

Markdown Mania: A Symptom of the Wrong Product at the Wrong Price

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The retail industry is facing an epidemic. As retailers continue to use markdowns to entice shoppers and drive traffic into stores, consumers are becoming increasingly price sensitive, leading them to expect sales at every turn.

A recent study by First Insight took a deeper dive into the expectations of consumers, finding that 70 percent need to see markdowns of 31 percent or more in order to enter a store, and 39 percent are willing to travel to another store to see if they can buy an item at a lower price.

Camuto Group's Alex Del Cielo stressed the prevalence of the markdowns problem when stating, "We're in a cycle now where it's a race to the bottom, and nobody is going to win ... the only way is to figure out how to reduce markdowns."

Unfortunately, the entire retail industry isn't on the same page as Alex. Many companies are proliferating the problem by offering deeper and deeper discounts. To openly discuss strategies to combat markdowns, including how retailers can prioritize picking the right product at the right price, First Insight gathered a panel of industry influencers at the [National Retail Federation's BIG Show](#), including HSN CIO Karen Etzkorn, Camuto

Group CEO Alex Del Cielo, and Threadstone Advisors' Managing Director William Susman.

Finding a Cure for Markdowns

The one thing all panelists agreed on is the negative impact that constant sales and markdowns have on a brand's bottom line, as well as the importance of getting the product and its price correct before going to market. Of course, this is easier said than done, as pricing has always been a difficult factor to get right.

"Pricing isn't an easy task," said Del Cielo. "The best merchant in the world is probably going to be right only 40 percent of the time."

While product and pricing challenges are ongoing for retailers, there are solutions to help. Here are a few tips from the panelists on what retailers can start doing now to help cure their businesses of the markdown epidemic.

1. Use your data properly. Customer data is a necessity for merchants and decision makers, as the ability to incorporate the customer's voice into product decisions is a valuable asset for retailers. Combining data with merchant expertise enables making the most accurate decisions on pricing, products and more.

Karen Etzkorn highlighted how the wealth of customer data HSN has access to helps the retailer make informed decisions on new products. "Our consumer loves to talk to us, so if we can get that information from them, that gives us better information to choose the winners vs. the losers from a product perspective."

2. Stay true to your brand and increase its value. Brands must focus on what they're doing well, as well as what consumers expect from them. "The consumer is trained depending on how you treat your brand," Del Cielo said. "If a brand is never on sale, then they're not ever looking for a deal on day one. It's about what the consumer perceives as value. If it's constantly marked down and the goods are always offered at a promotional price, it's not viewed as valuable."

This price consistency and brand value also play a role in maintaining customer loyalty. For example, the markdowns study from First Insight found that switching up pricing models across store locations can have a major impact on customer loyalty, as 69 percent of consumers think retailers should offer the same product pricing no matter where they're selling it, and 91 percent of consumers would be upset at a retailer if they bought a product and found the product was less expensive at a different location or online.

3. Give your products a chance. While getting the price and product right is imperative, timing also plays an important role in the process. A retailer can have the right product at the right price, but offer it to customers at the wrong time, leading the product to be overlooked and overstocked.

“Product needs to be given a chance,” said William Susman. “When you put winter coats in stores in July and October, they go for 40 percent off. You didn’t give that product a chance.”

As highlighted in the study and during the panel, this new markdowns-focused shopping mind-set is hurting the entire retail industry as deep discounts have completely shifted the way consumers view an item’s worth. It’s time for retailers and brands to take the necessary steps to deal with this problem once and for all. Retailers must stop relying on markdowns to solve their problems, and instead re-examine their pricing strategies and invest in listening to consumers to learn more about what they value most.