JDA Channel Clustering

Challenge: Efficiently and Effectively Targeting Local Consumer Preferences

Pinpointing localized consumer preferences has always been a challenge. Some companies purchase market data or establish store groups by regional segmentation. Others determine localized demand by relying on chain-wide averages or instinct. With consumer behavior varying from one product category to another and even between stores for a single category, merchants need more advanced support.

While predictive and descriptive intelligence could match plans with local customer requirements, how can companies uncover hidden patterns and trends without drowning in the data or employing an army of analysts?

Solution: JDA Channel Clustering

Benefit from micro-merchandising without the major expense. JDA® Channel Clustering isolates significant preference patterns for more targeted merchandising decisions proven to drive category sales and profits.

While traditional efforts segment stores based on assumptions or averages, JDA Channel Clustering starts with the facts: historical performances derived from point-of-sale (POS) transactions. JDA Channel Clustering's advanced data mining technology creates demand groups by clustering store locations based on sales patterns and opportunistic forecast data. With intelligence backing their efforts, your merchants and planners can launch channel, assortment and category plans at an elevated level and benefit from a fast return on investment (ROI).

Cluster Stores Based on Key Performance Indicators

JDA Channel Clustering scales to provide a different store clustering for each major category within your store and correlates groups based on driving indicators:

- Store attributes (i.e., address, zip code, square footage, specific features, etc.)
- Item attributes (i.e., product description, UPC, size, flavor, color, brand, etc.)

Key JDA Channel Clustering Capabilities:

- Establishes consumer preference patterns based on analysis of historical performance such as category POS transactions or opportunity forecast data
- Draws from any performance measure to drive clustering (units, sales, turns, GMROI, etc.)
- Supports dynamic grouping of store locations based on performance or attribute information
- Pinpoints driving characteristics within a group, such as size and type of store, volume or type of merchandise sold, customer and item attributes and store trade area
- Supports flexible management of store group outliers and new stores using automated or manual assignment procedures
- Filters out extreme outliers and other anomalies when establishing preference patterns
- Presents planners using JDA or third-party planning applications with the optimal location groups

- Store trade area (i.e., demographic, competitive, geographic and third-party syndicated data)

JDA Channel Clustering then presents optimal preference groups based on similar category performance to significantly improve your planners' decision making and effectiveness.

Optimize Channel Planning Efforts

JDA Channel Clustering empowers your merchants to create a manageable number of plans targeted for each sales channel. There is no need to create overly general chain plans or boundless departmental plans that often result in increased costs and markdowns due to imprecise content.

With JDA Channel Clustering determining the best groupings of your stores by such critical factors as capacity, volume and localized demand, your merchants will more accurately plan at

a lower level of detail. They can form unique store groups by product segment (i.e., class, department and category). Plus you can plan by representative group instead of individual stores. You'll produce the optimum number of plans needed to achieve spot-on merchandising results within every channel.

Deliver Localized Assortments with Channel Clustering

Seamlessly tailor your assortments based on true demand patterns. JDA Channel Clustering enables you to create the manageable number of distinct plans, representing a range of unique preferences. With JDA Channel Clustering, you can quickly determine which stores exhibit similar consumer preference patterns for a category, cluster them into store groups and then assort by cluster. By planning assortments for each group with similar product preferences, you'll reduce unproductive inventory while fulfilling local demands.

Make Better Category Decisions at the Shelf and Floor

JDA Channel Clustering helps you focus on pressing category management issues before you execute a planogram reset. You'll configure the best shelf space, floor plans and product assortments for an entire category. JDA Channel Clustering enables your planners to target preferred local product demand in terms of popularity and shelf inventory. The application also helps to find the optimal number of groups to balance your micro-merchandising goals with your operational costs to save valuable time and money.

Real Results

Companies that rely on JDA Channel Clustering can reap significant benefits including:

- Pinpointed consumer preferences by region as well as urban versus rural stores to decrease carrying costs, lost sales and markdowns
- Boosted customer satisfaction by making it easier for them to find their desired items and reducing the clutter of unpopular ones
- Reduced chain-wide inventory investment for every shelf without losing sales by integrating with space management planning
- Significantly improved decision making for increased productivity and effectiveness
- Produced better, more targeted results to decrease unproductive inventory

About JDA Software Group, Inc.

JDA® Software Group, Inc. (NASDAQ: JDAS), The Supply Chain Company®, is a leading global provider of innovative supply chain management, merchandising and pricing excellence solutions. JDA empowers more than 6,000 companies of all sizes to make optimal decisions that improve profitability and achieve real results in the discrete and process manufacturing, wholesale distribution, transportation, retail and services industries. With an integrated solutions offering that spans the entire supply chain from materials to the consumer, JDA leverages the powerful heritage and knowledge capital of acquired market leaders including i2 Technologies®, Manugistics®, E3®, Intactix® and Arthur®. JDA's multiple service options provide customers with flexible configurations, rapid time-to-value, lower total cost of ownership and 24/7 functional and technical support and expertise.