IBM Markdown Optimization

Help retailers plan and improve pricing, profit and inventory levels for items leaving the assortment

Highlights

- Dramatically improve markdown timing and depth to help achieve inventory, profit and revenue objectives
- Develop plans for chains, divisions, zones or individual stores based on store-specific customer demand
- Automate and streamline weekly markdown pricing processes

The traditional approach many retailers take to markdown pricing involves using a standard set of markdown percentages implemented on a standard schedule across stores. Unfortunately, this approach to markdowns fails to take into account store-specific price elasticity, store-level inventory on hand and the sales velocity of each store. As such, this approach to markdown can have a negative effect on a retailer's bottom line.

IBM® Markdown Optimization, a part of IBM's cloud-based suite of Omni-Channel Pricing solutions, uses the science of Customer Demand Management to help retailers design optimal plans to set markdown timing and depth to help optimize profitability and achieve inventory on-hand objectives for virtually every clearance item in their stores and online web storefronts. Markdown Optimization supports a wide range of markdown types including seasonal, short product lifecycle, event and holiday, category reset, cycle refresh and standard discount markdowns. This IBM digital commerce solution enables retailers to quickly move from insights to actions to results by delivering the right price at the right time and place to customers.

Dramatically improve markdown timing and depth to achieve inventory, profit and revenue objectives

IBM Markdown Optimization leverages one of the most advanced sciences in the industry, with item-level modeling and optimization that captures the elasticity of each item at the store level. Using IBM Markdown Optimization, retailers can set primary and secondary goals to help minimize inventory, maximize profit, or maximize revenue. Retailers can also specify a maximum number of markdown price changes, the depth of each change, and other constraints to help ensure that markdown plans conform to retailers' policies and can be executed within existing processes and infrastructure. Retailers can also optimize to budget or other metrics in order to adhere to business requirements and can optimize cross-channel inventory to maximize profits. Returns forecasts, particularly important to online channel inventory, are incorporated in the optimization science for increased accuracy.

Develop plans for chains, divisions, zones or individual stores based on store-specific customer demand

IBM Markdown Optimization is designed to help retailers develop markdown plans based on the unique price elasticity and inventory position at each store, while also providing retailers with the flexibility to either allow store groups or zones to share the same schedule, or have each store execute its own unique schedule to help maximize overall plan performance. Retailers can also create, forecast, compare and evaluate multiple markdown pricing scenarios to fine tune their markdown strategy before prices hit the stores or the web. With IBM Markdown Optimization, retailers can analyze business performance and identify markdown liability products with a flexible reporting engine that provides historical trends, plans and forecast information.

Automate and streamline weekly markdown pricing processes

IBM Markdown Optimization streamlines many of the manual tasks that have traditionally been part of the markdown process and improves productivity. Through an end-to-end automated workflow process from plan creation through approval, IBM Markdown Optimization can streamline processes to automatically create and initiate new markdown plans and scenarios based on department or category-specific rules defined by a retailer so that merchants can simply log into the system to review the results of planned optimizations. IBM Markdown Optimization is designed to help retailers closely monitor the performance of their markdown plans through comprehensive reporting capabilities. It also allows retailers to automate the process of weekly re-optimizations to continuously adjust markdowns based on sales performance and plan goals to help ensure each markdown plan ultimately meets its objectives.

IBM Markdown Optimization: part of a comprehensive solution for managing omni-channel pricing

IBM Markdown Optimization is a key solution of the IBM Omni-Channel Pricing offerings designed to enable retailers to price items across channels at virtually any stage in their lifecycle – including new items, regular or full retails, promoted items and clearance items. The solutions reside on the cloud-based IBM network, and are available through a single, personalized portal.

Why IBM?

In summary, in the new era of retailing, the changing market dynamics of retail pricing are very complex. It requires actionable insights, analytics, cross-organizational collaboration and price transparency at every stage of the pricing process to deliver seamless, personalized shopper experiences across all channels. You need a solution that is based on your defined pricing objectives and can develop pricing strategies that will enable you to achieve your business objectives and meet evolving customer expectations for your digital commerce activities. With IBM Markdown Optimization, you can price effectively, remain competitive, and achieve significant financial and productivity improvements.

For more than a decade, IBM solutions have helped retail organizations develop and continuously enhance their capabilities. IBM's many years of deep retail pricing experience, combined with leading optimization science and research resources, delivers true omni-channel pricing capabilities that allow our retail clients to set, manage and execute optimal and coordinated Intelligent Pricing across their store and digital channels.

For more information

To learn more about IBM Markdown Optimization, please contact your IBM representative or IBM Business Partner, or visit **ibm.com/**software/products/en/ibmmarkdown-optimization.

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