SAS® Markdown Optimization
High-impact financial performance for retail

Overview

The best retailers, regardless of size, want to mark down the right items, at the right times and make way for new items and fresh fashions. Getting markdowns right has a quick impact on better profitability, and serves retailers in the long run with sustainable results.

Retailers need a proactive approach to optimize the revenue, margin and pace of markdowns – even at a store/SKU level – and SAS has the answer. Powered by SAS software’s superior analytics and built on a high-performance platform with decades of retail experience, SAS Markdown Optimization speeds time to insight, allowing retailers to make critical markdown decisions with precision while keeping inventory fresh and relevant.

SAS provides the analytics, speed and retail expertise to implement optimum clearance-pricing strategies for all markdown types including underperforming items, seasonal clearance, category reset, holiday or discontinued items. Using real-time, “what-if” scenarios, retailers can evaluate the effect of multiple markdown strategies and quickly tailor events to meet their individual goals.

SAS Markdown Optimization is deployed on a proven, scalable, low-cost architecture. Leading retailers who have implemented our solution have seen significant benefits in revenue, margins, working capital improvement and vendor negotiations.

Challenges

- **Merchants and IT struggle to integrate information.** Without a centralized source for data and strategy management, you must set a standardized markdown across all stores, which fails to account for store-level inventory and local demand and results in lost revenue, lower margins and poor inventory management.
- **Consumer and market conditions are highly variable.** Product demand varies between stores and markets due to changing consumer preferences, competitive pricing and seasonality. An inaccurate demand forecast leads to late and deep markdowns.
- **Tedious analysis and manual processes.** If you don’t have an integrated platform for workflow automation and exception management, you cannot efficiently manage against budget or monitor ongoing performance, leading to missed opportunities.
- **Very short or very long product life cycles.** Any change in cost, features or styles affect consumer demand and make it difficult for you to efficiently clear inventory before the next season or the next product introduction.
Increase Margins and Sell-Through

**The SAS® Solution**

Optimized markdown plans represent an opportunity for you to increase margins and sell through on short-lifecycle and time-sensitive merchandise. With long lead times, short selling cycles, and shifting demand patterns it is imperative to clear merchandise and reset for seasonal changes, merchandise changes and expiration dates.

SAS Markdown Optimization enables you to evaluate the pricing, margin and pace of markdowns at the store level. The solution generates highly accurate forecasts based on sales, inventory, elasticity and local preferences using customizable automated workflows to make markdown recommendations based on rules, demand and inventory.

Powerful what-if scenarios enable you to evaluate markdown alternatives and timing to ensure optimal results.

**SAS® Markdown Optimization:**

- Empowers business people to save time, use their experience and harness science to augment the art of retail.
- Enables better financial results by helping to:
  - Increase overall product margin.
  - Improve product sell-through.
  - Improve the use of working capital.
- Manage total markdowns to the open-to-buy-budget.

**Benefits**

**Increased sales, gross margin and sell-through**

- Flexible hierarchy settings enable markdown pricing at any business level – store, zone or market – and enable creation of accurate and detailed store, style and color demand forecasts.
- Powerful what-if scenarios allow you to model and evaluate the effect of alternative markdown strategies and select those that deliver the highest sales and margins.
- High-performance demand forecasts let you accurately predict consumer demand down to the store/SKU level so you can create optimal markdowns by localizing them based on store-level demand and inventory.
- Weekly forecasts reveal changing demand patterns so you can ship remaining inventory to stores where demand is greatest.

**Optimize your markdown strategies today and in the future**

A common retail platform is shared across products, so modules can be deployed sequentially or by themselves, according to organizational needs.

- The entire SAS Revenue Optimization suite is modular, enabling you to start where your needs are greatest – perhaps markdown optimization – and add over time as your business needs change.

**Achieve a lower total cost of ownership**

- A single technology platform and reduced dependency on shared storage lowers overall costs.
- Flexible deployment options – behind the firewall, SAS hosted or SaaS – to meet the needs of your business and budget.
- A common retail foundation and automated interfaces reduce implementation and administration costs.
- Manage your own models, eliminating regular and costly third-party engagements.
Capabilities

- **High-performance modeling and optimization**
  Evaluate every possible pricing scenario to provide the most effective markdown recommendations. Markdown decisions are based on evaluation of current results and business rules to optimize the markdown strategies that will help achieve financial objectives.

- **Personalization**
  Merchandisers and analysts can customize rules for price, timing and operational constraints with the flexible user interface or by ETL from existing systems. A single platform provides the ability to manage business rules to create flexible markdown strategies.

- **Forecasting**
  Use powerful analytics to create the most accurate picture of customer demand. Your models continually learn and adapt to consumer demand, enabling merchandising teams to create the most profitable markdown depth and pace. Retailers can efficiently clear seasonal merchandise for improved in-stock positions as a result of more accurate and precise forecasting.

- **Workflow automation**
  Automate the markdown process using system-generated recommendations based on rules, demand and existing inventory. You can use your own rules, goals and forecasts to automatically make markdown recommendations for review and quick approval.

- **Reporting transparency**
  Easily find the necessary information for the insights you need to evaluate markdown effectiveness. This insight empowers users to mark down profitably while maintaining alignment with budgeted goals and inventory positions. Reporting data can be used with SAS industry-leading BI tools or to feed existing BI assets to manage reporting.

The SAS® Difference

Only SAS enables you to take a proactive approach to optimize revenue, margins and pace of markdowns using:

- **Store-level analytics and markdown strategies** because strategies based only on market averages can erode revenue and margins.

- **The flexibility of a user-driven markdown process or automated markdowns** to meet the needs of individual buyers, planners and analysts with a customizable user interface.

- **Advanced modeling and forecasting to the store or item level** lets you isolate each influence on demands to reveal the true effect of pricing on sales.

- **Transparent model results and flexible model maintenance** that provide a user-friendly, easy-to-use interface for analytical modeling – not an analytics “black box”.

- **Flexible deployment and integration to lower the cost of ownership** because it can be deployed as a standalone solution or can be easily integrated with regular price or promotion price optimization modules that operate on a common platform, database, model and forecast.
About SAS

SAS is the leader in business analytics software and services, and the largest independent vendor in the business intelligence market. Through innovative solutions, SAS helps customers at more than 60,000 sites improve performance and deliver value by making better decisions faster. Since 1976 SAS has been giving customers around the world THE POWER TO KNOW®.