media site, including LinkedIn, Twitter, and Facebook, to follow Revionics. Revionics.com remains an excellent go-to destination for information, including a new blog we will launch in August. Here's your guide for choosing which forum is right for you:

LinkedIn.com – Revionics Customer Group: Revionics now hosts a “Revionics Customer” group, exclusive to our customers. The group is designed to provide product updates, job boards, group dialogs, and customer networking. Subscribe to updates from the “Group,” or simply visit and peruse the news when you have time.

Twitter.com - Twitter.com/Revionics: This is truly the choice for the time-starved retailer. Revionics is now “tweeting” updates to our followers, providing timely, relevant, and interesting updates. Create your own Twitter account and receive Revionics updates via your mobile phone or email.

Facebook.com – Revionics Group: Facebook has recently gained popularity with the Professional Pricing Society, NRE, and other retail organizations. Become a “Fan” of Revionics on Facebook, and receive Wall postings and updates based on your subscription profile.

By following Revionics on one of the options above, or simply via our website, you will receive relevant, timely, and succinct updates that provide value to you and your organization. *If you have ideas, questions, or comments, please contact Revionics Vice President of Marketing, Susan Boyme at sboyme@revionics.com.*



Operations Perspective: The Impact and Importance of Data Quality

By Tom Martineau, Vice President Operations

In today's electronic age, the flow of data is an integral component to a retailer's ability to keep pace with their competitors and in sync with their customers. With the retail horizon changing at an ever-increasing rate, especially with the economic instability that consumers face, retailers must quickly respond to these changes.

Retailers can impact their competitive status and influence consumers in a couple of key areas: the identification and reaction to consumer response on products and pricing, and the retailers' ability to reinforce positive consumer behavior through promotions and loyalty programs. These types of programs require timely, accurate acquisition and transmission of data to retailer and third-party systems. Historically, the ability to provide this type of accurate information has not been intrinsic to most retailers' legacy system or business process. It comes typically at the cost of investing in equipment upgrades, business processes, and just as importantly, people. These are tough investments for many retailers to make, but are required to become a truly consumer-centric merchandising organization.

Revionics can help. Our suite of applications and services are positioned to help the retailer identify and accurately respond to these challenges. To support retailers and their programs, Revionics has committed substantial resources to obtain applications such as Informatica to assist in acquiring, processing, and validating terabytes of data on a weekly basis. Other benefits Revionics provides include:

Implementation - During the on-boarding of retailers, Revionics typically identifies that over 30% of the retailer's data is inaccurate or incom-

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Partner Spotlight

What is your competitor promoting this week? Do they have online ads? How do they vary by market?

Revionics partner, RivalWatch, can help! RivalWatch is the leading provider of online competitive pricing and assortment intelligence. RivalWatch recently announced PromoWatch, their powerful new tool for collection and aggregation of online ad information. PromoWatch supplies timely promotional and circular advertising information to the retailer and Revionics, adding competitive insight to the promotion planning process. Additional features include:

- Receive alerts when competitors apply a promotional price to an item or product you monitor
- Track how competitors respond to your promotional programs
- Develop promotional strategies tailored to pricing zones or local markets

To learn more, contact Gary Puckett, COO, RivalWatch, Inc. at gpuckett@rivalwatch.com.



Technology Spotlight

Plan More Effective Promotions with Revionics

By Jim Sills, PhD



Consumers are more attentive today with regards to how they spend their money. They are thinking ahead, planning

what they need at the store, and limiting how many times they travel to the store each week. More consumers are paying closer attention to promotions on weekly flyers. Retailers have asked for powerful new techniques to better plan, execute, and measure their promotions. Revionics has responded by releasing significant new promotion planning capabilities in Release G4.2.

Plan. Revionics promotional planning starts with building the strategy and themes for each promotional event throughout the year. Ad layout is fully supported. The application will recommend the best items and offers that hit financial targets for margin, profit, and revenue. Financial targets can be specified both at the event, page, or ad location level. The application is easy to use and quickly returns accurate forecasts to compare

alternative items and offers. This includes comparing either promotional events or versions. The RAPS forecast is calculated at the item-store-days level and accounts for concurrent promotional activities such as a flyer in combination with an end cap. RAPS Promotions accounts for all vendor funds, cannibalization, and affinity both when it recommends items and offers and when it generates the financial forecast. Vendor funds are also accounted for when reporting the net profit and net revenue of an event or version. The category impact of the promotion is easily evaluated to compare alternative promotional strategies.

Execute. RAPS Promotions makes executing a promotional plan easy by giving visibility to the status of assigned activities. Pages and ad locations are assigned to category managers. The workflow is fully configurable so that assigned work, approval, and alerts are transparent. Role-based security ensures that users only view and edit those items for which they have rights.

The Promotional Pricing platform is fully integrated with everyday and markdown for collision management. It includes a highly configurable integrated export engine that supports execution by delivering promotion plans on a pre-defined schedule to HQ, back office, desktop publishing, printing shelf labels and signs, and for downloading prices to the POS system. The export engine can distribute files in a variety of mechanisms and formats, including flat files, AS2, XML, Web services, etc. It supports roll-on dates (effective dates) in our process so distribution can occur in advance of actual implementa-



Best Practices

Revionics UNIVERSITY

Revionics University

By Jeff Smith, Founder and CTO

Since its launch, Revionics University has built a strong following from Revionics customers as well as other retailers who have been attending regularly



scheduled seminars on industry-relevant topics. Revionics University has a formalized curriculum that touches on a variety of topics, from introductory courses on its products, to general industry topics relevant to pricing analysts, category managers, executives, and anyone involved in the retail industry. It may be perceived that Revionics University only offers courses targeted towards educating its customers in relation to their products, but it is much more than that. Revionics University is a top-notch industry forum that provides a number of courses pertaining to industry trends and best practices related to pricing and category management.

Why should you sit in on one of Revionics webinars? The benefits of Revionics University are numerous for anyone who desires to stay current on industry best practices and current, or future, technology trends. Designed to take less than one hour, the web sessions are very focused and share key industry lessons. Sitting in on a webinar will help you become more knowledgeable about the given topic within the technol-

ogy industry.

Courses that Revionics has already hosted — “Retailers: Are You Ready for the Recovery?” “Next Generation Promotion Optimization,” “The Economic Impact on the Four Pillars of Category

Management,” and “Good, Better, Best: Maximizing Private Label Opportunities” — demonstrate issues that are currently relevant to retailers and executives. These courses were recorded for archiving and are available for your viewing today. Upcoming courses include Integrated Forecasting, Global Retail Trends, and Competitive Data best practices.

Revionics employees are continually striving to be ahead of industry trends, and educating themselves on industry best practices. At Revionics, we focus specifically on demand intelligence and the related benefits of it in regards to pricing, category management, and inventory replenishment. We have partnerships with leading retailers which enable us to stay informed on best practices in the industry. In addition, Revionics staff members bring years and years of their own quality experience retail industry experience, as well as vast experience in retail technology.

To sign up for a Revionics University session, visit our website, www.revionics.com/educate.

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Pricing Strategy

Customer Loyalty Programs and the Impact on Pricing

By Christie Frazier-Coleman, Vice President Price Strategy Consulting

Retailers have responded to the new economy with an unprecedented level of promotional activity, everyday low pricing messages, and a multitude of competitive pricing

that build true customer engagement, larger transactions, and improved margins.”

“Given the bursting of the credit bubble, the recession, and pressure

to control program costs, loyalty marketers must turn to growing program value, not the size of their membership base,” states Ferguson. “Conditions are ripe for marketers to use loyalty data across the enterprise, enhance value propositions, and adopt innovative loyalty models such as coalitions, as they seek to revive lapsed members and turn engaged members into profitable, loyal customers.”

At Revionics we see signs of our client partners’ increasing interest in more

effective way to use their customer data. Customer segments are now a part of price strategy configurations as well as increased focus on measurement and effectiveness of promo-

tions. Also, at our CIO advisory board meeting in June, customer retention was mentioned as a clear area of focus for many companies in the future.

So how are customers using loyalty programs today?

Free trips, free rooms, free products, online coupons, and being first to board a plane — to name a few. It is all about achieving those extras that are not necessarily in the budget or that stretch household finances further by earning rewards for their purchases. Customers seem most willing to join or participate if there is clear value attached. Don’t ask them to do anything extra; it has to be easy and uncomplicated.

Loyalty programs alone don’t create loyal customers, but they can be effective. They don’t need to be elaborate or expensive; they just need to provide the right value to the right customers. Targeting allows retailers to avoid overspending or creating ineffective programs. And the best way to ensure their effectiveness is to segment customers by gathering and analyzing their data.

Loyalty is all about “What have you done for me lately?” first; and “I like you,” second.

The Test: How Are You Using Your Customer Data?

Loyalty card data and even TLOG information is rich in insights that must be used to garner customer continued support of your business. So do you pass the utilization test? Answer each question below to see where you are excelling or how you can seize more opportunity:

Questions for Thought:

1. Are you grouping your customers into segments based on their spending or basket size? The number of shopping trips have been reduced significantly. Make each trip count.



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...the average U.S. household has signed up for 14.1 loyalty programs, but actively participates in only 6.2 of them.

activities in an effort to realize a portion of the shrinking grocery dollars available due to customer conservatism. The resulting reality is that over-promoting and price reductions are costing margin and not always producing the return on investment needed for justification. Targeting the right customers with the right message has become center stage as all eyes are focused on retailer viability.

As Rick Ferguson, editorial director of COLLOQUY, explains, “A marketing strategy focused solely on sale prices and promotions not only faces diminishing returns, but can also actually breed disloyal customers.” Ferguson says, “Our research results demonstrate that retail marketers have an opportunity to shift their focus from EDLP toward loyalty drivers

Operations Perspective...

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plete. Revionics provides business process reviews to help the retailer improve their data management process and identify the sources and validations necessary. These deficiencies are reported back to the retailer to help them correct the data and related business processes.

This makes reporting more timely and accurate.

Ongoing – Retailers active on weekly optimization benefit from Revionics’ active review and data quarantine process. First, real-time reports alert retailers to data that failed validation.

Reason codes are clearly identified for the retailer to address and correct the problem. Additionally, problem data is quarantined from that week’s price modeling. This ensures the price recommendations are based on correct data, thereby providing the best results possible.

Today’s retailers need instant communication. To achieve this, retailers’ first priority must be data acquisition and robust business processes at point of entry to their systems. Otherwise, retailers are at a competitive disadvantage, impacting their ability to respond to business and consumer changes, and potentially limiting their success.

Product News

Announcing RAPS G4.2

Revionics is pleased to introduce RAPS G4.2, which includes many new features, such as enhancements to integrated forecasting. RAPS G4.2 gives Revionics customers an easier way to forecast demand for every product in every store, taking into account all known demand-influencing activities such as price and cost changes, promotions, TPR's, and markdown activity. Here are some of the impressive enhancements G4.2 delivers to our customers:

Integrated Forecasting

Revionics' advanced forecasting engine now incorporates a single view of consumer demand signal across all pricing activity – everyday, promotions, TPR and markdowns. This “one view of the truth” respects these activities if they happen within the Revionics planning and optimization environment, or are imported from another source.

Conflict Alerts

Integrated Forecasting adds a “conflict alerts” capability that allows you to view a report showing conflicting or dependent price change activities. A promotion that has been planned 3 months in advance, for instance, would be impacted by a regular price change that occurs well before the execution of the promotion. Integrated Forecasting identifies, classifies, and reports on all such pricing conflicts.

RAPS G4.2 Portal Enhancements:

- **Integrated Price Calendar Window:** This new tab on the Item Details window includes graphs of price, units, and seasonality over time. This new innovative window includes Calendar Control, which demonstrates the base, TPR, promotion, and markdown prices for each day either by store or zone. **Pricing Exceptions Window:** This new tool enables the customer to view any alert and pricing conflict information. Differences in base price, promotion, TPR, or markdown pricing recommendations are resolved through established rules.
- **Integrated Forecast Window:** This window shows the forecast grid for each product in the store for whatever store or product hierarchy is selected. This forecast can be illustrated by product, store, or time.
- **Configuration Window:** Configuration window to manage the forecast parameters by select-

ing the Pre-Adjacency and Post-Adjacency levels for Markdown Events, Promotion Events, TPR Offers, and Everyday Pricing.

- **Forecast Details Pop-up Window:** This window shows a detail view of the forecast for that item, including time series plots for all selected metrics.
- **Markdown Group Detail Report:** This view supports graphing of Inventory Forecast very similar to the graphing of forecasts in the Integrated Forecast window. The inventory forecast graph supports roll up across products and stores.

RAPS G4.2 Insight Reporting Enhancements:

Revionics continues our commitment to providing our retailers with critical views into their data that provide key insights, answers, and inspire action. Our newly released Insight reports include:

- **Markdown Forecast Sell-Thru -** For a given markdown event, shows the inventory units available at the end of each of the past 26 weeks
- **Sales Trends – 13 Week Inventory Retail Mark-up,** shows inventory value changes with cost
- **Competitive Activity - Competitive Price Index (CPI)** by week, and by Zone
- **Sales Exceptions – Performance alerts** for units and dollars compared to a 13 week average
- **Sales Forecasts Impacts – Weekly impact** of price changes
- **Forecast to Actual Reports – Drill down** to view actual profit, sales, units, and price



Fully integrated forecast by week



Item-level what-if capabilities

Many of these changes included in RAPS G4.2 will improve the way our customers forecast events and price changes. With these enhancements, Revionics underscores our commitment to delivering the most modern, integrated, and scalable forecasting tools in the industry!



Effective Promotions... continued from page 3

tion. Exportation can occur in a real-time fashion, and we do have a permissions-based security model to segregate duties between category managers, pricing analysts, and scan coordinators. It allows you to set price change quantity limitations, frequency limitations, and minimum and maximum size limitations. The integrated export engine also supports filtering, for example, to prevent sending an everyday price if and when a promotional price is in effect.

Measure. The Promotional Pricing platform includes Insight Business Intelligence and Reporting to measure the promotional event's performance against financial goals. Data cubes are pre-aggregated so that you can quickly drill into a promotion report to identify problem categories and stores. Insight includes a large number of promotional reports, including forecast-to-actual, year-over-year comparison, 13-week sales trend, ad contribution, and category-store margin.

Each of these reports supports drill down to the item-store level. The Insight reports are used to identify execution issues such as stores that did not execute the promotion (end cap) or stores that ran out of the product. Insight is easily configurable, with a rich set of graphical displays to create any report you desire.

G4.2 is further evidence that Revionics is listening to our retail clients and is committed to providing industry-leading solutions that improve RAPS' usability and value.

Customer Corner

Revionics is pleased to welcome **D'Agostino** and **Market Basket**



*Market
Basket*

Revionics Locations

Headquarters

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Arizona Office

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Scottsdale, AZ 85258-4541

(866) 580-RAPS (7277)

Fax: (916) 797-6081



Customer Loyalty Programs... continued from page 4

2. Do you know within each segment these important metrics?

- What is the average number of trips per month?
- What are common items in each basket size by segment?
- What is the mix of promotional and base price purchases?
- What is the percent of private label in the basket by brand and by category?
- What items create trips and/or larger basket size?



3. What actions are you taking based on what you have learned from your basket analysis? Are you measuring each tactic for long-term retention, not short-term behavior change?

4. Do you share customer analysis across the organization from store operations, marketing, merchandising, and procurement? Is customer retention on everyone's report card?

5. Are you looking at net results of loyalty activities with all costs and revenue realized? What about shifts in behavior over a period of time?

6. Are you looking at ad items by shopper group factoring in elasticity? A highly elastic item suggests that a change in retail will generate a change in behavior, not always create traffic. How does this factor into your promotional analysis?

7. Are you creating ads using customer penetration and level of importance to them?

8. Are you looking at the items that rank in importance to each segment from your promotional activity and how that item penetration affects other departments?

So How Did You Score?

If you answered yes to all of them, congratulations! If not, there is lots of opportunity waiting to be tapped. Relevant pricing and promotional activity are key areas for customer retention and loyalty. Measurement is the only way you can understand how your customers are voting. The current economic landscape has moved those activities into a critical state of scrutiny, forcing every activity to be more focused with clearly defined strategies, goals, and measured results for constant improvement. It means the difference between your customers coming back — or not.

A complete white paper on loyalty and the impact on pricing is available for download at www.revionics.com.