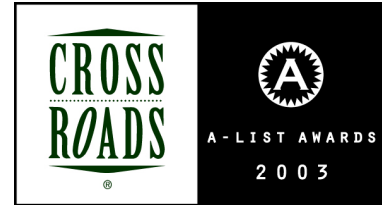


DemandTec

San Carlos, CA

DemandTec 3

➤ Demand-Based Management for the Retail Environment



CUSTOMERS AT WORK

Midsized and large retail organizations, including grocery and drugstore chains, served as reference customers. Common strategic objectives included:

- Understanding demand at a granular level to build pricing and promotion strategies that drive business objectives
- Controlling costs through more accurate forecasts
- Increasing profits in an industry burdened with razor-thin margins

WHY DEMANDTEC?

DemandTec gives retailers and consumer packaged goods companies the ability to understand how price changes drive volume and profit for a category and promote or detract from a desired brand image. DemandTec 3 analyzes existing POS data on every SKU in every store to provide an understanding of consumer demand at every price point. This allows retailers to find the optimum mix of merchandising strategies—price, promotion, assortment, and placement—to meet the business goal. DemandTec 3, which includes DemandTec Price and DemandTec Promotion, enables retailers and packaged goods manufacturers to make small adjustments in pricing and promotions that drive desired business outcomes.

COMPANY INFO

DemandTec is a private company with 150 employees.

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www.demandtec.com

BUSINESS IMPACT

Near-term value: DemandTec Price enabled reference customers to achieve particular financial or brand strategies. One retailer was able to grow revenue and maintain customer satisfaction while moving gross margin from 38 to 40%, a substantial profit improvement. Another retailer maximized profitability in key categories while meeting a brand promise of everyday low prices within each geographic zone. Customers report that DemandTec 3 generates accurate forecasts, in one case within 3% of realized sales.

Enterprise innovation: Now that reference customers have experienced the first round of success with DemandTec Price, they are looking forward to leveraging DemandTec Promotion. Promotion will allow retailers to negotiate more effectively with manufacturers based on a clearer understanding of how pricing changes will affect category volume and profitability.

Technology gains: Without disrupting the existing POS system, DemandTec brings powerful analytics delivered as a service. Customers may elect to run DemandTec 3 in-house.

SUCCESS FACTORS

Project strategy: Use the 80/20 rule to pick the most important categories on which to focus initially. Invest adequate time for data cleansing and to validate the elasticity model DemandTec will derive from your POS data. Meanwhile, be thinking about your pricing rules and how they match your business objectives. Simplify and prioritize your pricing rules—they act as mathematical constraints, and each layer of rules will diminish the tool's ability to maximize profitability. Because DemandTec 3 maximizes outcomes within individual categories, you must be cognizant of how all the individual pricing decisions add up to affect a customer's overall shopping experience.

Skills: Like any analytical tool, DemandTec 3 helps you to test hypotheses, not formulate them. Accordingly, success depends primarily on the market knowledge you bring to bear.

Resources: Your best merchandising and pricing experts should participate in the project. Reference customers recommend engaging DemandTec's consulting services.

Fit: DemandTec 3 is a great fit for retailers moving beyond cost-plus pricing to pursue differentiated business models based on customer demand.

Published: January 2003

ABOUT THE CROSSROADS A-LIST AWARDS

The Crossroads A-List identifies the best newly proven products and services transforming business today. Winners are determined after an analysis of the vendor's strategy followed by confidential, in-depth interviews with early adopters.