| Supply chain | Markdowns | Pricing | Promos | Planning |

INTRODUCING EVO

Smarter decision automation

Updated on 05 January 2020

evo

Average businesses achieve average results

Example traditional 'average' approaches

I sold 1/2/3/1, how many shall I replenish?
Future = past?

Cost = 10, so what price shall I apply?
10 x [5]?

Last year sold 1000, plan for this year?
1000 + [5]%?

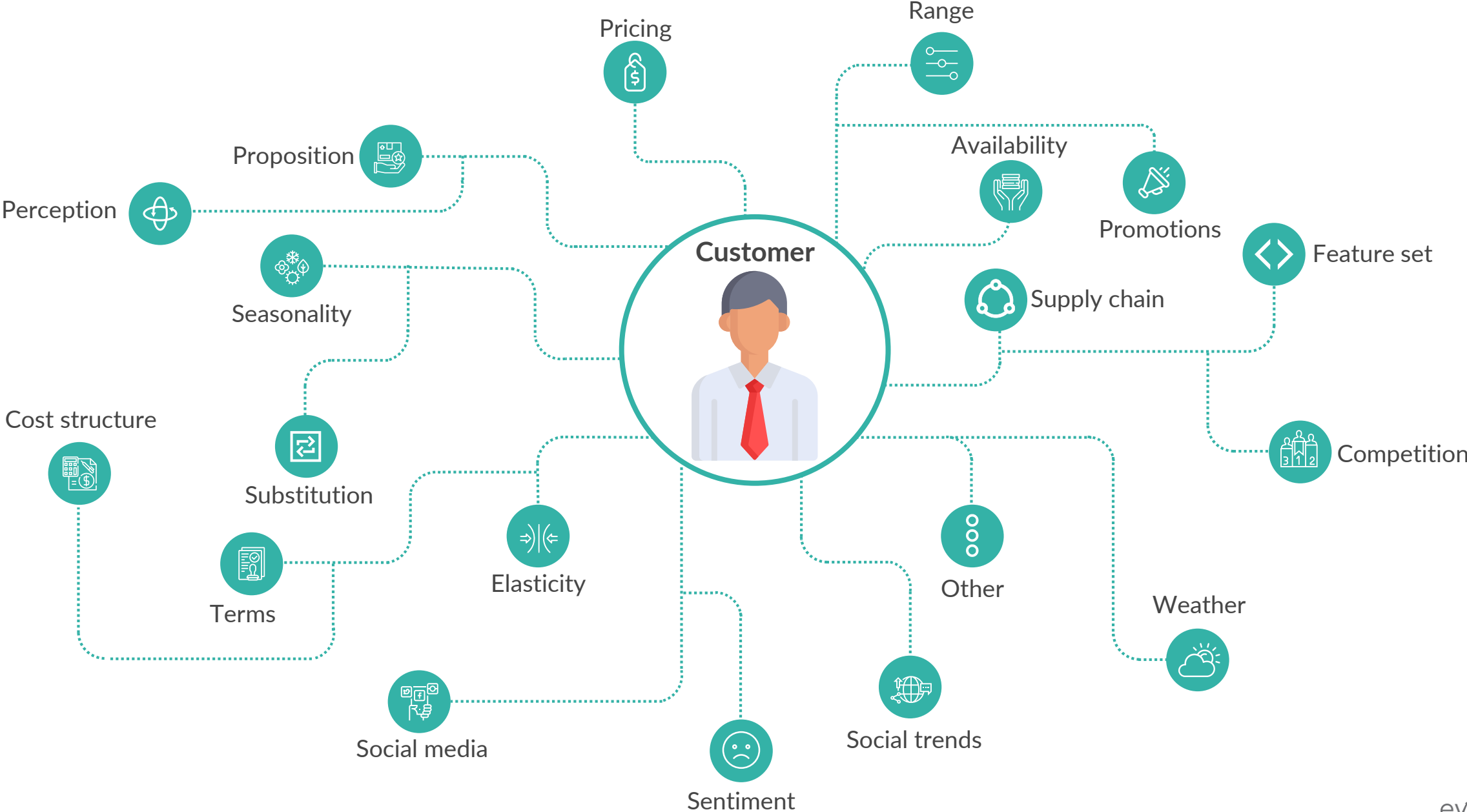**Digital disruption**

Market threats

Diverse needs

Example frequently observed challenges

Out of stock and overstock at the same time?

Left-over inventory and waste?

*Pricing lagging behind market opportunities?*

Building the intelligence that managers deserve

Pricing

Range

Proposition

Perception

Availability

Promotions

Seasonality

Feature set

Customer

Supply chain

Cost structure

Competition

Substitution

Terms

Elasticity

Other

Weather

Social media

Sentiment

Social trends

Automated tools to de-average daily decisions

Embracing the complexity of market demand...
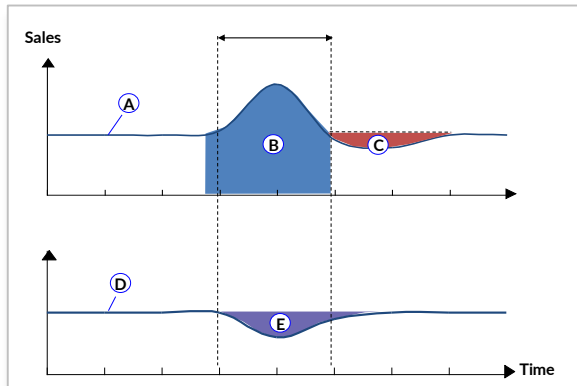
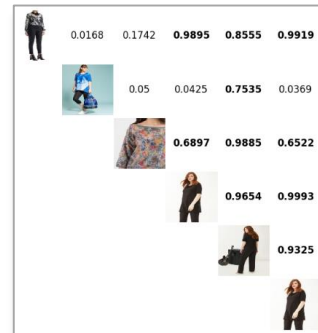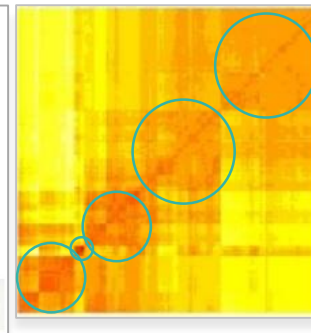### Geographic granularity
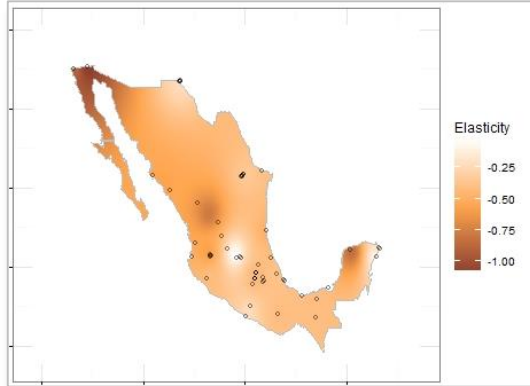
Time granularity
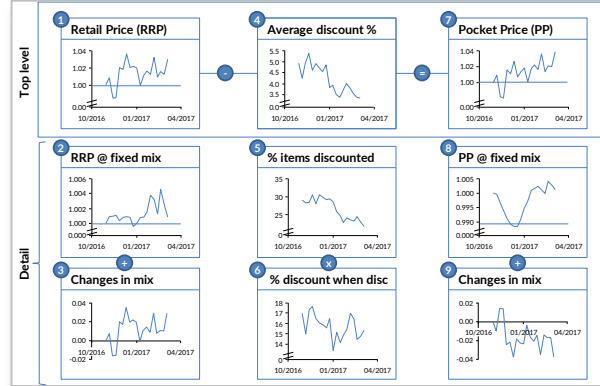
Product range interactions

Attribute scoring

Customer segments

...with tools delivering more relevant decisions, every day

Supply chain
- Inventory allocation & transfers
- Purchasing and open-to-buy volumes
- Local assortment

Markdowns
- Inventory inactivation
- Markdown discounting
- Channel coordination

Pricing
- Initial pricing
- Price adjustments
- Market tracking

Promos
- Promo level and mechanic
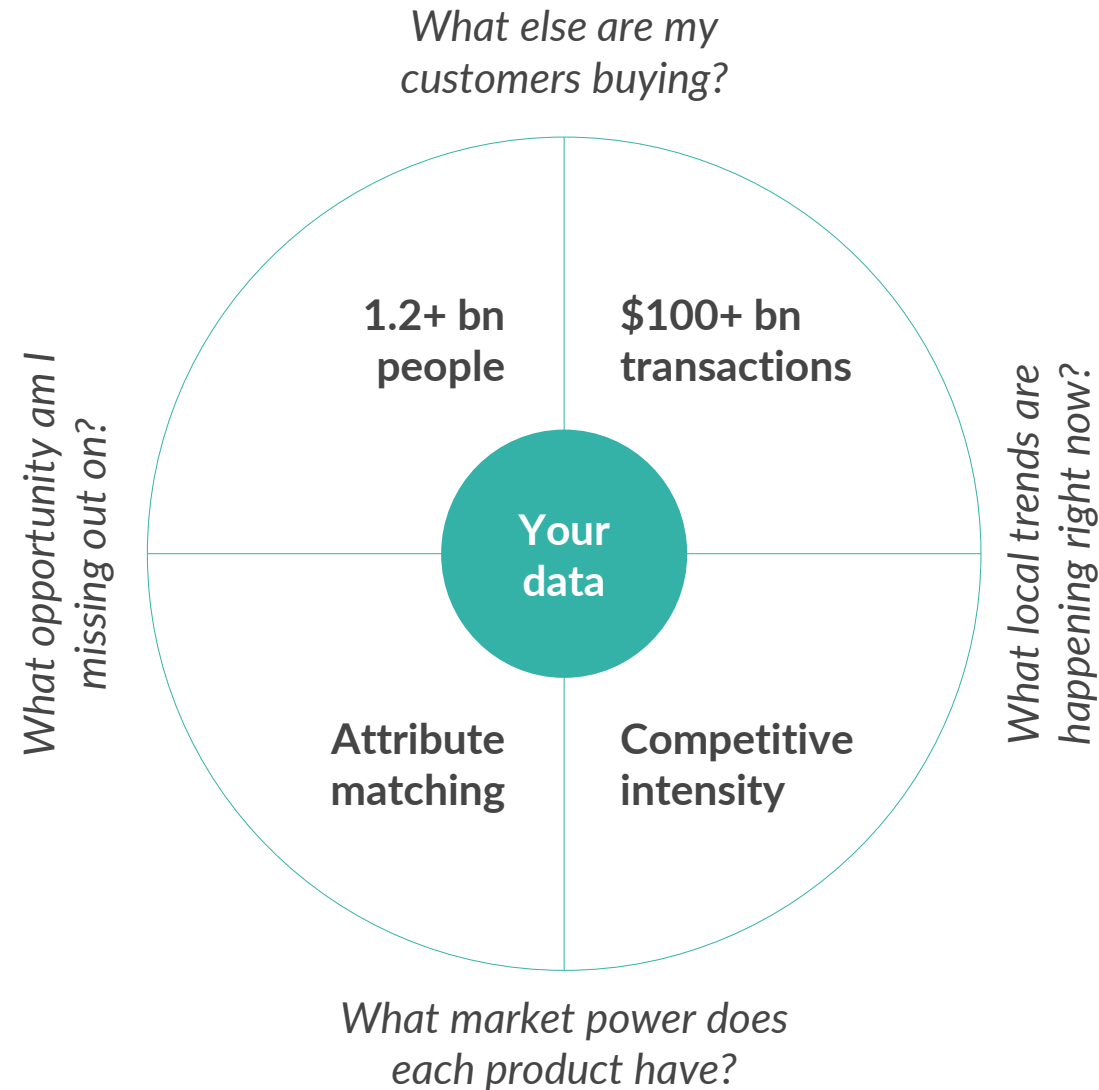- Integrated promo/inventory planning
- Simulation and measurement

Planning
- Financial plan
- Assortment plan
- Beyond '*last year plus*'

15 examples of successful decision automation

Initial tool	Example client(s)	Decision(s) we automated	Initial outcome by client(s)	Following step(s)
Supply chain	1. EU fashion	Daily replenishment	**+5% sales -14% inventory**	Automate markdown decisions
	2. Client 2 featured by HBS	Weekly store balancing	**+16% sales, +$20mln margin**	Diversify store-level allocation
	3. US grocery	Weekly assortment	**+4 points sell-through**	Linking replenishment & promos
Markdowns	4. EU retail	Monthly item inactivation	**-3 points average markdown**	Automate replenishment
	5. Private-equity portfolio	Weekly markdown decisions	**+£1mln margin per week**	Integrate with buying
	6. UK grocery	Monthly markdowns	**+£5mln margin per year**	Automate in-season pricing
Pricing	7. US retail	Quarterly initial pricing	**+5 points EBITDA margin**	Integrate with supply chain
	8. UK hotels	Daily price changes	**+12% occupancy rate**	Link to promo decisions
	9. EU travel	Daily price changes	**-9% price changes**	Integrate with capacity plan
Promos	10. Mexican electronics	Daily promo simulation	**-2 points promo intensity**	Measure systematic impact
	11. UK insurance	Weekly churn reduction	**+2% EBITDA value**	Support promo design
	12. UK retail	Monthly promo review	**+3% EBITDA value**	Integrate with supply chain
Planning	13. UK FMCG	Daily demand prediction	**-3 points error reduction**	Automate promo decisions
	14. US category leader	Monthly demand prediction	**-5 points error reduction**	Automate pricing decisions
	15. EU fashion	Yearly planning	**-12% end-of-season waste**	Integrate with supply chain

Only possible with our unique assets that expand your data

What else are my customers buying?

What opportunity am I missing out on?

What local trends are happening right now?

1.2+ bn people

$100+ bn transactions

Your data

Attribute matching

Competitive intensity

What market power does each product have?

Global data assets: the secret of our success

Embracing complexity, delivering simplicity: the Evo way

Data technology: automation

Client data

- Must-have:
  — Product set
  — 2.5+ years sales
  — Availability
- Optional:
  — Traffic
  — Price list
  — Trading plan

Evo data

- >$100bn transactions
- 1.2bn customers
- Competition
- Weather
- Product database
- Socio-dem
- Social media

Evo Engine: embracing complexity

Matching

- Attribute extraction
- Relevance scoring
- Automated matching

Substitution

- Correlation review
- Automated matching
- Scenario adjustment

Elasticity

- Historical assessment
- Automated clustering
- Forecast projection

Geography

- Socio-dem data
- Customer segmentation
- Local openings/ closings

Seasonality

- Weather patterns
- Socio-dem trends
- Social media analysis

Adjustments

- Promotion review
- Communication impact
- Product lifecycle

Your tools: delivering simplicity

Tool delivery

- Automated, accurate, granular forecast
- Millions of scenarios assessment
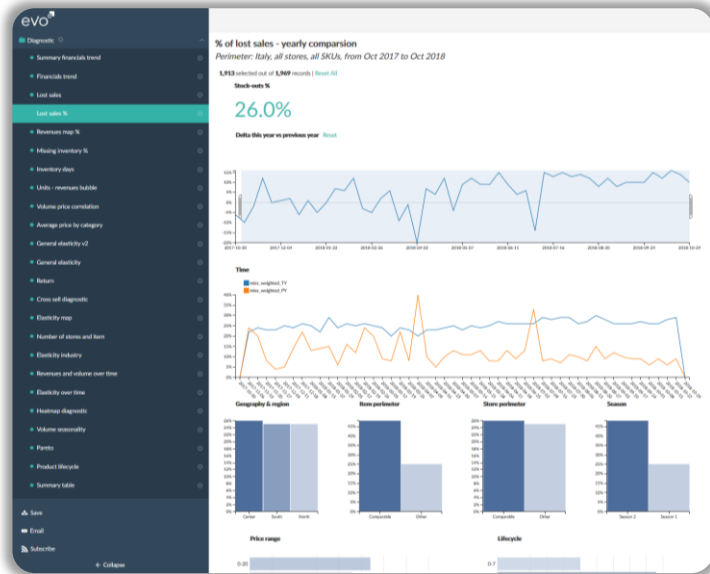- Real-time optimal decisions & impact

Auto-feedback

- Automated impact assessment
- System parameter re-calibration
- Input to strategy & business rules review

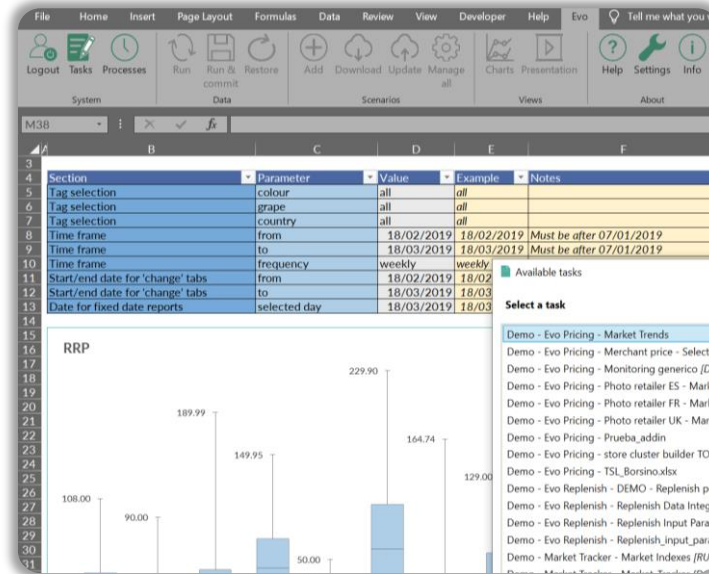**Strategy & business rules**

A day in the life of Evo clients

Leadership / sponsor

- Monitor impact using Evo web portal
- Track project with Trello board
- Steer progress in quarterly committee

Merchandising / category

- Simulate parameters using Evo add-in
- Speak with dedicated scientist
- Engage daily with system's support

IT / innovation

ERP

EDI

via SFTP or API

Evo

- Automate data exchange
- Review reconciliation results
- Monitor compliance and reporting

Just 2 weeks to kick off your lean transformation

Duration	2 weeks	2-3 months	2 years

Build

Roll-out

ROI

Activities			
	- Tech integration - Ambition workshop - Business case - Simulation sign-off - Go-live	- Impact measure - Training - Communication - Governance - Feedback	- Maintenance - Next use cases - Lean testing - Innovation - Embedding

Optional	Pilot	Change management	Strategy support

Harvard-researched capability

Distinctive assets

3.1

petabytes
learning data

actions

decisions

impact

needs

Tangible impact

2.9

median EBITDA
p.p. expansion

Grocery markdowns
Insurance pricing
Travel pricing
Retail markdowns
Fashion pricing
Retail replenishment
Fashion allocation
FMCG forecasting
FMCG prmootions
Retail pricing

0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5 4.0 4.5 5.0 5.5

Scientific edge

270

person-years
R&D investment

Springer Series in Fashion Business
Sébastien Thomassey · Xianyi Zeng
Editors

Artificial
Intelligence for
Fashion Industry

London Business School — Executive Education

Big Data to Decisions:
AI and Machine Learning

G FACT G FACTOR

HARVARD | BUSINESS | SCHOOL
9-519-053
FEBRUARY 25, 2019

World-class leadership

560

years
experience

Appendix

additional information

evo

Evo: award-winning & patent-protected innovation

We are the proud inventors of the 'human-machine alliance':

Scientific leadership on how to successfully combine human input with machine accuracy

Harvard case study, 3 patents pending, 'IT 4 Fashion' award, Google book, Springer scientific book, 22 academic papers

About Evo

Evo helps the world's leading brands transform their performance using a revolutionary, powerful and accurate predictive approach that is flexible and low effort for clients.

We leverage vast amounts of data for sustainable business impact, with unrivalled systems and expertise around optimal pricing, promotions, forecasting and replenishment.

Award-winning team of 42 Business Scientists, $350m client margin impact in 61 countries, with $1.4m grants, 270 person-years of R&D, 6 offices, 3 patents, 3.1 PB data.

Like a 'SatNav' for managers: the leverage of a personal data analysis team — but without having to hire any more staff.

Academic partners

London Business School

UNIVERSITA DEGLI STUDI DI TORINO

HARVARD BUSINESS SCHOOL

ESADE

ESCP EUROPE

POLITECNICO DI TORINO

Dedicated team with world-class expertise

Fabrizio Fantini
Executive sponsor

- Exec Steering Group
- Forecasting and Markdown strategy
- Relationship owner

Robert Diamond
Strategic advisory

- Exec Steering Group
- Strategic Direction

Sebastien Thomassey
Scientific advisory

- Steering Group
- Align software, science, change mgt and training teams

Andrea Tricoli
Operational lead

- Evo PMO
- Project Team Leader - Evo
- Integration of tools to agreed business process

Clive Humby
Strategic advisory

- Exec Steering Group
- Devise customer data strategy

Michael Reed
Customer data scientist

- Owns Customer data science delivery
- Data provision and integration

Josh Eversham
Data scientist

- Customer data science delivery

Giu Craparotta
Lead data scientist

- Owns Evo data science output
- Forecasting & Markdown science process and delivery

Davide DalFarra
Integration expert

- Technical delivery at Evo
- Data transfer, ingestion, transformation

Guilaume Alexandre
Programme manager

- Overall PMO
- Day today delivery responsibility

Ana Trifonova
Change manager

- Process mapping
- Process change
- Workshop leader

Uwe Niehaus
Training strategist

- Set overall learning strategy
- Learning programme ower

Alice Vatta
Training lead

- PMO 'learning programme
- Devise programme structure

Johanna Reiss
Training operational lead

- Learning Programme creation
- Learning Programme delivery

Transformation, at the pace of each client

Evolutive algorithms
- Self-learning
- Continuous improvement
- Scientific evolution

Client evolution
- Gradual build-up of client capability
- Growth in business results
- From A to B to C, not A to Z in one risky leap

Evolving as a mission
- Growth as key company value
- Continuous professional development
- Rapid decision-making

Client-funded. £0 VC capital. Aligned interests

Up to 40% wasted opportunity due to 'average decisions'

Typical 'average decision'	Observed potential waste
Planning • '*Last year plus*' not delivering real change • Lack of cross-functional coordination • Planning each product as '*sure winner*'	14-35% excess planned product
Pricing • Sub-optimal initial pricing • Infrequent adjustments • Lack of local market relevance	8-12% lost pricing opportunity
Promos • Custom metrics to 'prove it always works' • Real impact below margin break even • Lack of rigorous inventory planning	48-64% promotions not breaking even
Supply chain • Buy too much of everything • Excessive consistency across stores • Lack of balancing and timely transfers	15-20% lost revenues opportunity
Markdowns • High markdowns • Unsold inventory • Break of customer promise	3-5 p.p. excessive markdowns

2-5 p.p.
Margin erosion

Up to
40%
Revenues lost

Long-term viability
risk

Innovative approach to manage the explosion in complexity

		Traditional approach: model-first	Disruptive innovation: learn-first
Signals	📶	Max 3-5	Unlimited
Training		Slow & manual	Lightning fast & automated
Flexibility		Rigid due to manual fitting and small # of variables	Extremely adaptive to real world changes
Freshness	⚡	Massively constrained by low number of levers	Constantly optimised to provide best output
Stability		Error-prone manual rules management	Bullet-proofed accuracy based on huge data set

- Constrained
- Manual errors
- Unable to cope with complexity

- Massive data sets
- Human-machine alliance
- Billions of scenarios in real-time

Relevant and unique data assets crucial for success

- >$100bn transaction data
- End-to-end toolkit
- 2 weeks set-up
- Proprietary market sources
- Uniquely experienced team

Capability:
value extraction

Evo:
optimal decisions

Other options

Consultants/
software

In-house

Assets:
relevant data
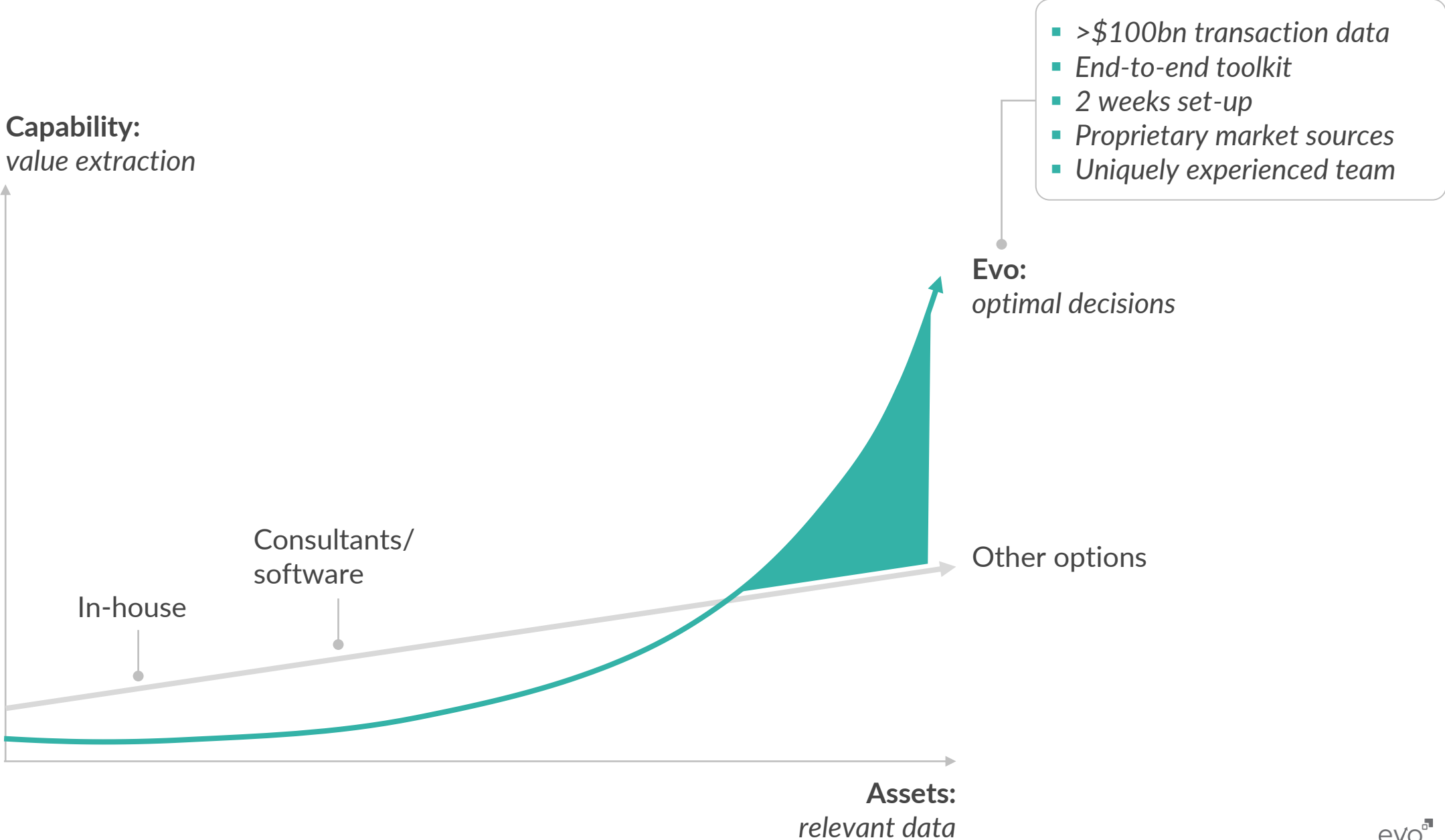
New capability for targeted decisions every day

Daily decisions

Excel: add-in flow	Web portal: insights	ERP: integration

ERP

SFTP   API

Targeted tools

Pricing		Supply chain	

PRICING
PROMO
MARKDOWN

- Everyday pricing
- New item pricing
- End-of-lifecycle
- Churn/renewal pricing
- 1-to-1 offers

FORECAST
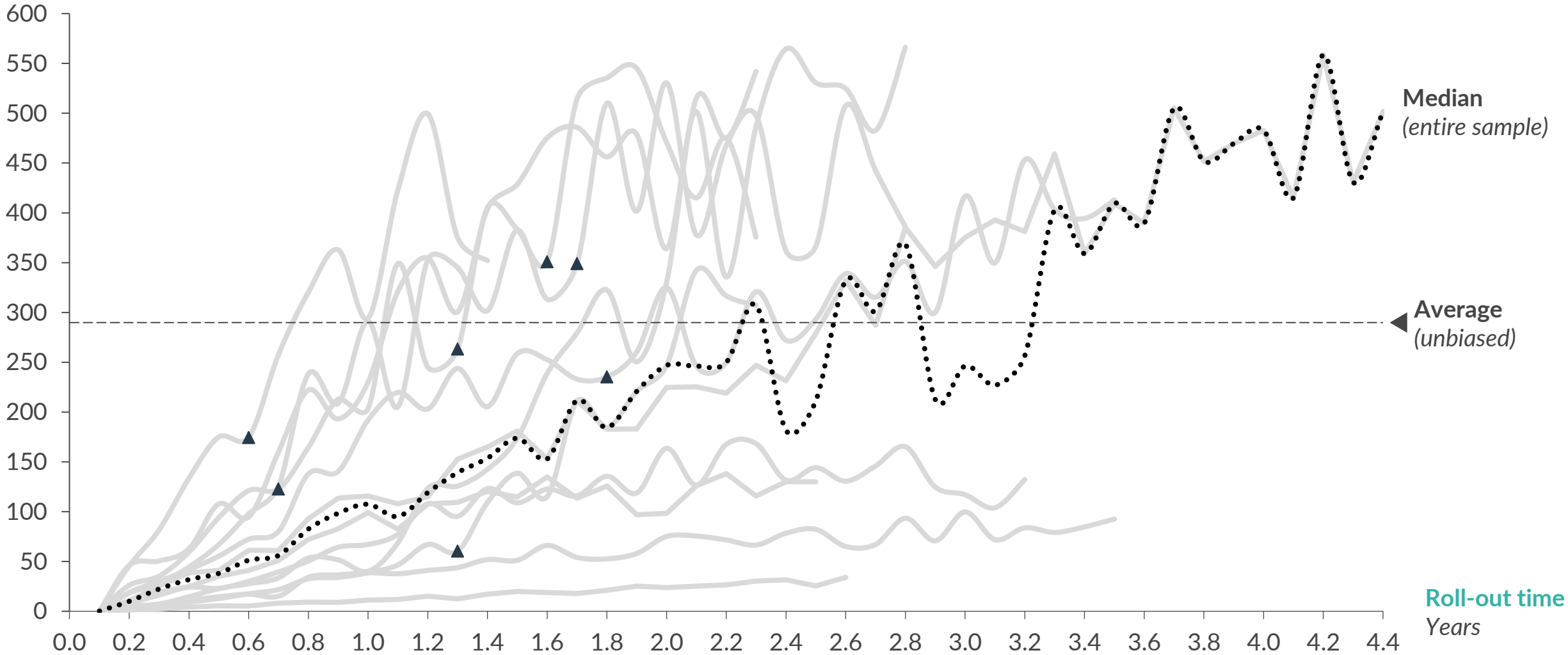**REPLENISH**
TRACKER

- Volume/price planning
- Supply chain design
- Inventory allocation
- Re-balancing
- Market monitoring

Capability

World-class predictive engine

Long term impact trajectory – case studies

▲ Scope extension

EBITDA expansion
bps incremental margin

Median *(entire sample)*

Average *(unbiased)*

Roll-out time *Years*

SOURCE: evo case studies

Investment options

Onboarding & project work

Ongoing support

Version upgrades

License

Infrastructure

ROI

Investment option

	Opex: optimal TCO	Capex
License	▪ Quarterly or yearly ▪ Maintenance & upgrades included ▪ Thought partnership	▪ One-off ▪ Maintenance included ▪ IP transfer
Infrastructure	▪ Hosted Saas ▪ Zero IT investment ▪ Optional market tracking extension	▪ On-premise ▪ Hardware & sysadmin IT effort ▪ All-inclusive
ROI	▪ Guaranteed satisfaction ▪ 10x minimum return on investment ▪ Year one business case support	▪ As seen ▪ Target 10x return on investment ▪ In-house business case

Thank you for your attention

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