

Retailer Improves Margins with New Markdown Optimization Solution and Strategy

Client Challenge

A \$15B+ specialty retailer of hardlines and softlines with multiple channels, store formats, and brands was transforming its \$500 million softlines business. A large component of the business benefit was expected to come from implementing a new markdown optimization solution. Specifically, the markdown optimization analytics would not only enable the retailer to shift a larger percentage of sales revenue into regular/promo sales at higher margins but also improve their remaining clearance margin rates.

Challenges in the current retail pricing and markdown process included:

- No seasonality visibility
- Limited markdown rules in place
- No integration to merchandising or marketing calendars
- Markdowns at a national level
- No visibility or control at the item level after the first markdown
- No “what if” capability

Parker Avery Solution

After thoroughly assessing the retailer’s existing pricing and markdown capabilities, Parker Avery helped the client address the challenges identified in the current state by recommending several initiatives:

- Establish a markdown rules framework by product type
- Add markdown rules to the assortment planning process
- Improve reporting to provide visibility to markdown performance
- Implement a new markdown optimization solution, including rule-based, localized markdown capabilities
- Establish a markdown training program for merchants and planners with clarified roles and responsibilities

RESULTS



CLEARANCE TO
PROMO MARGIN
SHIFTED



CLEARANCE
MARGIN RATE
IMPROVED



WORKFLOW
EFFICIENCIES
ACHIEVED

After completing the recommended pricing initiatives and implementing the new markdown optimization solution and strategy, the retailer expects to achieve the following benefits:

- +3% shift from clearance to regular/promo margin
- +1.3% clearance selling margin rate
- Maximized sales
- Improved sell-thru

Further, the retailer achieved improved markdown workflow efficiency, controls, and visibility due to the process and role/responsibilities efforts.