

Case Study

Pricing & Promotion

**GLOBUS**  
SAVOIR VIVRE

# Price Optimization at Magazine zum Globus

## Results

- 8% increase in new product sales
- 10% revenue growth over previous year
- 15% growth in sales volume over previous year

## Real progress

“With the Blue Yonder solution, we were able to optimize markdown processes and predictably increase our sales and margins. The higher frequency of the price reductions allows us to be much more aligned with our customers’ demands. The automated pricing decisions also relieve our purchasing team of the task.”– **Chief Digital Officer, Magazine zum Globus**

## Challenges

- Magazine zum Globus AG is a Swiss retailer founded in 1907 and has been part of the Migros corporation since 1997. The company’s net sales in 2016 totaled 879 million CHF with 60% of its revenues from fashion items. Under the Globus umbrella, the group operates 13 Globus department stores (Globus), 25 men’s shops (Herren-Globus), 36 Schild shops (Schild), as well as an online store.
- The shape of fashion retail has changed a lot under the pressure applied by online competitors. With the classic Spring/Summer and Fall/Winter collections brushed aside in favor of much shorter trend cycles and customer preferences changing fast, brick and mortar retailers are being forced to find new ways to remain profitable.
- To ensure its customers shopping in store and online can profit from a consistently connected product range and excellent service, Globus is actively taking on the digital transformation to improve its competitiveness in the industry. To succeed in today’s market, Globus decided to optimize its markdown pricing with automated decisions made with artificial intelligence (AI) based technology.





## Expansive possibilities

Traditional pricing processes left Globus with high levels of leftover stock that had to be carried into the next season, leading to challenges including additional handling, transport and balance sheet devaluation. Price reductions were not efficient enough to move the product quickly and profitably, nor could it take into account each article in each location.

To determine the best parameters of the new pricing process, a pre-analysis was conducted that included the activities of all Globus teams: sales, controlling, planning and visual merchandising. To do so, Globus provided Blue Yonder's data scientists with access to the sales data of the last few years. The Blue Yonder application used this data to simulate various markdown pricing scenarios. As a result of these simulations, Blue Yonder determined that the use of the AI-driven capabilities could increase sales by about 10%.

The new system quickly proved itself capable of achieving the desired goals, which were even exceeded through a controlled increase in frequency of pricing changes.

## Solution benefits

- After the pre-analysis, a collective project team re-worked the goals. The first phase considered and evaluated various scenarios based on historical data. This data included three years of sales, prices and stock levels for various women's clothing product groups.
- Blue Yonder's machine learning algorithms were designed to consider various key figures (e.g. yield, turnover, overhang, end-of-season value, etc.) and weight them against each other. In the first phase, the system calculated weekly markdown prices for 120,000 color/product combinations. Over three months, the solution and the new process were rolled out to be tested under real conditions, in all stores, for a select collection over a single season.

- The price elasticity of items could also be determined by the relationship between the price change and its effect on demand as well as specific sales forecasts by that price according to stock levels in each store. Price reductions are then re-evaluated daily and are applied at the predetermined frequency in order to meet customer expectations as well as improve select KPIs.
- The pricing decisions made were automatically implemented in Globus stores without manual intervention. This required putting a large amount of trust in the system from the beginning, and the success justified the leap of faith!
- New product sales increased by 8%. The targets set for improvements in sales and the EBIT over the same period in the previous year were also reached, and total sales increased by double-digit figures compared to the year prior.
- Following the successful pilot project, Globus is applying Blue Yonder pricing capabilities to the men's fashion collection in all 25 stores. The capabilities will also be implemented across the retailer's children's collection and accessories department in all Globus department stores.

## Blue Yonder delivers

The pricing project was implemented and tested on the entire women's collection within just six months. Now, the organization's markdown processes are significantly more efficient with the help of AI technology. With Blue Yonder's lifecycle pricing capabilities, Globus can efficiently determine the influence a price has on customer demand and suggests the price that is most likely to achieve its defined goals.

Ultimately, Blue Yonder delivered an increase in sales and profits, as well as made a noticeable improvement to the gross margin.



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