Oracle Retail Markdown Optimization

In the world of intense competitive pressure, blurring channels and changing consumer purchasing behavior, retailers are finding it more difficult to maximize their margins while clearing their merchandise. Oracle Retail Markdown Optimization provides you with optimal recommendations on markdown candidates and pricing based upon their potential inventory risk at the end of the selling period and within the constraints of your business.

**Challenge: Maximizing Returns from Short Life Merchandise**

One of the most challenging tasks retailers face today is how to maximize gross margins while clearing fashion and seasonal merchandise by a defined date. Understanding which items require a price change and how deep to price is a critical component in balancing demand with inventory throughout the life of a product. Retailers too often take markdowns for the wrong products, at the wrong time, at the wrong place. Such markdowns tend to be priced either too low, which results in lower margins, or too high, which results in lost revenues and leftover inventory.

**Exploiting the Full Value of Demand**

Sales forecasts drive many critical decisions. Retailers could not run their businesses without them. However, historic sales alone do not predict the impact of in-season promotions and markdowns because they do not take into account product lifecycle, seasonality, price elasticity, and in-season performance. Instead, retailers must incorporate demand forecasts that provide insight into consumer demand and ensure they make optimal markdown decisions if they are going to exploit the full value of that demand for their merchandise.

**Price Optimization: Balancing Consumer Demand with the Financial Implication of Markdowns**

With Oracle Retail Markdown Optimization, it is easy to improve lifecycle pricing and in-season inventory management decisions for promotion and clearance merchandise. Combining consumer demand forecasting at an item-location level with a new evolution of scientifically based, mathematical processes that applies advanced predictive and simulation techniques, Oracle Retail Markdown Optimization can optimize every pricing scenario possible. The result is optimal recommendations on markdown candidates and pricing based upon the potential inventory risk at the end of the selling period — all while staying within the constraints of your business.
With Oracle Retail Markdown Optimization, you can easily monitor the performance of past and ongoing markdown activities against financial and operational goals. Leveraging powerful "what-if" analysis, both price and inventory changes can be simulated to predict and quantify the impact of markdowns prior to their execution. Price recommendations can be based upon your unique merchandise groupings and price points. Retailers can easily review and approve items that have been recommended for a markdown, while simultaneously having visibility into information such as below chain level forecast recommendations, recommended new retails, and gross margin costs associated with delayed decisions.

Benefits of Oracle Retail Markdown Optimization
- 5-15% increase in gross margin
- 5-20% improvement in sell-through
- Increased inventory turns
- Increased merchandise freshness
- Speed to Value – quick “data to dollars”

Features

Early Visibility/Insight. Monitor in-season performance and receive weekly updated forecasts to ensure early and more accurate action.

Item-location Forecast. Consumer demand forecasts down the item and location level.

Scientific Optimization. Fact-based, scientific analysis and optimization that evaluates every possible pricing scenario to provide the most optimal markdown recommendations.

Automated Optimize-to-Budget. Optimize markdowns while remaining within the constraints of your monthly budget.

“What-if” Decision Support. Simulate and observe the KPIs throughout the life of a product. Evaluate multiple pricing and inventory alternatives to predict and to understand the financial impact of your in-season pricing and inventory decisions prior to execution.

Updated Recommendations. Facilitate decision-making that is based upon the most recent data, which includes new sales, inventory, price levels, planned promotions and other key information.

Standardized Markdown Process. Enables you to maximize gross margin dollars and meet defined sell-through targets, while conforming to your business constraints.

Merchandise Groupings. Leverages a retailer’s own merchandise groupings and price points.

Centralized Information. Allows you to quickly focus on merchandise that needs special attention.