Markdown optimization: saving profit margin

The apparel retailer Intertop used Competera platform to maintain profit margin
Intertop manages **114 brick-and-mortar stores** and **14 mono and multi-brand apparel chains** across **25 cities in Eastern Europe**. Launched in 1994, the apparel retailer offers over five million SKUs. In 2014, the company entered the e-commerce scene.

Sixteen brand managers are in charge of **over 60 brands** offered by the retailer.
Intertop used **Competera’s platform** for its summer sales 2019 campaign **to hit three goals** within a **six-week market test**:

1. liquidate excess inventory while keeping the gross profit and profit margin
2. test Competera pricing platform’s effectiveness
3. speed up repricing
Challenge

High pressure to clear off shelves fast while maintaining the gross profit and profit margin

Repricing takes too much time

Solution

Regular elasticity-based markdown suggestions

Analytics for well-informed pricing decisions available with one click
The company is planning to scale Competera’s solution to optimize its offers for its upcoming collection.

Results: Intertop reached all the set goals

- 200 b.p.  
  Profit margin saving

- 10.3%  
  Gross profit saving

- 15 min  
  Repricing time

The company is planning to scale Competera’s solution to optimize its offers for its upcoming collection.
«When using machine learning in repricing, we set business goals and constraints. Machines do the rest of the job. In other words, we do not do repricing per se, but we set the rules of the game and control the results.

Technology does **boost the financial performance** of your company.

As technology takes up routine tasks, pricing managers need to boost their analytical skills and business thinking. We have to learn to see the big picture and make not tactical, but strategic decisions.»

**Ilona Baskova**
Brand Manager at Intertop
Starting Intertop's journey with Competera

- Markdown optimization
- Regular prices optimization + New entry cold start problem
- The most accurate price recommendations based on automatic feature extraction from texts and images
- Coherent pricing approach across the geography of presence
- Scaling across the whole assortment
Challenge:
Intertop used "blanket" discounts

1. Profit margin and gross profit margin losses
   When crafting prices, managers do not consider demand elasticity and thus do not create optimal offers for every item.

2. Brand managers are overloaded with data
   They need to analyze dozens of parameters, including business goals and KPIs.

3. Repricing takes hours
   Managers need to monitor sales dynamics manually.
Solution: tailored pricing and discounts allowed increasing gross profit and profit margin
The market test **featured 420 lines of 4 brands:** Timberland, Clarks, Geox, Tommy Hilfiger

**Test group**
Managers used elasticity-based markdown recommendations for weekly repricing cycles.

**Control group**
Managers continued pricing manually with the same regularity.

Competera factored in all of Intertop's business rules: **thresholds, repricing steps, rounding rules.** The platform **analyzed millions of data points** of historical data to craft markdown suggestions.
Results: profit margin saving 200 b.p.

Both the test and control group offered the same average discount price, which means that the brand and price positioning remained intact.
The test group exceeded the control group by three parameters:

1. **Sales items increased by 3.2%**
   - Control Group: 6.43%
   - Test Group: 9.61%
   - Performance boost: 3.17%

2. **Revenue boosted by 7.6%**
   - Control Group: -17.26%
   - Test Group: -9.68%
   - Performance boost: 7.58%

3. **Gross profit surged by 10.3%**
   - Control Group: -44.27%
   - Test Group: -33.95%
   - Performance boost: 10.32%
The test group exceeded the control group by three parameters:

1. **sales items surged by 18.2%**
   - **Control Group**: 11.01%
   - **Test Group**: 29.21%
   - **Performance boost**: 18.20%

2. **revenue boosted by 14.4%**
   - **Control Group**: -12.46%
   - **Test Group**: 1.99%
   - **Performance boost**: 14.45%

3. **gross profit increased by 0.8%**
   - **Control Group**: -35.55%
   - **Test Group**: -34.76%
   - **Performance boost**: 0.79%
Competera Pricing Platform helps retailers craft optimal offers by using proactive pricing across all retail selling channels.

Get to know how FMCG, giftware, and consumer electronics retailers use Competera to earn more

**CASE STUDY**
Find Me A Gift
Improving revenue by 9% with the help of AI

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Kosmo
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