

You Would Think That Pricing in a *Dollar Store* would be Easy...

Background

Family Dollar has one of the most cost/value conscious shopper bases in the United States with 50% of their shoppers on some form of government assistance. Frequent shoppers with high levels of price awareness and small baskets, they have looked to Family Dollar for over 53 years to provide affordable pricing on the products they need and trust.

Family Dollar recognized that they needed to transform from an enterprise-wide pricing strategy done in spreadsheets to a more localized, strategic approach that enabled them to automate and prioritize pricing decisions while managing item level pricing by exception.

The overall mission in life cycle pricing was to maximize the effectiveness of pricing decisions from product introduction through discontinuation. However, growing fast with over \$10 billion in sales and 8000 stores across the United States - Family Dollar was faced with a wide variety of competitive environments and shopper demand patterns as well as a very constrained store labor model.

Life Cycle Pricing Vision

Family Dollar defined several key elements that were requisite in their selection of a holistic life cycle pricing solution that encompassed base pricing, promotions and markdowns:

- **A proven quick time to value** on a scalable platform that could support rapid growth in store footprint and assortment
- **A strategic business partner** with an organizational culture that embraced their vision for life cycle pricing and a team that provided industry insight from a technical, scientific and business perspective that would keep them at the forefront of price optimization
- **More science and a little less art** when developing pricing strategies and managing in-season price changes
- **100% transparency into price recommendations** to build trust – a “black box” around the science was not acceptable

“Before Revionics, our pricing processes were very manual, subjective and tactically-focused. The Revionics platform allows us to make fact-based pricing decisions across a wide range of product categories and a diverse store base. We can model various pricing strategies, understand the impact on sales and profit, and act quickly to capture the benefits. Family Dollar chose Revionics because it offered the most flexible, intuitive and integrated lifecycle pricing solution in the marketplace. These selling features had a significant impact on the great adoption we achieved during our implementation.”

Scott Zucker
SVP Merchandise Operations

You Would Think That Pricing in a Dollar Store would be Easy...

A Phased Implementation Approach

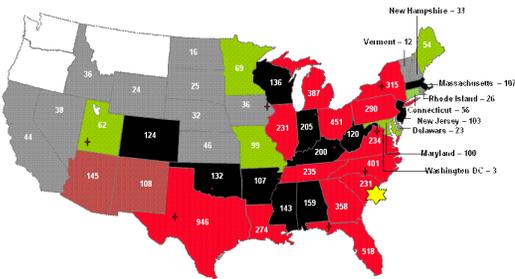
"In addition to the financial benefits associated with the implementation and utilization of base pricing, Family Dollar has also improved their forecast accuracy and workflow management cycle times. I credit these improvements to the dependable science and user-friendly interface that Revionics provides."

Apollo Whited
VP of Pricing

Everyday Pricing was implemented first (in 2010) because maintaining their value/price/convenience perception was the penultimate challenge given their shopper base. Improving their price image while still delivering profitable sales growth required a better understanding of competitive environments, shopper demand and price sensitivity at a local level.

Markdowns were next because they needed science and technology to scale optimized, store-level markdowns across 8000 stores. The replacement of an enterprise-wide markdown strategy with one that localized markdown plan and cadence based on shopper demand patterns, inventory positions and inventory depletion rates was completed with a full roll-out over the 2013 Christmas clearance period after a 6 month pilot.

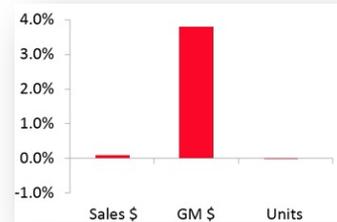
Next on the agenda is Promotions to improve their marketing spend by better understanding promotional uplift and market basket dynamics to drive more trips and increase offer relevancy for their customer.



Impressive Results

Base Pricing:

4% gain in GM\$ for Categories with Strategy to Drive Margin & Protect Price Image with no impact on units or sales

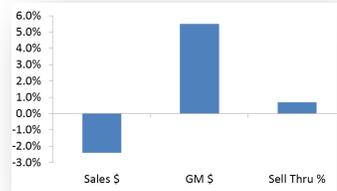


"The (markdown) pilot itself lasted for about 6 months, we focused on both consumables and apparel merchandise in order to evaluate the effectiveness of the solution. Through the efforts of the pilot we were able to achieve both our financial and operational success criteria. We quickly moved to a full scale rollout across the chain which began earlier this year. We are very excited about this solution and the value it will bring to the organization."

Apollo Whited
VP of Pricing

Markdown Pilot:

6% Higher GM\$ for Categories Driving to a Profit Objective in test versus control stores



10% Higher Sell-Through for Categories Driving to an Inventory Objective in test versus control stores

