SAP Information Sheet
SAP Services

Zone Optimization Helps Retailers Uncover Local Profit Opportunities

Use the zone optimization service from the performance and insight optimization group of the SAP® Services organization to evaluate and endorse zone recommendations that maximize profits while attaining operational simplicity. Your point-of-sale transaction log data combined with all other relevant location and demographic data is the input to the service. Sophisticated demand-modeling, optimization, and business intelligence technology provides intuitive decision-support planning capability to assess alternatives.

Business Challenges

- Group retail stores into a manageable set of price zones while considering complex factors such as geography, competitive environment, and demographics
- Develop a set of nonconflicting business rules to group stores into zones
- Assess whether too many or too few zones are being managed
- Quantify the ROI for rezoning your stores
- Determine whether a single price can be applicable for all customers

Key Features

- Demand modeling to gain a deeper understanding of buying patterns so that you can align zones to meet shoppers' needs
- Opportunity and efficiency curves that enable you to evaluate, quantify, and recommend zone scenarios
- Business intelligence and analysis so that you can evaluate the zone strategy that maximizes profits while balancing business constraints
- Optimization functionality that lets you test various scenarios to determine the optimal zoning of stores that supports your business goals
- Visualization that enables you to see store zones on maps, manipulate zones, and access store data via sophisticated mapping technology

Business Benefits

- Better decision making by interacting with key personnel and presenting scientifically based analysis in an intuitive, highly visual format
- Deeper customer loyalty by providing a consistent shopping experience through zone-specific pricing
- Enhanced target-marketing programs as a result of greater customer insight
- Higher annual profits and revenue by determining the zoning approach that best meets your business goals

For More Information

Call your SAP representative or visit us online at www.sap.com/predictiveanalytics.

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Retailers struggle to identify and manage zones that will attract and retain shoppers and still maximize profitability. In addition, the challenges associated with changing demographics, fickle shopper loyalty, and increased competition require new zoning methods. The zone optimization service from the performance and insight optimization group of SAP® Services can help. The heart of this service is based on modeling your point-of-sale data for each store. By unlocking the value of your data, this service helps you gain insight into store-level shopper demand, understand the impact of changing store groupings within zones, and create pricing strategies that more accurately respond to shopper needs.

BUILD AN ACTIONABLE UNDERSTANDING OF YOUR SHOPPERS

With the zone optimization service, you gain insight into what is most important to your shoppers and how to align prices and promotions in each store with buying behavior. By combining your point-of-sale data with demographic and geographic variables, you can see how optimizing your stores into the recommended zones can increase retail performance and help you attract and retain shoppers.

VISUALIZE AND CREATE SCENARIOS

You can explore alternative zoning decisions to generate and rank real ROI numbers that support reducing, increasing, or rearranging zones to achieve maximum profitability and enhance shopper value. Your zoning solutions are not developed in a vacuum; they factor in your business rules so the recommendations are realistic and executable on various levels. These actionable insights are then presented with all relevant data using the latest in mapping and visualization technology.

DRILL DOWN FOR DEEPER INSIGHT

The zone optimization service lets you explore the many factors that influence shopper buying behavior. You can immediately see the influence of geography and demographic changes on zones. You can check factors such as drive time, competitors' proximity, and population density. Because each of your stores is represented visually, you can view all the stores that make up each zone, along with their locations, addresses, and sales history.

OPTIMIZE CLUSTERING OF STORES TO SUPPORT RETAIL PROCESSES

Stores can be assigned to pricing zones that optimize zone performance (pricing zone clustering) or to zones that optimize promotions (promotion clustering). With stores effectively grouped into clusters, retailers can more effectively target promotions and marketing, key value item rankings and lists, and market basket insights. While it is typical to cluster stores into zones, it is also possible to create category zones (category alignment). Stores are assigned to zones with similar placement of categories or product mixes that optimize performance within supplier- or inventory-driven constraints.

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