



Optimizing Supply Chain



RETALON REALLOCATION EXPERT Optimal Merchandise Transfer Between Stores

Retailers who attempt to transfer merchandise between stores find the enormity of the task daunting. The need to correctly assess the past and future performance of every SKU at the store level is the first hurdle on the way to merchandise reallocation. In addition, the inventory levels of "from" and "to" stores, square footage, assortment, local demographics, and other store attributes must be considered. Above all, the costs associated with physical transfers must be taken into account to ensure the feasibility of merchandise reallocation.

Just 100 out-of-stock SKUs in some 100 stores create hundreds of thousand possibilities for merchandise reallocation. To determine the most efficient transfer schedule, which satisfies all business policies and criteria, requires a planner to consider hundreds of million combinations.

In some cases, inter-store merchandise transfers is a plausible alternative:

Case 1: All product inventory is allocated to stores (e.g. one-time-buy).

Issue: While some retail stores are sold out on this SKU position, the same SKU is in abundance in other stores.

Case 2. Allocating all SKUs to all stores at all times translates into a substantial financial burden and high degree of risk for high-ticket items with sporadic sales at the store level and large number of style/color/size combinations

Issue: Merchandise is allocated based on a set assortment decision, but same SKUs sell at different rates in different stores. Again a situation occurs, where some stores are sold out on certain SKU positions, while other stores have the same SKUs in abundance.

Case 3. Regular replenishment issues.

Issue: A specific SKU is sold out in some stores, a new purchase order is cut, in spite of the fact the same SKU is over-stocked in other stores.

Case 4. Cleanout (e.g. end-of-product-life, end-of-season)

Issue: Due to the geo-demographic disparity, end-of-seasons do not arrive at the same time in all stores. While some stores continue to sell the "end-of-season" merchandise well, others need to transfer out the same merchandise to make room for a new season.

RETALON REALLOCATION EXPERT SYSTEM

RETALON REALLOCATION EXPERT is one-of-a-kind system that turns all stores into one distribution center. It results in all merchandise being immediately available for sale. Also, it ensures that out-of-stock stores with higher velocity of sales are replenished with goods available at other stores with lower sales.



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RETALON REALLOCATION EXPERT monitors the level of sales at the store/SKU level and ranks each store on the future demand for each and every SKU. This evaluation is crosschecked against corporate policies and transfer costs. The system produces a schedule of transfers as often as required. Users can verify transfers and approve reallocations proposed by the system. Each transfer is ranked with a "net effect" factor, which allows users to determine the benefit of each move and focus on the most effective transfers.

Users have the ability to create specific transfer scenarios

- Select certain SKUs or product categories
- Specify product attributes (e.g. new, end-of-life, over-stocked, best sellers, etc)
- Create user-defined criteria for "slow" moving and "fast" selling
- Work with user-defined group of stores
- Specify store attributes (e.g. size, type, performance, capacity, etc)
- Create user-defined criteria for low and high stock (in set levels or week-on-hand)

Based on user-defined criteria, RETALON REALLOCATION EXPERT system determines

- ⏪ store/SKU combinations with excess inventory
- ⏪ store/SKU combinations soon to be out-of-stock
- ⏪ transfer quantities per store/SKU
- ⏪ merchandise transfer bundles

RETALON REALLOCATION EXPERT system takes into account the following conditions:

- Corporate policies
- Strategic priorities
- Business models
- Store capacities
- Min/Max restrictions
- Store proximities
- Transfer costs

With RETALON REALLOCATION EXPERT, retail organizations realize the following benefits:

- ✓ Determine optimal merchandise transfers
- ✓ Calculate the net effect of each transfer
- ✓ Aggregate the net effect of all transfers
- ✓ Complete 100% of reallocation calculations on a daily basis
- ✓ Ensure on-shelf availability in stores where merchandise sells
- ✓ Increase sales
- ✓ Remove the need for markdowns
- ✓ Reduce the weather dependency
- ✓ Increase Gross Margin
- ✓ Increase inventory turns

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