



OTTO

Success Story OTTO

blueyonder

Forward looking. Forward thinking.

Altimeter for purchasing

"Otto – find ich gut" (it's good!). That's the slogan of this famous company. In its commercials, in its brochures, and on the Internet, the OTTO brand is incredibly powerful and the trust its customers place in the company is unerring.

OTTO draws particularly on its strengths in the area of dynamic online developments, making it the undisputed leader among German mail order companies. This is partly down to its efforts in using and constantly developing innovative methods that take both the complexity and dynamic effect of online retail into account.

Why Blue Yonder?

What's important for purchasing?

Gross and net forecasts for sales volumes (article and sales forecasting) provide material planners with helpful support. This results in a delivery reliability that is significantly improved, and highly optimized inventory management.

What convinces those at management level?

The NeuroBayes Predictive Analytics solution identifies the complex interconnections that exist within huge volumes of data and uses these to create valuable forecasts. These forecasts help the purchasing department to keep the number of pieces ordered from suppliers as close as possible to the actual amount needed, ultimately increasing the company's profits.

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Michael Sinn, Vice President Buying Division Support

From nuclear research to returns quotas

As a "data-driven company", OTTO has always focused on analyzing extensive volumes of data as a basis for helping the company make its decisions. A special "Business Intelligence" department is in charge of these activities within the company. As traditional methods of forecasting quickly began to reveal their limitations in the complex world of online retail, OTTO was in need of new methods – methods with scientific roots. As Tobias Gruber, Division Manager Merchandise Planning & Control at OTTO, states, "Until now, OTTO developed all of its applications itself – including its forecasting tools. We wanted to improve the company even further, so we looked around to see which solution could help us

progress going forward." While searching for these forecasting tools, OTTO finally stumbled upon Professor Dr. Michael Feindt, a physicist and expert in the field of nuclear research. His combination of neuronal networks and statistical methods was far superior to other methods available. After all, NeuroBayes® identifies any relevant interconnections that exist within mass volumes of data and uses its highly stable methodology to deliver forecasts that are astoundingly accurate. Forecasts can be improved by between 20-40%, depending on the type of catalog involved, which leads to a significant drop in the amount of stock left over at season end.

Key question: Exactly what data is useful?

Since implementing NeuroBayes, OTTO has been able to forecast its sales at product-size level with far greater accuracy. Every year, the company comes up with 40 million separate forecasts that are calculated using a multitude of different factors. To be able to do this, the company first has to be able to handle its mass data with the utmost competence – as many as 11 gigabytes or 100 million data records are fed into the system on a daily or weekly basis. For the forecasts

themselves, factors such as how often a product is requested online and offline, specific product attributes and other surrounding conditions all play a significant role.

The insights gained from the analyses are used as part of the close working relationship between OTTO and Blue Yonder to continuously improve the data and forecasting results.

Training "on the forecast"

Aside from the results that Blue Yonder comes up with, assessments made by the experienced material planners also play a crucial role in checking the results and creating sales forecasts that are as accurate as possible. The forecasting software delivers the information required by the planners at every relevant stage, including phases that are long before the product is introduced. Ultimately, it is vital to identify which products are good and which are bad as early as possible. "A self-learning system like NeuroBayes matches our dynamic business model perfectly. The quality of our forecasts is improving all the time and the sales volumes we predict are becoming more

and more accurate. This allows us to get ready for future developments at a very early stage," explains Michael Sinn, Vice President Buying Division Support at OTTO. As Matthias Stüben, Division Manager Merchandise Processes, continues: "The fact that NeuroBayes teaches itself is one of the great strengths of the method used by Blue Yonder. The importance of influential factors such as addressing customers and product rankings, or page segmentation and catalog output numbers in printing, constantly changes throughout the product life cycle – and the solution recognizes this."

Planning proposals with no ifs or buts

The advantages of this include a delivery reliability for the customer that is significantly improved and an increase in profitability. The impact on OTTO's revenue brought on by forecasts based on NeuroBayes runs to a figure worth tens of millions.

NeuroBayes provides material planners with another instrument that they can use to make their decisions with greater confidence. As Michael Sinn states, "NeuroBayes allows us to give our materials planning department another altimeter for them to use. The buyers themselves are best placed to do the actual planning." In future,

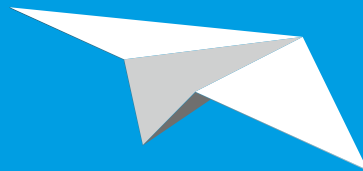
however, Blue Yonder will assist planners even further by providing them with proposals that also take into account delivery dates and public holidays within the country of procurement. By doing this, OTTO plans to make itself even more efficient and wants to concentrate more intensely on articles and process flows that are critical to the success of the company.

Other issues related to sales and marketing, such as assessing the creditworthiness of a company's customers, are also to feature as part of the solution in future.

Use your data to navigate to success

Still have any unanswered questions? Looking for a partner who can help you develop forecasts that are **specifically tailored to your own sets of data**? Contact Dunja Riehemann (Tel +49 (0)721 383 117 36, dunja.riehemann@blue-yonder.com) to join us in this visionary venture.

For more information, visit us at: www.blue-yonder.com



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