



Cost and Profitability Solutions for Retailers





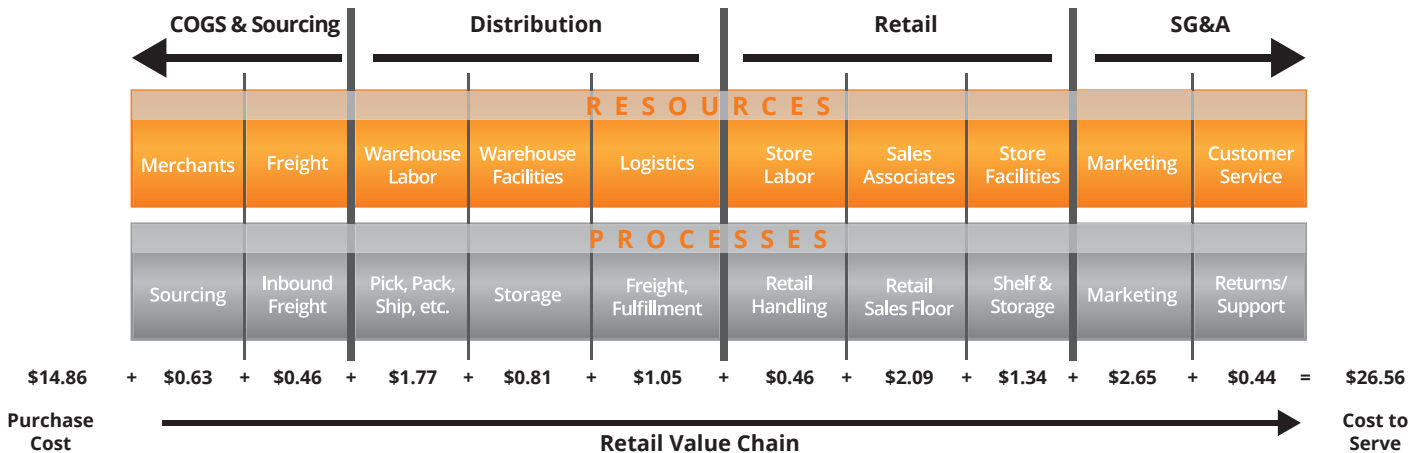
The most successful retailers manage their organization with a focus on **NET PROFITABILITY** enabled by a detailed & fact-based understanding of the true cost and net profit contribution of each **Product, Customer, Vendor, Channel and Category**

Managing Costs and Improving Net Profitability for Retailers

The retail industry is more complex than ever before. Consumers are more sophisticated, better informed, and more demanding, and while competition intensifies is intensifying from local, regional, global, and pure online retailers.

Retailers Are Constantly Evolving To Take On New Challenges		
<p>Speed, Speed and More Speed Provide new and exciting products to customers NOW!</p> <ul style="list-style-type: none"> Quickly react to customer needs and trends Shorten lead times Same-day delivery 	<p>Omni-channel Retailing A holistic customer experience across all touch-points</p> <ul style="list-style-type: none"> Evolve the store role to capture customer's attention and create value Buy online and pick up in store Compete with web-only brands 	<p>Increased Complexity Greater product differentiation and increased services</p> <ul style="list-style-type: none"> Value-Add Services: Installation, repair, personal shopper, etc. Product Complexity: Private label, personalized products, SKU proliferation Evolving promotions and rebates

For every process performed, resources are consumed adding more cost each product. The ability to create a clear and holistic view of costs across the organization is critical.



The ImpactECS platform is a flexible cost and profit modeling environment that gives retailers the tools to evaluate each data element and to easily aggregate them to provide meaningful end-to-end analysis of cost and net profitability across the organization and to drive better business decisions.

Vendor and SKU Net Profitability Solutions

Cost and Profitability Analysis

A fully loaded, end-to-end view of cost and profitability across the entire organization

- **P&L statements for EVERY business dimension:** Product, Vendor, Channel, Store, Category, Customer Segment, etc.
- **Dynamic Analytics, Performance Metrics and Dashboard Reporting (BI):** Identify where, how, and why the company is making or losing money and direct business leaders how to improve those situations

Operational Analysis

Cost center, department, process & activity cost across the entire organization

- **Process Cost Metrics:** Fully loaded cost of each process and service performed with KPIs and cost drivers for process cost analysis, benchmarking and implementation of best practices
- **Capacity Measurement/Analysis:** Activity and driver-based measurement of capacity utilization to support process improvement and resource staffing initiatives

Fully Loaded Vendor P&L Shows Dramatically Different Net Profit Results Than Traditional Approach

Vendor P&L: Traditional Cost Allocation			Vendor P&L: Net Profitability		
	Vendor A	Vendor B		Vendor A	Vendor B
REVENUE	\$10,000	\$10,000	REVENUE	\$10,000	\$10,000
Adjust (Rev%)	\$750	\$750	Adjustments	\$500	\$1,000
Cost of Sales	\$5,500	\$5,000	Cost of Sales	\$5,500	\$5,000
GROSS PROFIT	\$3,750	\$4,250	GROSS PROFIT	\$4,000	\$4,000
Operating E	\$3,050	\$3,450	Distribution	\$500	\$800
(% of Gross Profit)			Logistics & Transport	\$200	\$400
			Retail Labor	\$500	\$900
			Retail Storage	\$600	\$1,100
			Marketing	\$400	\$700
			Corporate Expenses	\$200	\$200
			Operating Cost	\$2,400	\$4,100
NET PROFIT (LOSS)	\$700	\$800	NET PROFIT (LOSS)	\$1,600	(\$100)



Net Profit Solutions Create Immediate Bottom Line Impact

Process Improvements / Changes

Improve product flow decisions, identify best practices, analyze capacity and optimize staffing, and prioritize service levels to reduce operating costs

Reduce OPEX: 2-3%

SKU / Supplier / Category Optimization

Improve category management, SKU & supplier optimization and rationalization and inventory management to increase sales and gross margin

Increase Gross Margin: 2-3%

* Additional potential revenue increase of 2-5%

Supplier Negotiations

Reduce COGS through vendor negotiations and competitive line reviews, benchmark suppliers. Reduce operating costs by understanding total supply chain cost and through collaborative supply chain planning

Increase Gross Margin: 1-2%

Reduce OPEX: 1-2%

Sales and Marketing

Increase sales & gross margin through effective sales force incentives, improved pricing strategies, informed marketing plans, and by rewarding category managers on net profitability

Increase Gross Margin: 1-2%

* Additional potential revenue increase of 2-5%

Activity based management solutions can help companies achieve a 3-5% reduction in overall cost structure and a 5-15% increase in revenue through enhanced focus on higher margin products and pursuit of better markets.

Source: Accenture, CFO Project Vol 2, October 2003

About 3C Software



Founded in 1988, 3C Software has become the leading provider of cost and profitability systems to a wide range of industries. With over 600 installations in North and South America, Europe, Asia, and Australia, the ImpactECS platform gives business leaders the tools needed to build dynamic models to support the unique and complex analysis required to effectively manage their business.



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