4R MARKDOWN OPTIMISATION

Maximise seasonal sales and profitability.

4R's Markdown Optimisation Solution ensures that retailers achieve their merchandising goals each season by recommending the optimal timing and depth of end-of-season markdowns.

Profit Optimizing Retail

4R

Markdowns Are a Fact of Life

No matter how carefully you determine the buy, or how well you allocate your seasonal products to stores, you will inevitably have to mark down some items in order to stimulate demand.

4R markdown solution will help you determine when and how much to discount those items to meet your merchandising goal, whether it is to maximise profit, sales revenue, or inventory consumption.

It All Starts with Price Elasticity

A key element in markdown optimisation is determining how your products respond to price changes. Items that are highly price elastic will see a large increase in demand with even a modest reduction in price, while inelastic products will barely budge unless the markdown is deep.

4R's Markdown solution calibrates price elasticities across all of the products that you sell, so that you can predict how much of a lift in demand will occur at a given discount level.

BENEFITS AT A GLANCE

1. You choose your optimisation goal: profit, sales revenue, or inventory consumption.

2. Our unique Wait-Loss™ prioritisation methodology enables you to focus on the items most in need of markdown attention.

3. We leverage the knowledge of the planning team: our Web UI enables planners to define seasons and participate in the forecasting process by assigning and adjusting seasonality profiles to use for the assortment items.

4. We use advanced forecasting techniques: our read-and-react strategy blends different forecast components based on point in season to adapt to changing conditions, and incorporates the effect of markdown decisions once they are put into action.

5. 4R Markdown can be used through a decision support mode or fully autonomous in "lights out" mode.

6. We use advanced forecasting techniques: our read-and-react strategy blends different forecast components based on point in season to adapt to changing conditions, and incorporates the effect of markdown decisions once they are put into action.

7. 4R Markdown is cloud-based: you don't have to purchase hardware or software, or get training; all you do is set up data exchanges and use our Web UI.

8. SaaS+: 4R's unique Software-as-a-Service "Plus" delivery model provides dedicated customer service experts as well as cloud-based software. Our team performs Quality Assurance on our deliverables and consults with you on a weekly basis. They act as an extension to your team, ensuring you are maximising the optimal value.

What's Your Goal?

Once you know how a product will sell at different price points, you can choose the timing and depth of markdown that achieves your merchandising goal. If you want to maximise profitability, you want a markdown that balances margin reduction against sales increase, finding the sweet spot that results in the highest total profit. If revenue is your primary concern, the best markdown will balance retail price reduction against sales increase. To maximise inventory consumption, your markdown should take you to zero units just as the season ends (and no sooner!).

The close coupling of the markdown process with inventory optimisation is essential within the omi-channel world. As more and more retailers embrace the ship from store method, retailers will fulfill these order from stores which are carrying excess inventory, inventory which would only sell with further markdowns.

Markdown optimisation will become a vital process within the product lifecycle, it will impact seasonal assortment, allocation and pricing decisions.

4R Markdown will show you all of your options and let you make the decision, or you can put the solution in autopilot mode and let it generate recommendations automatically, using your business rules and with your end-game in mind.

Read-and-React Forecasting Allows You to Pivot

We use a proprietary forecasting methodology that adapts to changing conditions over the course of the season. That allows us to accurately predict how much is going to sell, and when, by making the best use of the most relevant information at any given point in time.

Wait-Loss™ For Markdowns

No, we're not talking about a new diet fad; Wait-Loss™ refers to the cost you will incur on a given item if you don't take a markdown right now. By focusing on the items with the highest Wait-Loss, you can make sure you are taking action where it is most urgently needed.

Our decision support Web UI includes a navigator that ranks your items by Wait-Loss, a drill-down page that shows the impact of an immediate markdown for a chosen item and helps you decide what action to take, and an aggregate viewer that lets you see the overall impact of the decisions you are making across your assortment.

Collaboration with Planners Is Key

Accurate seasonality profiles are critical to achieving good forecasts for each of the remaining weeks of the season. We use Machine Learning techniques to produce profiles and make initial assignments. We then leverage the knowledge of planners to spot exceptions and make adjustments.

Once the season begins, the system identifies SKUs that are not tracking to their current profile assignment, alerts planners, and provides a flexible, easy-to-use web UI to make changes.

THE RESULTS SPEAK FOR THEMSELVES

By profit-optimising markdown decisions, our clients have seen sales increases of greater than 2%, and significant reductions in stranded inventory, using the 4R solution.

Cloud-Based

Hub & Spoke Models

Multi-Echelon Planning

Seasonal Allocation & Buying

Full Omni Retail Capability

Forecast & Demand Planning

Replenishment

Assortment

Stores & DC

Prescriptive Analytics

Wholesale/ Stores

Allocation

Markdown

eCommerce & Catalogue

Promotions

Profit Optimised Inventory

Value-Add Analytics

Machine Learning

Advanced Analytics

4R's *inventory as an investment* approach is designed to maximise the profit opportunity of your number one asset: inventory!

Meet Your 4R Team

There is a whole team of people backing our solution. Your Client Delivery team will have a call with you weekly to review our deliverables, provide observations about your business, and find out about upcoming changes or initiatives that might impact the business. At periodic face-to-face meetings we review our performance and discuss topics of strategic interest. If you are facing a new challenge related to inventory management and need guidance, our Analytics team is available to help you sort it out. We put a premium on developing a collaborative relationship and work hard to be a strategic partner.

We are a true partner. We guarantee your profit. It's simple. Learn more at www.4rsystems.com/uk/.

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