

50%

MARKDOWN OPTIMIZATION

Why Retailers Need It & How It Works

WHAT IS IT?

Markdown Optimization is the strategic process of determining the most effective and profitable way to adjust the prices of products as they move through their lifecycle. The goal of markdown optimization is to maximize sales and minimize the impact of markdowns on profits while minimizing losses, especially for products that are nearing the end of their shelf life or season.



WHY DO RETAILERS NEED IT?

Markdowns can be a major source of lost profits if not managed properly. Here are the reasons why retailers need markdown optimization:

1 Profitability

Retailers need to find the right balance between driving sales and maintaining healthy profit margins by strategically applying discounts.



2 Inventory Efficiency

Optimizing markdowns clears out excess inventory and reduces carrying costs, improving overall inventory management.

3 Data-driven Decisions

Retailers need data-driven insights to reduce human bias and make more informed decisions.



4 Timing

Timing is critical for identifying the right point in the product's lifecycle to apply markdowns without eroding profits.

5 Weather Impact

Markdown optimization enriched with weather data can help retailers time markdowns more effectively and optimize their pricing strategy.



HOW DOES IT WORK?

Set Up a Smart Strategy



- Create a markdown strategy that reduces your excess inventory to generate the highest revenue.
- Maximize overall profits by optimizing the pricing strategy of each item over its lifetime.
- Avoid unnecessary early and deep markdowns for products/locations that will sell out.
- Set different optimal prices based on local price elasticity for each store cluster, region, or country.

Use Markdown-specific Forecasting



- Leverage AI-driven demand forecasts with self-learning markdown algorithms.
- Optimize forecasts using sentiment-based demand sensing.
- Enhance option-level markdown predictions for full inventory visibility.
- Forecast using product attributes and own- and cross-price elasticity.

Simulate & Compare Real-time What-If Scenarios



- Swiftly test different rules and objectives, see end-of-season projections.
- Evaluate multiple markdown scenarios through simulations.
- Optimize markdown decisions with "what if" analysis for better strategies.