Oracle® Retail Category Management

Release Notes

Release 14.0

E50575-01

December 2013

Effective category management (also sometimes referred to as merchandising) is the cornerstone of a successful retail business because it determines the variety and presentation of merchandise, which defines the customer's in-store experience. It involves managing individual product or merchandise categories as independent business units, which play a specific role in the retailer's scheme of things to achieve the set business objectives. Broadly, this practice facilitates determination of merchandise-mix, space-allocation, roles, strategies, and tactics assignment to individual merchandise categories, pricing, promotion, and inventory-related decisions across the retail chain. In recent years, retailers have experienced increased difficulty in achieving desired levels of same store sales growth, gross margin, and inventory productivity. This is partly due to smaller buying staffs, shorter product life cycles, increasingly savvy and demanding customers, and cutthroat competition.

In light of these issues, retailers are looking to service their customers better, drive profitable growth, and further differentiate themselves from the competition by tailoring their product offerings to the needs of their local customers. In the past, micro-merchandising or local market assortments were extremely complex, labor intensive, and yielded marginal results.

Oracle Retail Category Management (RCM) brings in the contemporary best-practices from the retail industry as part of its functionality. The key differentiating factors of Category Management, which facilitate decision making in the category management business practice, include the following:

- Consumer Segment perspective based on demographics and psychographics
- Market, competition, and household customer perspectives based on external data sourced from third-party data aggregation companies
- Item Performance Index (IPI) to rank item's/product category's performance
- Consumer Decision Trees to understand the consumer's buying process based on consumer segments so as to align the retailer's offerings accordingly

It consists of two modules:

- Category Planning
- Assortment Planning, for store clusters and stores, sometimes referred to as Assortment Planning and Rationalization.

The Category Planning task enables the retailer to perform higher-level category planning activities within the Oracle Retail Category Management RPAS solution.

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This solution supports the development of category business plans and broadly follows the traditional Category Management business process, with the inclusion of the consumer dimension, to provide the following:

- Analysis of market structure in terms of target shoppers/consumers and evaluation of trading area opportunity
- Performance analysis of individual product categories (on various retail business parameters) in relation to the market in general and competition in particular
- Role assignment to individual product categories
- Blueprint for strategic and tactical action within a category and across categories
- Ability to analyze by consumer segments (sometimes called the ninth step in the Category Management business process)
- Structured, measured set of activities designed to produce specified output, that is, the development and implementation of a written category business plan
- Consumer insights are core to this application, brought in by utilizing external market and consumer data sourced from third-party data aggregation sources

Consumer segmentation and store clustering can be utilized to tailor assortments to specific markets and consumer segments by providing a profile mix of who is shopping in the store and trading area. Store clusters are typically created for each product category in a trading area based upon similarity in consumers, stores, product attributes, sales profiles, and demographics such that assortments can be generated at the store cluster level. Assortments can also be generated at the store level.

Visibility to category roles, strategies, tactics, and financial objectives ensure assortments align back to overall category-level objectives.

Note: Due to changes since the 13.4.0 release, it is not possible to upgrade a domain from 13.4.0 to this release. It is required that a new domain be built.

Hardware and Software Requirements

See the *Oracle Retail Category Management Installation Guide* for the hardware and software requirements.

Science Enhancements

Oracle Retail Modeling Engine (ORME) is one application in the Oracle Retail Advanced Science Engine (ORASE) suite. ORASE is the centralized science engine that supports retail business processes by driving analytics for both the Oracle Retail Modeling Engine (ORME) and Oracle Retail Assortment Space Optimization (ORASO).

ORASE is architected in a modular fashion to serve as a centralized science engine supporting multiple solutions. Note that the applications within ORASE may be licensed separately.

Product and Solution Overview

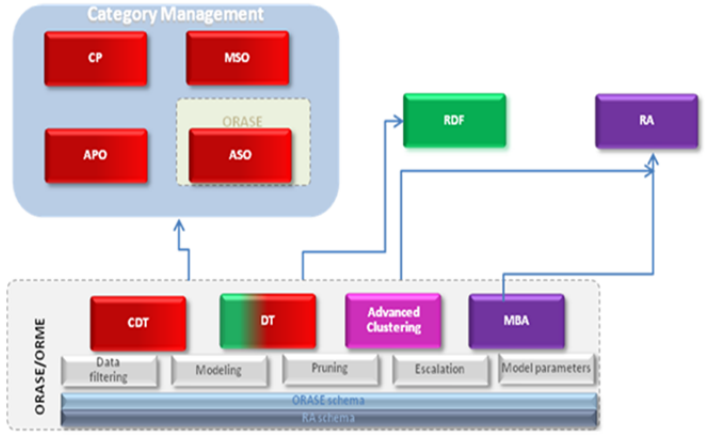
ORME performs data mining and develops analytical parameters to support business processes in Oracle Retail Category Management, Oracle Retail Demand Forecasting (RDF) and Retail Analytics. The ORME 14.0 release is comprised of the following modules:

- Customer Decision Tree (CDT)
- Demand Transference (DT)
- Advanced Clustering (AC)
- Market Basket Analysis (MBA)

ORASE Delivers Centralized Science with Modular Packaging

The figure and discussion that follow illustrate the interaction among the various components that comprise ORASE. The four acronyms shown within Oracle Retail Category Management are the following:

- Category Planning
- Assortment Planning and Optimization
- Macro Space Optimization (MSO), formerly known as ASOSpace (Macro)
- Assortment and Space Optimization (ORASO, also known as ASO)



Note: The MSO libraries are packaged with Oracle Retail Predictive Server (RPAS), Release 14.0. However, the configuration of a workflow is considered to be a custom effort on the part of the retailer and partner and is not packaged with this release. See the *Oracle Retail Category Management Configuration Guide*, Release 13.3 for reference information as to how a retailer/partner could configure the MSO libraries and special expressions into a workflow. Note that MSO was formerly known as ASOSpace (Macro).

Common User Interface and Workflow

ORASE solutions share a common workflow and user interface (UI). The workflow represents tasks that are common for most analytical activities. These tasks include the following:

- Data filtering
- Modeling
- Pruning
- Escalating, finalizing, and approving the resulting analytical parameters

The common workflow enables users to learn and adopt new science modules. For example, a retailer that uses Demand Transference and the Consumer Decision Tree may then be able to more easily learn and use Advanced Clustering and other aspects of demand modeling. This approach lowers the future total cost of ownership as centralized science teams manage aspects of ORASE and implement various science modules.

Functional Enhancements

RCM Release 14.0 includes the following functional enhancements:

Consumer Decision Trees and Product Attributes

The following enhancements are made for Consumer Decision Trees (CDTs) and Product Attributes:

- CDTs in RCM can be sourced from the Oracle Retail Modeling Engine (ORME) module, which is a part of Oracle Retail Advanced Science Engine (ORASE).
- CDTs sourced from editable ORME are editable. There is a tag, which can be modified and attached to the CDT XML, specifying whether the CDT is editable.
- Validation of CDTs is available in RCM by cross-checking the product attributes being used in CDTs with those that are available in RCM.
- CDTs include richer information such as SKU Count and Attribute Weights at a node.
- An enhanced and more user-friendly CDT Editor facility with improvements in the Fusion Client.
- Product Attributes, Attribute Names and Attribute Values, or simply Attributes are imported from ORME.
- The SKU Attribute Maintenance worksheet is introduced to add new attribute values and modify SKU-attribute mappings in RCM.

Assortment Clusters

The following enhancements are made for Assortment Clusters:

- Assortment clusters or simply clusters, which are groups of stores, are sourced from ORME.
- Assortment Clustering is done by the Oracle Retail Science Modeling Engine using rich historical data.
- Assortment Clustering in ORME is based on various parameters such as Consumer Segment Profiles, Store Attributes, Performance Attributes, Product Attributes, and so on.

- The standard Oracle Retail Predictive Application Server (RPAS) feature of dynamic hierarchy is used in Assortment Planning Analysis and Assortment Planning @ Cluster tasks.

More Structured RCM

The following enhancements are made for Assortment Clusters for the RCM structure:

- The tasks, steps, workbooks, and worksheets are rearranged to make the structure more compact. The Category Planning task now consists of six steps and the Assortment Planning module is divided into the following three tasks which share a common workbook:
  - Assortment Planning Analysis
  - Assortment Planning @ Cluster
  - Assortment Planning @ Store
- Cluster-level assortment plan visibility is added in Store specific assortment plans.
- Measure profiles, workbooks, and worksheets are streamlined to ease the implementation process.

Item Maintenance

The following enhancements are made for item maintenance:

- The Right Hand Side (RHS) product hierarchy is introduced to bring in the concept of demand transference.
- A custom worksheet is introduced to catalogue new placeholder items with the facility to maintain Left Hand Side (LHS) and RHS product hierarchies for these items.

Demand Transference

The concept of Demand Transference (DT) is introduced to provide key insight into the demand relationships between different SKUs and items in a given assortment:

- Demand Transference in RCM is science-driven and uses an API consisting of Java library algorithms. This API is sourced from the ORME module of ORASE.
- Demand Transference constant parameters, such as assortment elasticity, similarity, and so on., are used in real-time DT calculations are sourced from ORME.
- Demand Transference is used to fine-tune system recommended assortments.
- The concept of Incremental Curve and Incremental Curve-based system recommended assortment are introduced.

Export to ORASE

RCM exports category plan, assortment plan, and space management related information to the Oracle Retail Optimization Engine (OROE) module of ORASE. There are two types of exports provided to OROE:

- An export with an assortment optimization request to OROE from a space management perspective.
- An update to OROE in the form of a final approved assortment and category plans for eventual implementation.

Known Issues

The following table contains known issues that have been identified for the current release:

Known Issue/Defect	Defect Number
When a single branch CDT (or a linear tree) is created in the RCM application and the generation of new alternate product hierarchies is triggered, an error (Error parsing CDT file: null) is generated.	16598690
After a new CDT is created in the RCM application and the generation of new alternate product hierarchies is triggered, these new hierarchies are not showing up in the newly built Assortment Planning Workbook (at cluster).	16598834
When exporting for Space Optimization, the Role, Strategy, and Tactics information is coming out blank on IBM AIX.	17585418
When exporting for Space Optimization, the tactics are exported as IDs as opposed to the actual tactics. For example, while the export value should have been "Assortment: Maintain, Space: Adjust", the output is produced as "Assortment: 03, Space: 02."	17651433
WP Seed Final Core/Optional measures are not editable in Alternate hierarchies. The base intersection of the WP Seed Core/Optional measures is sub-category and alternate hierarchies such as CDT and Vendor hierarchy are at the SKU level. Therefore, WP Seed Final Core/Optional cannot be edited on CDT and Vendor hierarchy.	17772262

Related Documentation

For more information, see the following documents in the Oracle Retail Category Management 14.0 documentation set:

- *Oracle Retail Batch Script Architecture Implementation Guide*
- *Oracle Retail Category Management Implementation Guide*
- *Oracle Retail Category Management Installation Guide*
- *Oracle Retail Category Management User Guide for the RPAS Fusion Client*

Previous Releases

For additional information on previous Oracle Retail Category Management release enhancements and additional information, refer to the Release Notes and documentation that accompany the previous release.

Documentation Accessibility

For information about Oracle's commitment to accessibility, visit the Oracle Accessibility Program website at http://www.oracle.com/pls/topic/lookup?ctx=acc&id=docacc.

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