

## Ernsting's Family Improves its Margins with Optimized Markdown Process in Pilot Project

Blue Yonder, 9<sup>th</sup> January 2018 – Blue Yonder, the market leader in artificial intelligence (AI) and machine-learning solutions for retail, has spent the last five months working together with German retailer Ernsting's family on a price optimization pilot project. That short collaboration convinced the major cross-channel fashion retailer to implement the solution across all 1,800 stores and sales channels in Germany and Austria, starting in April.

Ernsting's family is proactively joining the digital transformation. Starting in April 2018, the family-focussed retailer will automate the entire sales cycle of each product with Blue Yonder Price Optimization. The AI-based solution automatically delivers the best price reduction for each individual product – by size and color. The solution considers the sales goals of each store in relation to demand and stock levels when setting prices.

"With Blue Yonder, we've found a partner that enables us to implement our digital strategy for pricing: Our margins on selected articles have already increased within our five-month test. As a result, we decided to enter into a long-term partnership with Blue Yonder," said Horst Beeck, Chief Financial Officer of the Ernsting's family corporate group.

Ernsting's family has been challenged by the short life cycle and seasonality of its range of products: Each of the 1,800 stores receives products from the 12 monthly collections every two days. This results in a high push share at Ernsting's family so that the products in the stores, which average 1,700 square feet, have to sell as fast as possible. During the five-month pilot phase, Blue Yonder enabled the sale of selected items within a defined period of days. The AI-based solution allowed Ernsting's family to achieve its goals and with noticeably higher profits and margins on the test collection.

The pilot project included 50 clothing items from collections for women and children. Between July and November 2017, Ernsting's family used Blue Yonder's solution to set the prices for this collection in 50 test shops in Germany. In a direct

comparison with a control group of 50 shops, it was clear that Blue Yonder's Price Optimization resulted in faster sales, making more room on the shelves for new items. Blue Yonder analyzed an extensive number of indicators, including stock levels, sales, promotions, climate and weather conditions, as well as the product information for each article.

"With our AI-based solution, we're helping Ernsting's family to successfully sell its items within a desired time frame. By considering store capacity and the cost of each price change, we were also able to noticeably increase sales quotas and margins by conducting a daily data analysis to set automated pricing decisions. This includes whether certain sizes or colors of certain items have better or worse sales numbers. During the pilot, price reductions happened more frequently, but the reduction was lower than average," said Uwe Weiss, CEO of Blue Yonder.

"The right price at the right time at the right place – this is what we've succeeded to do with Blue Yonder. The AI-based solution delivered us optimized prices that matched our sales strategy," said Claudia Metz, Head of Merchandise Planning and Allocation at Ernsting's family.

In April 2018, the retailer will roll-out the solution across all 1,800 stores in Germany and Austria, as well as online for a clothing collection. Over the next three years, the solution will be implemented on its entire digital collection.

## About Blue Yonder

Blue Yonder enables retailers to take a transformative approach to their core processes, automating complex decisions that deliver higher profits and customer value using artificial intelligence (AI).

With AI embedded into their supply chain and merchandising processes, retailers can respond quicker to changing market conditions and customer dynamics, boosting revenues and increasing margins.

Developed by one of the largest teams of PhD-level data scientists in retail, our solution delivers 600 million decisions daily to international grocery, fashion and general merchandise retailers.

Blue Yonder was founded in 2008 in Karlsruhe, Germany, by former CERN scientist Professor Michael Feindt. The company has been awarded the Gartner Cool Vendor Award 2015, the Experton Big Data Leader Award 2016 and the BT Retail Week Technology Award.

**Blue Yonder solutions are available through Microsoft Azure.**

Blue Yonder. Best Decisions, Delivered Daily.

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