

Buying and Merchandising: Price Optimization

Right price, right time,
right channel, automatically

BlueYonder
Best decisions, delivered daily



Your Challenges

Modern price decision-making processes are characterized by leveraging immense data volumes while considering multiple influential factors. For retailers, being able to implement strategic pricing techniques is key to sustainable growth.

Competition is continually driving increasingly frequent aggressive price and promotion activities, to which retailers respond with expanded new channels and more localized assortments. However, this increased complexity makes it harder to get prices right and often results in category managers focusing only on key value items.

Retailers need price recommendations at a granular level (per SKU, per store and per day) with a strategic approach that sets them apart from competition and ultimately helps them increase revenue and profit.



Price Setting Challenges in Fashion Retailing



Customer experience across channels

Keeping up with consumer expectations, setting prices consistently across channels and dealing with an increasingly complex supply chain.



Merchandising

The need to effectively manage in-season prices and inventory quickly while still delivering desired profit margins.



Changing market dynamics

Pricing items optimally and dynamically that will keep up with even shorter product life cycles and ever increasing competition.



Growing return figures in the online space

Dealing with the associated costs of returned e-commerce items due to online comparison shopping after purchase.

Price Setting Challenges in Grocery Retailing



Strategic pricing

Need to align pricing decisions with the brand strategy, safeguarding the company's strategic focus on revenue or profits.



Market pressure

Agile price changes are required to compete with the ever-changing competitors' prices in grocery.



Increased complexity

Factors affecting price and demand, such as localization of competition, cannibalization or cross-effects need to be considered across more formats, assortments, stores and channels.



Pricing and inventory execution

Need to accurately identify price effects on sales to align pricing decisions with commercial goals, such as wastage on fresh food.

Price Optimization

Pricing is a core strategic component in retail influencing not just the company's profitability but also brand image and customer experience. Blue Yonder's Price Optimization solution automatically sets the optimal prices to deliver the best bottom line without compromising the brand's promise to its consumers.

Our solution delivers optimized prices for every channel and every product according to consumer demand, brand loyalty and competitive advantage. The solution learns the relationship between price changes and demand while incorporating a retailer's business strategy.

Blue Yonder's Price Optimization solution rapidly senses vital demand signals from changing market conditions and data such as sales, promotions, weather and events. It serves retailer's pricing strategy along the product's life cycle and provides a measurable impact on revenues and return on investment.

Benefits



Multi-objective

Boost customer experience, brand perception and loyalty



Automation

Optimize full-price sales across channels and inventory



Dynamic

Market-driven, accurate forecasting



Life cycle pricing

Improved sales and inventory performance



Speed to Action

Improved margins and inventory turn, sell-through



Up to

15%

increase in revenue

5%

improvement
in profit

20%

reduction
in stock levels

The Capabilities of Price Optimization

Regular Pricing

What it does

Our solution calculates item-level prices according to a retailer's business strategy, consumer demand and market conditions. It enables consistent demand-driven pricing across all channels and market conditions.

What it delivers

- Accurate demand forecast at item-location level
- Prices consistent with retailer's rules and policies
- Prices per product per day for all channels, taking in account retailer's policies and rules

What are the benefits

- Prices aligned with product category and business strategies
- Scalable solution for omnichannel pricing
- Pricing without compromising on the customer experience

Markdown Pricing

What it does

The Blue Yonder solution drives markdown strategy balancing consumer demand and inventory goals.

It maximises a product's demand through its life cycle and provides an item/location and channel specific markdown strategy.

What it delivers

- Profit or revenue optimized markdown optimization for each product
- Markdown consistent with pricing rules and policies (one price for product groups, styles, etc.)
- Competitive information as well as weather and holiday for markdown possible

What are the benefits

- Faster time to value
- Improved sell-through and inventory turns
- Improved visibility into in-season and markdown merchandise

Promotions

What it does

Our solution carefully calibrates the effect promotions have on demand, ensuring that any price recommendations are automatically adjusted for the promotional period.

What it delivers

- Increased visibility and understanding of consumer demand during promotions
- Identifies best and worst performing merchandising to advance in the merchandise life cycle

What are the benefits

- Maximized effect of promotions on revenues
- Improved item-level price and sell-through performance

How Does Price Optimization Work?



Daily calculation of optimized prices

- Full analysis of historical and current data that considers strategic goals, pricing policy, current pricing rules, sales history and external factors, such as competitive prices
- Determination and integration of individual price-demand elasticities
- Continuous optimization and testing using KPI-driven cost functions

Decision delivery

- Automated delivery of price decisions per SKU and store on a daily basis
- Continual self-adjustment via regular data updates

System integration

- Ready-to-use software as a service
- Central management of security and maintenance
- Automatic rollout of new features and improvements
- Easy integration into existing ERP and/or pricing systems via standard API

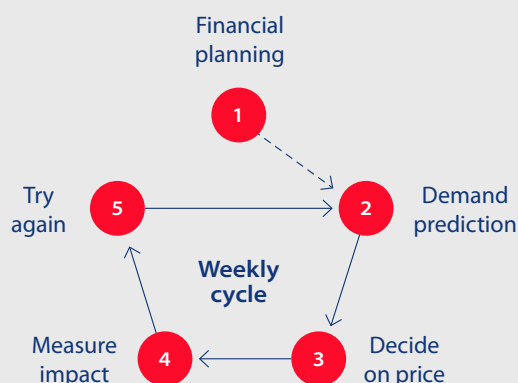
Why Is the Blue Yonder Approach Different?

Important differentiators of our Price Optimization solution are the level of granularity supporting the price recommendation and the automatic adjustment of prices to support your strategic KPIs.

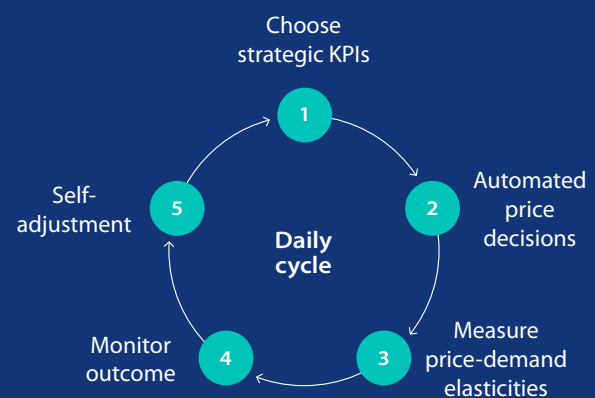
Traditional approaches implement general market beliefs about price rules and customer behavior. Blue Yonder delivers daily recommendations for thousands of products based on an accurate measurement of price-demand relations. Our solution systematically explores optimal prices, evaluates contextual factors and considers product-relevant factors, such as product life cycle.

Directly serving a pricing strategy, recommendations are optimized using predefined strategic KPIs. Price Optimization results are verified via rigorous testing as opposed to unfounded hypotheses, delivering the best pricing decisions to a retailer on a daily basis.

Manual Approach



Blue Yonder automated approach



Solution Brief

A leading European grocery retailer boosts profits and revenues with optimized prices

Challenge

- Local competition
- Category managers concentrating on a small subset of items
- Dealing with fresh and non-food assortments, local assortments and package sizes
- Frequent price changes

Solution

- Daily price optimization covering pricing for more than 10,000 SKUs in different locations
- Price optimization is based on corporate strategy, balancing profitability and revenue goals
- Category managers focusing on SKU/store price combinations and simplifying pricing rules

Results

- Increased profits and revenues by 2–6%
- KPI-driven price optimization at SKU and store level
- Price delivery to all stores on a daily basis



2-6%

Increase in revenue
and profit

Region	Europe
Vertical	Grocery
Solution	Price Optimization

What Makes Blue Yonder Different?

We enable retailers to increase customer value and quickly generate higher profits by using market-leading artificial intelligence (AI) to automate complex decisions across the entire value chain.





Unparalleled speed of delivery

No other company can convert multichannel demand into revenue as quickly - Blue Yonder can deliver its solutions between three and six months



Use of existing systems saving time and money

Through AI, we enable retailers' existing solutions to perform better and more accurately – removing the cost and time involved in replacing legacy systems



Liberating stores to deliver the best customer experience

Our innovative AI software delivers automated decisions, liberating each store to deliver the best experience for its customers



Proven expertise in operationalising AI for retail

From source to shelf, Blue Yonder operationalizes machine learning to optimise the performance of products in terms of throughput, margin and customer availability



World leader in innovating and delivering AI

Our solutions are delivered by one of the largest team of retail-experienced data scientists in the software industry who are continually pushing the boundaries of AI knowledge



About Blue Yonder

Blue Yonder, a JDA company, is a leading provider of artificial intelligence (AI) and machine learning (ML) solutions that enable retailers, consumer products and other companies to intelligently transform their operations and make more profitable, automated business decisions that deliver higher profits and optimized customer experiences.

With AI/ML learnings embedded into their core supply chain and merchandising processes, companies can respond quicker to dynamic market conditions and customer preferences, resulting in increased revenues and margins.

Developed by one of the largest teams of PhD-level data scientists dedicated to retail and the supply chain, Blue Yonder's AI/ML solutions deliver more than 600 million intelligent, automated decisions a day.

Blue Yonder was founded in 2008 in Karlsruhe, Germany, by former CERN scientist Professor Michael Feindt and acquired by JDA Software in 2018. The company has received numerous awards, including the Experton Big Data Leader Award 2016, the BT Retail Week Technology Award, the IGD Award 2017 for Supply Chain Innovation.

Blue Yonder provides its solutions through Microsoft Azure and was named one of Microsoft's retail partners of the year in 2018.

Blue Yonder

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