

Delivering the Industry’s Most Powerful End-to-End Merchandise Optimization on a Cloud-Based SaaS Platform, Revionics, Inc. is Providing the Perfect Solution for Smaller and Tier-1 Retailers Worldwide

**Technology
Merchandising
(Private)**

Revionics, Inc.

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**Marc Hafner
President and CEO**

**Brian Hansen
Chief Financial Officer**

**Karen Dutch
Senior VP Marketing**

Executive Bios:

**Marc Hafner
President and CEO**

Marc Hafner is an accomplished executive and CEO with over 20 years of successful leadership experience. Prior to joining Revionics, Hafner was Vice President and General Manager of NEC Corporation of America, with responsibilities for the server and sys-

tems software organization. Prior to NEC, Hafner was CEO of PerformanceRetail (PRI), a Software as a Service, business intelligence solution for retailers that was subsequently sold to both Oracle and Dresser, Inc. His background also includes leadership roles at technology companies including Broadcloud, Westell, and On-Demand Technologies.

**Brian Hansen
Chief Financial Officer**

Brian Hansen has 25 years of experience as a financial executive and has spent the last 10 years working with software development companies. As the former CEO and CFO of Foodconnex Worldwide, he has extensive experience with venture-backed organizations and start-ups. Prior to Foodconnex Worldwide, he was the Founder and CEO of International Digital Imaging Solutions, which merged with Foodconnex Worldwide. His background also includes senior financial and operational management positions with various retail organizations. Hansen began his career in public accounting and spent 6 years working for an international public accounting firm in the Silicon Valley.

Company Profile:

Revionics, Inc. delivers the industry's most powerful End-to-End Merchandise Optimization solution, enabling retailers of all sizes to execute a fact-based, shopper-centric merchandising strategy resulting in enhanced financial performance with improved customer satisfaction. Revionics' solutions leverage advanced predictive analytics and demand-based science to ensure retailers have the right

product, price, promotion, placement and space allocation for optimal results. Offered on a scalable, high performance Cloud-based SaaS platform, these solutions future-proof retailers from Big Data/Fast Data challenges, while providing speed to-ROI. Over 31,000 retail locations and \$95B in annual revenue across grocery, drug, building materials, convenience, general merchandise, discount and sporting goods stores and online sites are optimized with Revionics. Revionics has been recognized as a Red Herring's Top 100 Americas and JMP Securities' Hot 100 Software Company.

**Interview conducted by:
Lynn Fosse, Senior Editor**

CEOCFO: Mr. Hafner, would you tell us the general focus at Revionics?

Mr. Hafner: Revionics focuses on helping retailers create a competitive advantage with improved profitability through advanced predictive analytics and demand-based science. We are using the big data model. We analyze large amounts of data, some of it is the retailer's data and some of it is third-party data to integrate shopper-centricity and localization into their merchant decision making process. The company's initial focus was on life cycle pricing – base price, promotions and markdowns. With the recent acquisition of Retail Optimization, we've expanded into assortment and space optimization and our offering now spans the entire merchandise planning process, optimizing all of the key tactical levers. Our cloud-based solutions ensure our retail customers have the right product at the right price or promotional offer, at the right

place within a store with the right space allocation to increase margins, sales and customer loyalty.

CEOCFO: Are you typically looking for a long-range type pricing over a month or two, over a season, or is it something that can be adjusted week by week?

Mr. Hafner: When we go into a retailer, we actually collect around two years of point of sale (POS) data, which allows us to understand price elasticity down to the item/store level. Our science takes out seasonal effects, from weather, and so forth. We blend price elasticity information with a retailer's category strategies, rules and constraints and competitive positions to make fact-based pricing recommendations. Our retailers typically send us current POS data weekly, which is used to update our demand models so that our recommendations always incorporate and reflect the latest shopper trends and sentiment – which is critical in today's market. Most of our retailers make pricing adjustments on a weekly basis.

Mr. Hansen: Our solution also prioritizes the pricing recommendations to account for store-level operational constraints. This ensures that the price changes with the biggest impact are implemented.

CEOCFO: What was the biggest technological challenge in putting all these various elements together?

Mr. Hafner: It is all the various data elements coming together, which requires a great deal of processing resources. The science behind the results is very sophisticated and our retailers want results quickly, at the point of decision. We have a very large computing infrastructure and proprietary software that allows us to fully utilize all of our compute resources as a grid.

CEOCFO: Revionics has been around for ten years; so what has changed most in what you are able to do now and also in the market penetration for you in that time?

Mr. Hafner: One of the things that comes to mind is the fact that when

the company was founded ten years ago by Jeff Smith, his focus was on making sure that the smaller retailers, the ones that were being overlooked by the big vendors would be served. Jeff knew from his experiences that to succeed with the medium to small retailers, Revionics' science had to be sophisticated yet usable. The company delivered on this vision and was very successful serving the smaller retailers. The greatest evolution for us is that we have expanded the technology and capabilities such that we remain a perfect solution for the smaller retailers, but we also now serve Tier-1 retailers. The second major change is that until recently, the company was focused heavily on North America, and base pricing. We now have an international presence,

The greatest evolution for us is that we have expanded the technology and capabilities such that we remain a perfect solution for the smaller retailers, but we also now serve Tier-1 retailers. The second major change is that until recently, the company was focused heavily on North America, and base pricing. We now have an international presence, new modules around promotion and markdown optimization, and most recently, we acquired a company that has proven assortment, macro and micro space optimization solutions that are offered in the cloud.

- Marc Hafner, President and CEO

new modules around promotion and markdown optimization, and most recently, we acquired a company that has proven assortment, macro and micro space optimization solutions that are offered in the cloud. The one thing that has never changed is our culture, which is about being transparent with our customers and backing our solutions with a long-term partnering commitment. When customers want to try things, we are very transparent and let them know if we have done it or not, and they very much appreciate that. Our partnering approach is deep, genuine, consistent and supported by our SaaS model – we know we need to earn their 'renewal right' every single day. Our culture is something that is very important to us and we have had a great deal of positive feedback on it from

our customers and the market. That is one of the things that sets us apart in addition to our science.

Mr. Hanson: One of other things that has made us successful over the last ten years has been our value proposition, our customers are getting on average a 12 fold ROI every year. When Jeff built this system, he had the vision and foresight to build it so it was very usable. One of our key usability capabilities is transparency, which means our customers have visibility into the why behind every recommendation. We've found that this accelerates recommendation adoption, which in turn accelerates value and ROI. This is another key differentiator between our competition and us.

CEOCFO: Would you give us an example of what you are able to do, and what are some of the easy to understand changes they were able to make using your system?

Ms. Dutch: Every one of our customers has experienced enhanced profitability through our optimization solutions. Typical gross margin increases for base price optimization are in the 3-5% range with sales increases in the 2-3% range, but we do have customers that are seeing significantly higher results.

We have several public customers such as Tractor Supply Co. and Family Dollar that regularly talk about Revionics and price optimization on their earning calls. And our customers using assortment and space optimization are seeing 4-7% increases in same store sales and 2-5% increases in same store profits. Equally important is the overall ROI. We have measured our customers' ROI and know that on a yearly basis for every dollar that they spend on our solutions the return is in the range of eight to eighteen dollars with an average of about twelve dollars in improvement for every dollar spent. That is a pretty substantial year after year return. Our customers call it the gift that just keeps on giving.

CEOCFO: When you are working with a chain, is it typically the whole chain

once you are established, or is it broken into segments?

Mr. Hafner: We typically work with HQ. Now depending on the retailer, there are several different rollout methods. Some retailers' rollout price optimization to a selected set of stores initially, others choose high impact categories across all stores and some choose an all categories, all stores approach.

Mr. Hansen: Our SaaS model really gives our customers the maximum flexibility in choosing the rollout strategy that works best for them. Most of our customers end up using our solutions across all stores. We have some customers optimizing across over 8000 stores.

CEO CFO: What about the competitive landscape; why are people choosing Revionics?

Mr. Hafner: The reason retailers choose Revionics is because we are the only vendor that provides sophisticated yet usable science. Our solution provides complete transparency and explains the 'why' behind the recommendations. Our retailers, for example, always know exactly why a price changed. Our competitors provide a new price but cannot explain why they suggested a new price due to their black-box approach. We are also the only solution that automatically updates the demand models weekly to reflect current and emerging shopper sentiment. This allows retailers to leverage our optimization across product categories not possible with a competitor's product. It also lowers the total cost of ownership as our competitors charge substantial professional service fees to update their demand model several times a year. And lastly, we deliver results in minutes to hours vs. days to weeks. Our customers have all of the information they need at the point of decision.

Mr. Hansen: We have the largest number of customers on price optimization, more than any other vendor including Oracle and IBM. We are very proud to have over 31,000 stores utilizing our products. With more sets of eyes than anybody else in the marketplace using our product, we get a lot of feedback daily. Some of it is

good and some of it is constructive criticism, but their feedback is critical to making the products better and stronger to ensure we remain best-of-breed.

CEO CFO: Would you tell us about the recent acquisition and what types of additions do you see?

Mr. Hafner: Our recent acquisition of Retail Optimization means we now have all of the predictive analytics and demand-based science to deliver a proven End-to-End Merchandise Optimization suite. Our customers can now take a shopper-centric approach to merchandise planning, leveraging science to optimize all the tactical levers for improved margins, sales and customer loyalty. Armed with a comprehensive view of their shoppers' behavior, they can tailor the variety of products offered to best-fit each local market, optimally place products in a store to increase basket sizes, and price and promote products more effectively. We will continue to focus on making our retailer's customers' experience better.

Mr. Hanson: As a SaaS-based retail platform company, this acquisition also positions us to be the first vendor that can offer retailers a fully integrated end-to-end merchandise optimization solution. By infusing real-time price and promotion information into the assortment and space decisions, we can deliver a coordinated master demand plan – one version of the truth.

CEO CFO: Have you encountered customers that do not follow the advice?

Mr. Hafner: That happens. Retailers have been using spread sheets and 'gut feel' to make decisions for a long time and then something else comes in and tells them that they should do it differently. This is why our recommendation transparency is so important. It helps a retailer understand what factors drove the recommendation. We also provide what-if scenario simulation that allows a customer to see the financial outcomes of different strategies and rules so that they can compare them and make better decisions that align with their business and financial objectives.

Mr. Hanson: Our performance measurement reports also help with adoption by showing the uplift in sales, margins, profits, and unit counts due to taking recommendations. We also track the impact of not taking a recommendation so that our customers have visibility to that as well.

CEO CFO: Revionics has won a number of recent awards, would you tell us about that and how important that is and what it means for Revionics?

Mr. Hafner: Being recognized by the marketplace is a great endorsement. We were recently recognized by both Red Herring and JMP Securities as one of the best software companies with the strongest innovation, technology, financials and management team in the industry. We are very proud of what we have achieved, and were very grateful to have been nominated. The fact that we won these awards validates what our customers have been telling us. We will continue doing what we have been doing because that is what got us to this point.

CEO CFO: Are you looking for funding and investment in Revionics?

Mr. Hafner: We do not need funding; financially we are very strong and not actively looking for additional funds. We had one round of funds in 2007, which has allowed us to fuel our rapid growth. Having said that, as the steward of the company I look for opportunities to continue to accelerate growth. If funding needs are required, then we have it available. For example, a key area we are looking into is international growth. We have already planted the seeds, and we have already had success internationally, which has told us go faster.

CEO CFO: Why should investors and business owners look at Revionics?

Mr. Hafner: We are the example of what a well-run SaaS company can be. We are also a great example of building the right kind of team and having the right kind of culture for that team to excel in. The result of this is we are able to compete effectively against the IBMs, Oracles and SAPs of the world. I ran into a competitor at a trade show, and the compliment they gave me right off the bat was

that they hear such good things about the culture in our company. I thanked him for his comment but that was here when I got here. In addition, when a publicly traded company, such as Tractor Supply Co., mentions you on their earnings calls and cites their price optimization efforts as one of the four drivers of their margin initiative, that really says it all.

Mr. Hansen: Our strong execution has resulted in exceptional growth, 69% Compound Annual Growth Rate

(CAGR) over the last three years. We are going to continue to grow, and we are always looking at additional acquisitions and ways to strengthen our partner eco-system to support and drive that growth.

CEO CFO: What should people remember most about Revionics?

Mr. Hafner: Optimization technology has just entered the broad adoption phase and Revionics is recognized as the proven leader in this billion-dollar market. I think the process and path

that we are on is the right one and we will continue our flawless execution.

Mr. Hanson: We are proud of what we have accomplished, and financially, we are a very strong company. We have been around for ten years and have achieved great success with very little capital, providing a great experience for the over sixty customers that we have today. We will continue that trend and create more value in the future.

The logo for Revionics, Inc. features the word "REVIONICS" in a bold, sans-serif font. The letters "R", "E", "V", "I", "O", "N", "I", and "C" are blue, while the letters "S" and "S" are green. The letter "O" is stylized with a blue dot in the center. A registered trademark symbol (®) is located at the top right of the word.

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