



A Major European Apparel Retailer Improves Its Revenue by 2.4% and Lowers Markdown Loss by 2%

Case Study

KEY BENEFITS

- Increased sell-through with lower markdown loss



Revenue increase in markdown period



Revenue increase in total season



Lower markdown loss



Return on investment

SOLUTION

Markdown Optimization

- Optimized product level markdown timing and depth
- Accurate end-of-season forecasts and visibility



Invent Analytics' tailor-fit solution leveraging full capabilities of AI and advanced analytics allowed us to optimize our markdowns and achieve profit-optimization throughout the season.

Head of Merchandising
Leading Apparel Retailer

A leading apparel retailer's success story at a glance

Invent Analytics helped a leading apparel retailer in Europe increase its revenue, lower markdown loss, and achieve higher sell-through. Using Invent Analytics' AI-powered Markdown Optimization Solution, the retailer optimized its products' markdown path through the season and directly improved its margin.

The retailer serves its customers with 400 stores in +20 countries. The range of products the retailer offers include high-quality fashion for the whole family, footwear, to accessories. To excel at markdown strategies and achieve profit-optimization throughout the season, the retailer turned to Invent Analytics, a global provider of AI-powered inventory and price optimization solutions dedicated to retail industry.

- **Number of Options:** 8000
- **Number of Stores:** 400
- **Operations in 20+ countries**

Why did the apparel retailer choose Invent Analytics?

Invent Analytics' customer; a leading European retailer, wanted to accelerate its margin growth by optimizing markdowns throughout the product cycle. Following extensive market analysis, Invent Analytics was chosen as the best option, aligning to the retailer's ambitious goals. Invent Analytics' proven fashion-retail industry-specific approach, and expertise were the other reasons behind this leading retailer's decision.



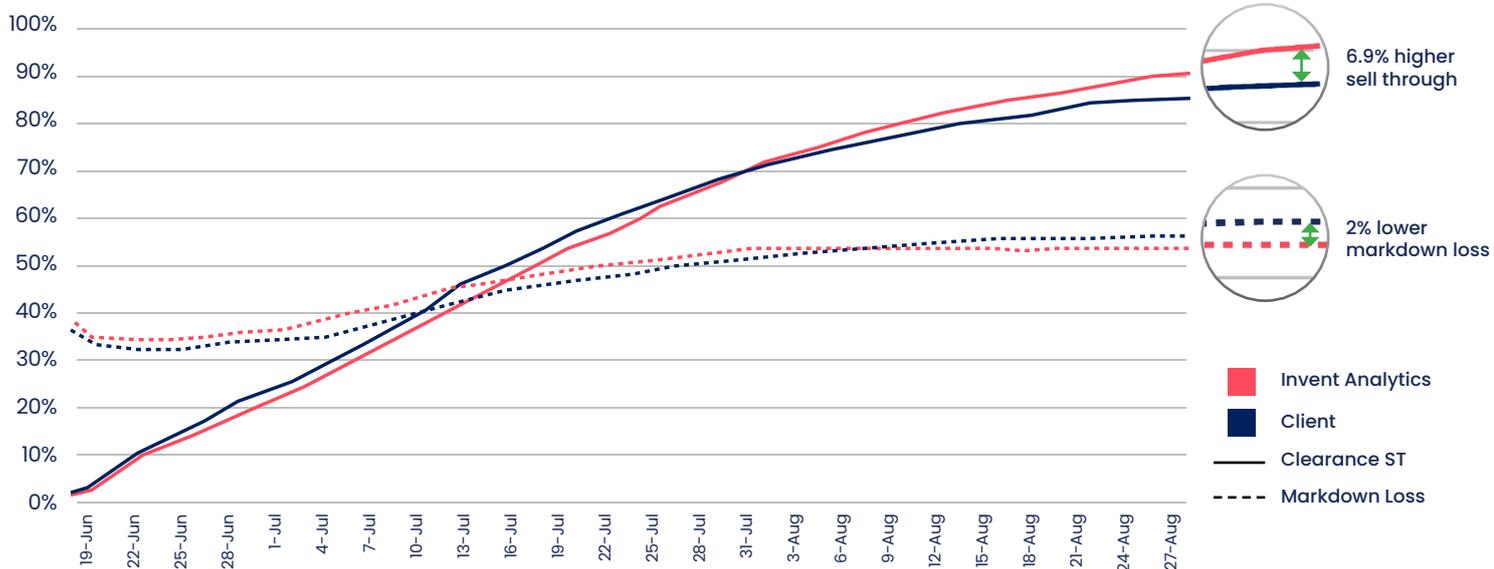
The Solution

Accelerating margin growth with optimal markdown timing and depth

During a 3-month period, Invent Analytics proved the benefits of its profit-optimal markdown solution with pre-go-live simulations and rigorous A/B testing. As a part of the A/B test, Invent Analytics and the retailer shared the categories and markets in a cross-matrix format to establish identical sets that are free from country or category bias.

| A/B Testing | Category Set 1 | Category Set 2 |
|-------------|-----------------------------|-----------------------------|
| Country 1 | Client | !invent ANALYTICS |
| Country 2 | !invent ANALYTICS | Client |

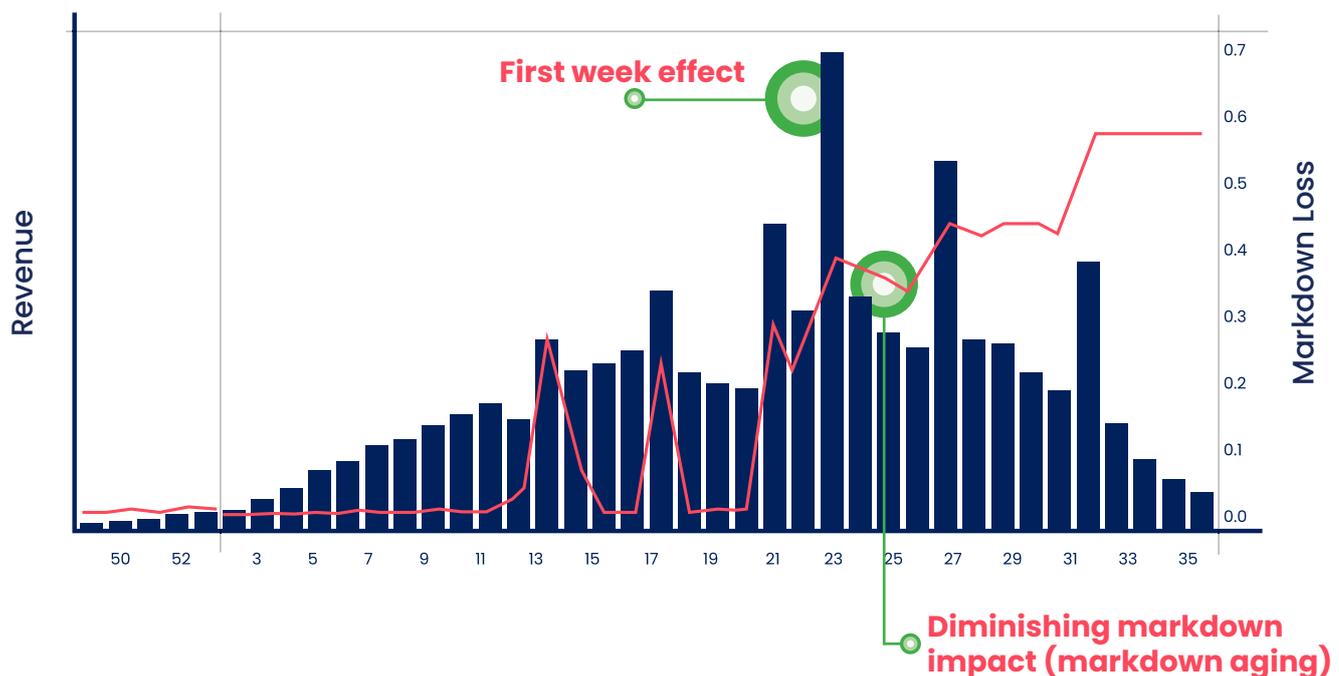
Clearance ST & Markdown Loss



During this period, Invent Analytics Markdown Optimization achieved 6.9% higher sell-through with 2% lower markdown loss.

Following that, the company implemented Markdown Optimization solution. Invent Analytics delivered speed to value and allowed the retailer to take advantage of option-level, machine learning-based markdown decisions.

Invent Analytics applied customized algorithms to meet different demand patterns and operating models of its customer. For instance, a “clearance strategy” was used for several product categories at the end of the season, which had a high “first markdown week” effect when markdown started. The customized algorithms that take into account the diminishing markdown impact also known as the “aging effect” enabled the retailer to increase their sell-through in the following weeks, until the subsequent markdown increase.



For some specific categories “markdown and clear as you go strategy” was applied for the products that didn’t perform well after the initial sales period, so that retailer could start markdowns and continue to the end of the season.

The Impact

Accurate forecasts at all price levels

With Markdown optimization, today the retailer maximizes its overall profit by optimizing its markdown strategy for each item over its lifetime. The solution using markdown-specific forecasting also accurately predicts seasonal demand for the retailer’s new products with a limited history.

KEY INNOVATION Attribute-based Forecasting

Markdown Optimization estimates price elasticity uniquely for each product and the cannibalization impact on similar options by using product attributes.



Invent Analytics' forecasting model based on the statistical analytics of factors such as price elasticity, seasonality, special days, broken assortment impact provides the optimum frequency, depth, and timing for us. Thanks to Invent Analytics, we now can find the answers to important questions such as:

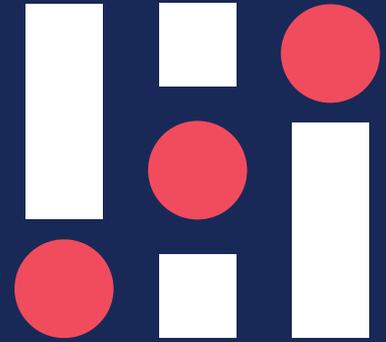
- *What is the optimal markdown path for each and every SKU over its lifetime?*
- *When should each product be discounted based on the sell-through and inventory levels?"*

Director Merchandise Planning & Controlling
Leading Apparel Retailer

Key Results

Increased revenue. Increased sell-through. Increased margin.

Implementing Invent Analytics' Markdown Optimization solution helped this major retailer successfully optimize its markdowns and **increase clearance revenue by 6.9%** and **overall revenue by 2.4%**. Today, Invent Analytics empowers the apparel retailer to successfully manage its markdowns and accelerate its margin growth in Europe.



About Invent Analytics

Invent Analytics' Omni-AI **delivers significant financial improvement** by empowering retailers to **profit-optimize** their supply chain. It orchestrates a retailer's entire supply chain **by unifying network planning, inventory and price optimization, and fulfillment in one framework.**

Invent Analytics puts your **omni-customers at the heart of its tailor-fit solutions.** It **proves the financial benefits** with pre-go-live simulations and rigorous **A/B testing.** Invent Analytics' over 30 clients have experienced a **2-6% increase in profitability.**

Invent Analytics' Omni-AI SaaS solutions are:

- Omni-Network Design
- Omni-Plan Suite
 - Omni-Demand Forecasting
 - Omni-Store and DC Replenishment Optimization
 - Omni-Allocation Optimization
 - Omni-Transfer Optimization
 - Markdown Optimization
 - Assortment Optimization
 - Dynamic and Competitive Price Optimization
- Omni-Fulfillment

Invent Analytics has been selected as the **Supply Chain Technology Company by Retail Industry Leaders Association (RILA)** and **won the 2020 Innovation Awards for Supply Chain.**



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