INTRODUCING EVO

Smarter decision automation

Updated on 05 January 2020
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]?

Example frequently observed challenges

- Out of stock and overstock at the same time?

- Left-over inventory and waste?

- Pricing lagging behind market opportunities?

Digital disruption
Market threats
Diverse needs
Building the intelligence that managers deserve

- Perception
- Seasonality
- Substitution
- Terms
- Social media
- Social trends
- Sentiment
- Elasticity
- Pricing
- Availability
- Range
- Promotions
- Supply chain
- Feature set
- Competition
- Weather
- Cost structure
- Proposition
- Customer
- Other
- Range
- Price
- Availability
- Distribution
- Competition
- Weather
- Social trends
- Sentiment
- Elasticity
- Terms
- Substitution
- Seasonality
- Perception
- Customer

(evo)
Automated tools to de-average daily decisions

Embracing the complexity of market demand...

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

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

- Inventory inactivation
- Markdown discounting
- Channel coordination

- Initial pricing
- Price adjustments
- Market tracking

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

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

**Geographic granularity**

**Time granularity**

**Product range interactions**

**Attribute scoring**

**Customer segments**
# 15 examples of successful decision automation

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

What else are my customers buying?

What market power does each product have?

What opportunity am I missing out on?

What local trends are happening right now?

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

Strategy & business rules

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

**EDI**
via SFTP or API

**Evo**

**ERP**
Just 2 weeks to kick off your lean transformation

 Duration

2 weeks

2-3 months

2 years

Activities

Build

▪ Tech integration
▪ Ambition workshop
▪ Business case
▪ Simulation sign-off
▪ Go-live

Roll-out

▪ Impact measure
▪ Training
▪ Communication
▪ Governance
▪ Feedback

ROI

▪ Maintenance
▪ Next use cases
▪ Lean testing
▪ Innovation
▪ Embedding

Optional

Pilot

Change management

Strategy support
Harvard-researched capability

### Distinctive assets
- 3.1 petabytes learning data

### Tangible impact
- 2.9 median EBITDA p.p. expansion

### Scientific edge
- 270 person-years R&D investment

### World-class leadership
- 560 years experience
Appendix

additional information
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

Miroglio Fashion (A)

In late 2015, Francesco Cazzone, Chief Information Officer of Miroglio Fashion (Miroglio), Italy’s third-largest retailer of women’s apparel, with revenues of over €500 million, was wondering how to bring analytical rigor to the company’s planning and inventory management decisions. Demand forecasting and inventory allocation were inherently difficult in the fashion industry, and they were especially challenging for Miroglio because of the small number of units sold of each short-lived apparel item at each of its 1,200 stores.

Miroglio’s revenues and earnings had been declining in recent years and Cazzone was hoping that analytics could help the company reverse this trend. However, he faced many tough decisions as well as internal resistances. Many questions popped up in his head as he started writing them on his notepad...Was it even possible to build analytical models for slow-moving items? Was it better to do frequent inventory replenishment of items in each store, similar to industry leaders such as Zara, instead of trying to forecast demand? Should he rely solely on analytical models and ignore years of store managers’ experience? Should he build this capability in-house or find a suitable partner? And how could he get internal buy-in, especially from the head of Merchandising, who had been making these decisions for years?

Miroglio Fashion
In 1947, Giuseppe Miroglio installed the first modern weaving mills in Reba, a small town in northwest Italy, and began producing silk and synthetic textiles on an industrial basis. In 1955, he opened a second factory that applied U.S. mass production techniques to manufacture Italy’s first women’s apparel at scale. This offered Italian their first alternatives to homemade or made-to-measure
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
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

Guillaume 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

- Self-learning
- Continuous improvement
- Scientific 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

- 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’

**Planning**
- ‘Last year plus’ not delivering real change
- Lack of cross-functional coordination
- Planning each product as ‘sure winner’

**Pricing**
- Sub-optimal initial pricing
- Infrequent adjustments
- Lack of local market relevance

**Promos**
- Custom metrics to ‘prove it always works’
- Real impact below margin break even
- Lack of rigorous inventory planning

**Supply chain**
- Buy too much of everything
- Excessive consistency across stores
- Lack of balancing and timely transfers

**Markdowns**
- High markdowns
- Unsold inventory
- Break of customer promise

**Observed potential waste**
- 14-35% excess planned product
- 8-12% lost pricing opportunity
- 48-64% promotions not breaking even
- 15-20% lost revenues opportunity
- 3-5 p.p. excessive markdowns

**SOURCE:** Evo case studies (N>50)
## Innovative approach to manage the explosion in complexity

### Traditional approach: model-first

<table>
<thead>
<tr>
<th>Component</th>
<th>Traditional Approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signals</td>
<td>Max 3-5</td>
</tr>
<tr>
<td>Training</td>
<td>Slow &amp; manual</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Rigid due to manual fitting and small # of variables</td>
</tr>
<tr>
<td>Freshness</td>
<td>Massively constrained by low number of levers</td>
</tr>
<tr>
<td>Stability</td>
<td>Error-prone manual rules management</td>
</tr>
</tbody>
</table>

### Disruptive innovation: learn-first

<table>
<thead>
<tr>
<th>Component</th>
<th>Disruptive Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unlimited</td>
</tr>
<tr>
<td></td>
<td>Lightning fast &amp; automated</td>
</tr>
<tr>
<td></td>
<td>Extremely adaptive to real world changes</td>
</tr>
<tr>
<td></td>
<td>Constantly optimised to provide best output</td>
</tr>
<tr>
<td></td>
<td>Bullet-proofed accuracy based on huge data set</td>
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</tbody>
</table>

- 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

Assets: relevant data

Capability: value extraction

Evo: optimal decisions

Other options

In-house
Consultants/software
New capability for targeted decisions every day

**Excel: add-in flow**

**Web portal: insights**

**ERP: integration**

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**Daily decisions**

**Targeted tools**

**Capability**

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**Pricing**

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

**Supply chain**

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

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**World-class predictive engine**
Long term impact trajectory – case studies

EBITDA expansion
bps incremental margin

SOURCE: evo case studies
## Investment options

<table>
<thead>
<tr>
<th>Investment option</th>
<th>Opex: optimal TCO</th>
<th>Capex</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>License</strong></td>
<td></td>
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<tr>
<td></td>
<td>Quarterly or yearly</td>
<td>One-off</td>
</tr>
<tr>
<td></td>
<td>Maintenance &amp; upgrades included</td>
<td>Maintenance included</td>
</tr>
<tr>
<td></td>
<td>Thought partnership</td>
<td>IP transfer</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hosted Saas</td>
<td>On-premise</td>
</tr>
<tr>
<td></td>
<td>Zero IT investment</td>
<td>Hardware &amp; sysadmin IT effort</td>
</tr>
<tr>
<td></td>
<td>Optional market tracking extension</td>
<td>All-inclusive</td>
</tr>
<tr>
<td><strong>ROI</strong></td>
<td></td>
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<tr>
<td></td>
<td>Guaranteed satisfaction</td>
<td>As seen</td>
</tr>
<tr>
<td></td>
<td>10x minimum return on investment</td>
<td>Target 10x return on investment</td>
</tr>
<tr>
<td></td>
<td>Year one business case support</td>
<td>In-house business case</td>
</tr>
</tbody>
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