



Highlights

- Dramatically improve markdown timing and depth to help achieve inventory, profit and revenue objectives
 - Develop plans for each store, zone or chain based on store-specific customer demand
 - Automate and streamline weekly markdown pricing processes
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IBM Markdown Optimization for softlines

Helps fashion retailers optimize revenue and margins by planning and executing better markdown pricing decisions

Today's fashion retailers face a specific set of challenges when it comes to maximizing sales and profit margins. While the trend-spotting, product design, and buying processes have long been considered art forms by expert practitioners in fashion retailing, current business pressures suggest a more empirical approach may be required.

At the end of every season, clearance pricing and markdowns are a necessary evil in order to sell through remaining inventory, and make room for next season's merchandise. It is a standard practice and few, if any, question its effectiveness – meaning fashion retailers are missing a massive opportunity to add millions to their bottom line. The problem, or pain, is masked by using a markdown budget as a safety net, a pre-planning of the profit they predict they will lose by marking down their merchandise. If they stay within this budget they do not feel the pain. But in reality this is stopping fashion retailers from seeing the ineffective decisions they are making – in other words they are literally throwing money away.

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

And that is where IBM can help.



IBM® Markdown Optimization is a cloud-based product that helps fashion retailers overcome these challenges by providing them with the capabilities to better plan, optimize and execute end-of-season markdown decisions.

By bringing together the inspiration and art of fashion with the science and technology of optimization, fashion retailers can make more informed “what, how, when and where” markdown decisions such as:

- What to markdown
- How much to markdown by
- When to start markdowns
- Where to apply markdowns, for example by class/sub-class/style/item and at store/region/chain level

For fashion retailers, IBM Markdown Optimization leverages softlines-specific demand forecasting science to determine the precise markdown depth required to meet merchandising objectives. Based on proven pricing models for short-life merchandise, these advanced techniques use a different scientific approach than traditional forecasting tools to deliver more accurate results.

By factoring in seasonal, event and holiday curves, as well as customer demand, store characteristics and returns profiles, to forecast sales and inventory position at style/color/size level each week, fashion retailers can significantly improve the return on their markdown budgets.

Using IBM Markdown Optimization, fashion retailers can set primary and secondary goals to help reduce inventory while dramatically improving profit and revenue. They 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 their policies and can be executed within existing processes, infrastructure and resource constraints.

And by creating, forecasting, comparing and evaluating multiple markdown pricing scenarios, fashion retailers are able to fine tune their markdown strategy before delivering price reductions to the stores.

With this approach, IBM Markdown Optimization can help you:

- Dramatically increase volume, revenue and profit
- Increase sell-through rates
- Reduce the level of excess end-of-season inventory requiring deep markdowns
- Make better decisions by simulating scenarios and comparing outcomes
- Improve productivity by automating and streamlining routine markdown tasks

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