AI-Enabled Real Time Pricing Markdowns for Grocery Retail

Optimise the pricing for expiring and delisted items

UP TO 75% OFF

Customers have become savvy about discounts, some waiting for the daily savings to make a purchase and others sharing offers online. With discounts of up to 75% on near-expiry or damaged goods, it is no wonder guides have been created as to how to grab the best bargain. For the supermarket, these price drops are a must to help clear merchandise, generate some revenue and reduce waste. However, too often the prices are not optimised – setting the right price based on inventory levels, accurate price elasticity calculation and intelligent customer demand forecast is complex.

With 66 tonnes of food wasted every second and estimated to rise by nearly a third over this decade, according to analysis by Boston Consulting, retailers need to address this financial and sustainability issue urgently. However, machine learning techniques are now enabling retailers to set real-time prices based on the individual needs of each item, in each particular store, helping retailers maximise margin and minimise waste, whilst reducing employee costs and complexity.

Check out how much food has been wasted Globally so far this year
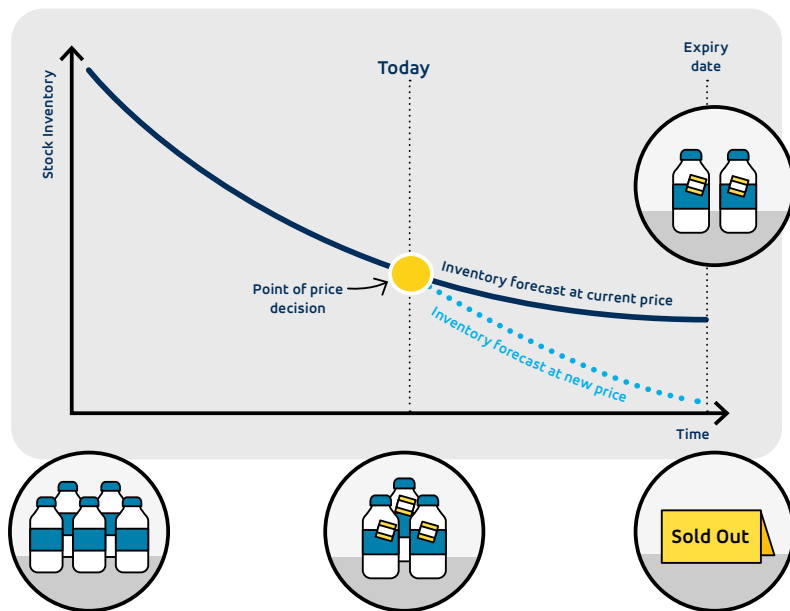
How much?

The Clearance Price Challenge

When faced with near-expiring goods, the fresh clearance challenge for grocery is to understand the right course of action. Reducing waste is important for all retailers but margin also needs to be optimised. What impact will different price changes make? Is it affected by the day of the week? What will the impact be on full price merchandise also and how will it affect its margin and waste?

Blue Yonder's AI-enabled Luminate Pricing Real Time optimisation solution understands many factors, recommending the optimal price for each item and store to meet your business objectives. Enabling price markdown optimisation beyond simple rules-based pricing or even 'gut feel,' data-driven, continuously optimised prices can be automatically recommended to your store associates for execution or even link straight to electronic shelf labels.
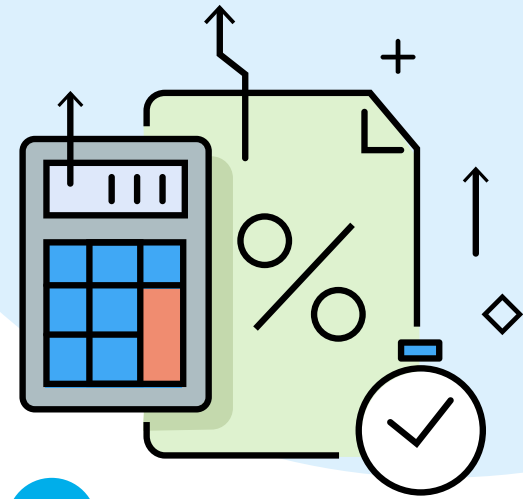
Setting the right price intelligently not only improves store efficiency and reduces waste but improves profits and satisfies the customer. Blue Yonder AI can help you meet the clearance price challenge.

Three Steps to Optimised Clearance Prices

Luminate Pricing Real Time solution creates KPI based optimisation that balances different goals like revenue, profit, waste and operational costs on inventory through a three step process.
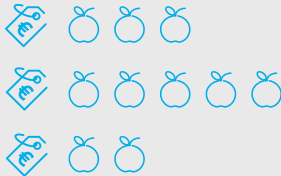
Real-time APIs from and to the store enable a direct response within milliseconds as to the optimal new price and the corresponding discount percentage. This is all easily integrated to any current in-store handheld device to minimise disruptions.

1 Measure Price Elasticities

Evaluate price elasticity accurately for each item and store based on unique patterns and demand
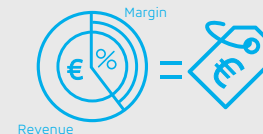
2 Forecast Demand

Precise forecast of sales based on multiple pricing scenarios taking into account internal and external factors such as weather and events
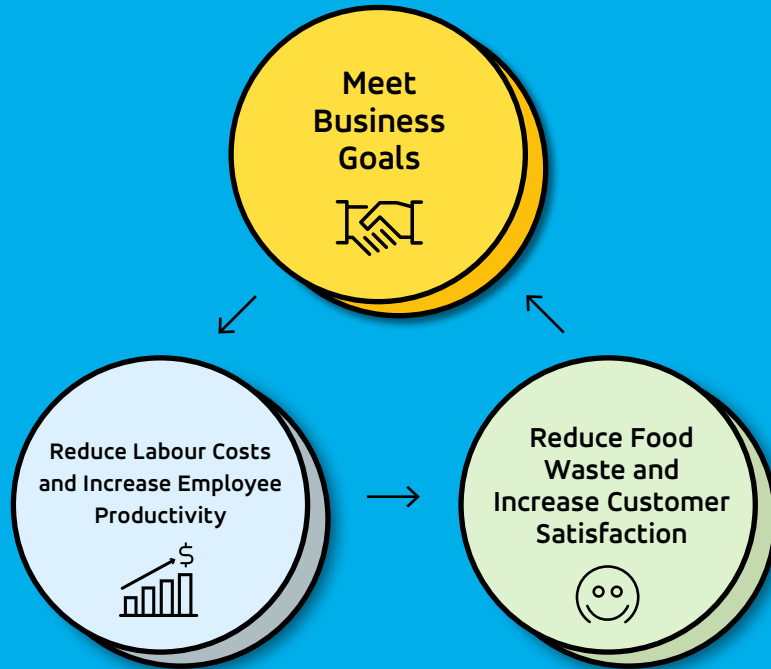
Events

Day of Week

Weather

Transaction

3 Automate Pricing

Set optimum price based on demand and inventory to meet the business strategy such as maximising profit, reducing waste or a combination

Margin

Revenue

Achieve Grocery Retail Business Goals

Meet Business Goals

Reduce Labour Costs and Increase Employee Productivity

Reduce Food Waste and Increase Customer Satisfaction

Meet Business Goals

Optimal real-time markdowns for grocery items driven by business strategies

For fresh grocery and perishable goods, there is a fine line between maximising availability and minimising waste. Blue Yonder's Luminate Pricing Real Time solution recommends the best price and best time to achieve this balance. You can balance your KPIs with an inventory, profit or revenue projection which allows you to improve your revenue and profit margin, whilst managing waste and meeting your operational goals.
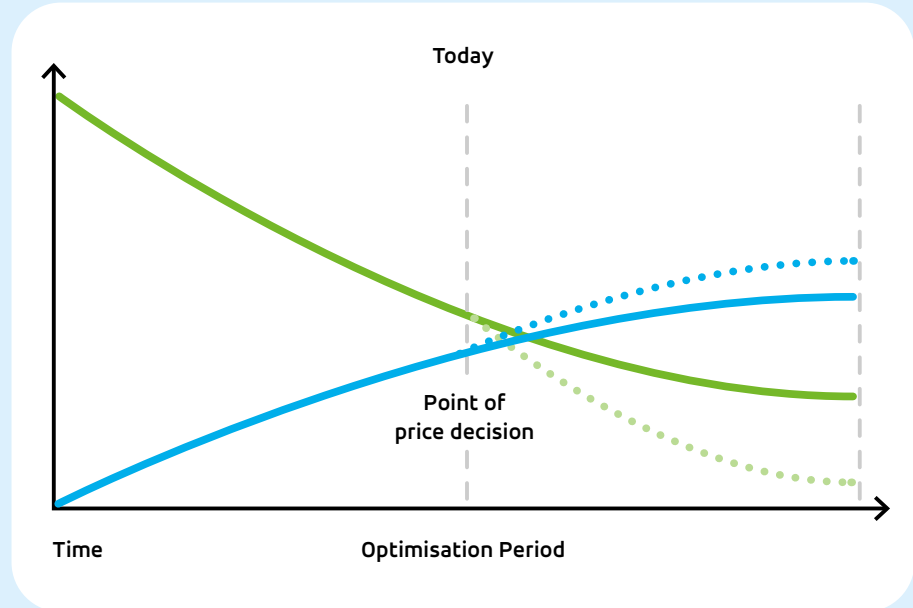
Achieve best possible outcome via optimised price decisions

Inventory Projection
— Projection with current price
⋯ Projection with new, reduced price

Profit Projection
— Projection with current price
⋯ Projection with new, reduced price

Today

Point of price decision

Time

Optimisation Period

Reduce Food Waste and Increase Customer Satisfaction

Finding the right balance

Sustainability is a major focus for grocery retailers. Assortment and supply chains must align with new key values and buying behaviour from changing demographics. Waste affects a business' social and environmental goals as well as profitability. Grocery retailers are seeing a consumer-led revolution which is driving an increased focus on commitments to the environment and customers.

WASTE

SATISFACTION

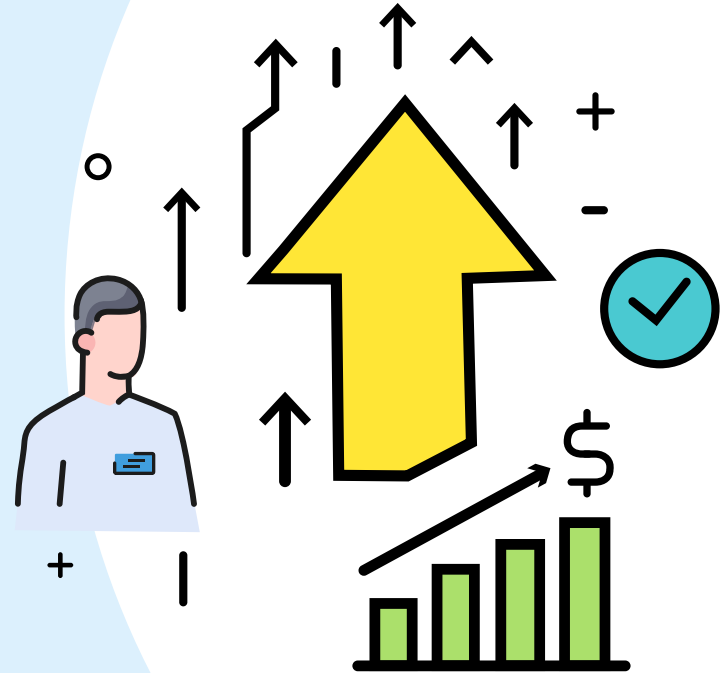# Reduce Labour Costs and Increase Employee Productivity

Fresh food products are highly perishable and require daily attention to prevent out of date items being sold to customers.

Grocery retailers have a markdown process which, for many, has been very manual, with grocery staff marking down prices at several points during the day with a stickered price reduction.

Blue Yonder's Luminate Pricing Real Time solution significantly improves staff productivity and labour costs by automating clearance pricing decisions.

"Typically, a lot of the management in a grocery store is still very manual. You have the department heads walking through the aisles with their notepads, assessing how many boxes of bananas and tomatoes they need. It's a gut-feel decision, which can't possibly consider all the variables."
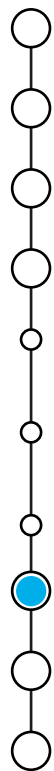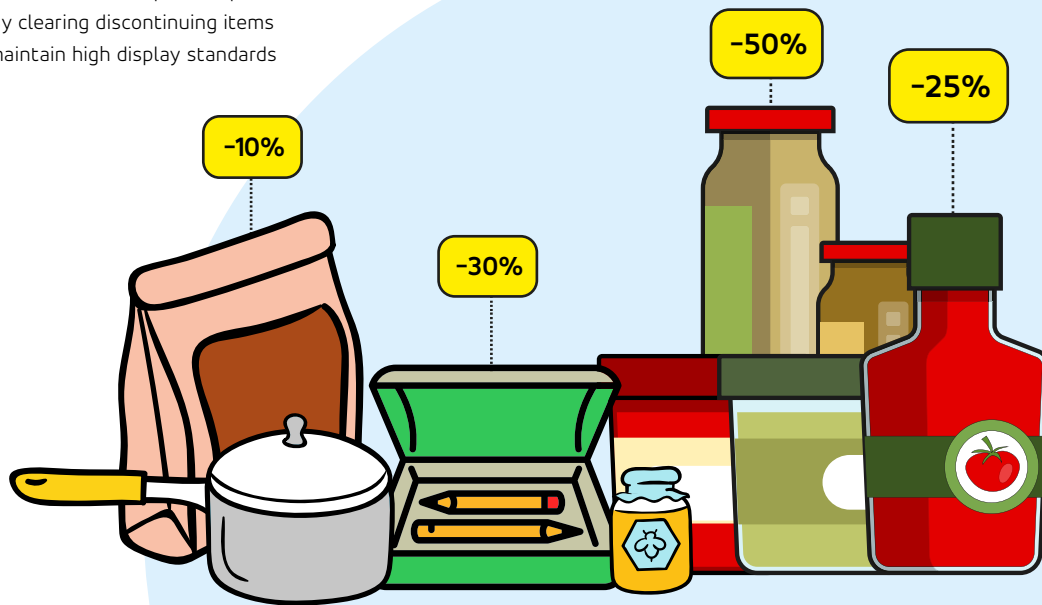
Stock that is not sold by shelf life date is wasted and disposed of according to product type.

It's Not Just About Fresh

As new products are introduced, retailers need to discontinue other items. This could be nationally or for an individual store. Deciding the right time to mark down the old item to create space for the new product is complex. By using machine-learning demand forecasting capabilities, retailers can understand the optimum price and timing to make those decisions. By clearing discontinuing items profitably, retailers can ensure they maintain high display standards whilst maximising profits.

-10%

-30%

-50%

-25%

Intelligently Deliver Optimised Pricing in Real Time

Blue Yonder's Luminate Pricing Real Time intelligently delivers optimised pricing in real time that continually measures fluctuating demand and price elasticity helping you scale up and down as needed. It goes beyond simple competitive price matching to deliver optimised, daily prices according to consumer demand, competitive advantage and other factors, all while reducing labour costs and boosting profitability.

In summary you can:

- Measures consumer demand and price-elasticity, automatically factoring in external demand signals such as weather and events

- Forecast demand with support for multiple pricing strategies

- Optimise prices to meet your business strategy

- Provides prices to store colleagues in real time at a time that suits your store

Blue Yonder understands what it takes to remain competitive and successful. Our SaaS-based capabilities scale up and down with demand, taking the manual work off of your hands and allowing you to focus on projects that maximise value.

Learn how Blue Yonder Markdown Optimisation has Helped Morrisons

"The clearance model really tries to focus on ensuring that we've got zero stock left at the end of the day so our markdown bill can be a little higher than our waste bill"

Watch Rob Jenkins, Head of Supply Chain Development at Morrisons, discuss their journey to AI-enabled fresh markdowns

Take The Guesswork Out of Pricing

Blue Yonder's Luminate Pricing Real Time solution takes the guesswork out of pricing, providing strategic adjustments to maximise sales before certain foods are no longer fit for consumers. As grocery products near expiration dates, pricing tools, powered by AI, can proactively suggest moderate markdowns to ensure that profit margins are maximised and stock is used before it reaches its expiry date.

Machine learning algorithms predict price-dependent demand for each product and store on a daily level.

Markdown optimisation for ageing inventory that expires within the next 0–2 days

Prices are optimised using demand and price-elasticity forecast and a KPI-strategy defined by the customer

Delivers price information in real-time using the latest inventory data

KPI based optimisation that balances different goals like revenue, profit, waste and operational effort

Precise forecast of sales and the change in demand in case of price reductions

A real-time API to which the product, the location, the expiring quantity and the expiration time can be transmitted

Ease of integration within the current in-store handheld device

Direct response within milliseconds that provides the optimal new price and the corresponding discount percentage

*Dependant on retailer's IT architecture

BlueYonder

Learn more about how Blue Yonder can enable markdown pricing optimisation, while improving an overall shopping environment, customer satisfaction, profitability and sustainability.

Learn more

Improve Customer Experience
Offer competitive prices that support your business objectives

Maximise Margins
Maximise margin with a single tool

More Profit for the Business
Demonstrate KPI impact

Workforce Productivity
Free up time spent on manual price validation and less pricing errors