The 2026 guide to

markdown management in fashion retail

Markmi

Learn why fashion retailers are replacing spreadsheets with specialized markdown tools, protecting millions in margin

With contributions from
Philip Mountford
Takko Fashion, Hush
Caterina Ticchio
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and others

2026

Luc Van Mol
Markmi Board Member, founder of The Fashion Society (BE)

When I founded The Fashion Society in the early 2000s, markdown management wasn't a strategic priority, it was a seasonal task we handled with spreadsheets and gut instinct.

When I founded The Fashion Society in the early 2000s, markdown management wasn't a strategic priority for most retailers. It was a seasonal task we handled with spreadsheets and gut instinct. By the time we reached €200M in annual revenue, it had become one of our most critical profit levers.
The difference between getting it right and getting it wrong could swing our margins by 3-5 percentage points, which at our scale meant €6-10M annually.
The painful part wasn't just the financial impact. It was knowing we had all the data we needed to make better decisions. But synthesizing all that information, across dozens of stores and thousands of SKUs, while also managing the day-to-day pressures of the business, was simply overwhelming. The manual approach that worked when we were €50M simply didn't scale.
That's why I'm passionate about this topic today as a board member of Markmi, working with retailers facing these same challenges. Markdown optimization isn't just a technology question. It's a business strategy question, a change management question, and ultimately, a survival question in today's retail environment.

Luc Van Mol

Markdown optimization is strategy. It's change management. And in today's environment, it's survival.

Laurent Mainil
Co-Founder & CEO
Markmi

In the run up to what is now Markmi, we've spent three years working with European fashion retailers on markdown optimization.

At Markmi, we've combined years of experience working with European fashion retailers on markdown optimization. What started as a post-COVID challenge, clearing massive unsold inventory, became equally about organizational dynamics and the human side of decision-making.
Coming from a family rooted in fashion, working with mid-size to enterprise retailers, I've seen the same pattern Luc experienced: markdown management has evolved from seasonal clearance to year-round profit optimization that directly impacts EBITDA. The complexity has increased exponentially while tools have remained unchanged.
CFOs tell me the same thing: "Markdowns are one of our biggest cost lines. We know we're leaving money on the table, but we're not sure how to recover it." Meanwhile, retailers who've adapted are seeing 3-7% margin improvements.
The difference between leaders and laggards isn't technology adoption, it's mindset. You have to leave the spreadsheet behind and embrace a new way of working: tools that show their reasoning, explain trade-offs, and earn trust through transparency. But mindset doesn't change overnight. It takes direction, understanding, and time.
That's why we created this 2026 guide with insights from fashion retail executives across Europe.

We truly hope it inspires you.

Laurent Mainil

Two things to know before you read

About the guide

This is an educational guide, not a sales pitch.

Markmi appears where relevant, but the goal is to help fashion retail leaders make informed decisions about markdown management, regardless of vendor.
Everything here comes from three sources: published research from Bain, McKinsey, BCG, and alike; our direct experience implementing markdown optimization across European markets since 2020; and structured conversations with retail executives across Belgium, the Netherlands, Germany, the Nordics, and the UK conducted between October 2025 and January 2026.

We're practitioners, not academics. This is a synthesis of what we've learned working in the category, grounded in what retail leaders told us matters when evaluating this space.

How to read this guide

This guide works as sequential reading or modular reference.

Part I establishes why markdown management has become critical for building an internal case.
Part II describes traditional approaches and their limitations. Part III walks through modern markdown management in practice with retail executive insights. Part IV provides business case frameworks and vendor evaluation criteria.
Part V offers perspective on where the category is heading.

CEOs and **CFOs** should prioritize the Executive Summary, Part I, and Part IV's business case. **Commercial and merchandising leaders** will find Parts II and III most relevant. **Technology teams** should focus on Parts II, III, and IV's evaluation frameworks.

Executive summary

Protecting margin, brand and cash in fashion retail

The bottom line

Fashion retailers are bleeding value at the markdown stage. Markdowns consume 20-50% of net sales, yet most retailers manage them with outdated tools. McKinsey estimates disciplined markdown optimization can improve margin rates by 400-800 basis points. For a €500M retailer, this represents €3M-€7M in annual EBITDA alongside 80-95% time savings. This guide explains why markdown management has become critical, how modern approaches differ, and what implementation requires.

Why markdown management is a board topic in 2026

MARGIN:
The baseline collapsed: full-price sell-through dropped from 70-75% to 50% at many retailers (Philip Mountford), fundamentally altering the economics of every collection. More inventory now moves at discount, yet most retailers manage them with outdated tools.

CAPITAL:
Supply chain lead times doubled to 67 days. Retailers now often pay suppliers before merchandise reaches stores, breaking cash conversion cycles at the worst possible moment.

BRAND & REGULATION:
Over-discounting trains customers to wait for sales. From July 2026, EU has stricter rules on unsold textiles, eliminating traditional clearance options.

Key insights

Pricing strategy and markdowns are a lever fashion retailers still fully control. Discovery, supply chains, and saturation are external forces. Markdown strategy remains fully controllable (Jack Stratten).

Human judgment can't handle the complexity. Markdown decisions involve dozens of simultaneous interactions across categories and channels (Søren Juul). Traditional approaches optimize for 95% sell-through without questioning whether a lower percentage at better margins delivers superior outcomes.

The gap is mindset, not technology. Teams spend weeks "investing energy in last year's buying mistakes" instead of next season's strategy (Caterina Ticchio). Modern tools generate superior scenarios in minutes.

C-suite action agenda

Audit your data foundation and markdown process. Ensure data is structured and define your process upfront: markdown frequency, channel alignment, regional variations (Søren Juul).

Evaluate specialized tools versus monolithic systems. Fashion markdown management requires purpose-built solutions. "People are looking at specific tools with nimble, agile tooling on top" (Philip Mountford).

Run a proof of value, then scale. Pilot one category or region. Build trust in reasoning and outcomes before shifting KPIs from sell-through obsession to margin discipline.

PART 1.

Why markdown management matters now: crisis & context

Modern Markdown Management 101

The baseline that no longer holds

If we want to discuss why markdown management has become so crucial, we need to establish a **common terminology** with regards to full price, promotions and markdowns in fashion retail.

Full price is what you charge when a product first hits the floor. Promotions are temporary reductions, the "20% off this weekend" offers that bring shoppers in and create urgency. **Markdowns are different**. They're permanent price cuts, typically used to clear inventory that isn't selling as planned.

The **financial footprint** of markdowns is enormous. A typical fashion retailer spends between 20% and 50% of net sales on markdowns, with an additional 5% to 20% on temporary promotions on top of that, according to Bain & Company. For a business turning over €500 million, markdown spending can easily exceed €100 million a year. "Markdowns are one of the biggest cost lines in our P&L," states Markus Krenn, VP and Head of Commercial Planning at C&A. Yet, according to Bain & Company, it receives a fraction of the analytical rigor applied to buying or marketing.

The **traditional framework** was straightforward. Philip Mountford, former CEO of Hunkemöller explains how retailers thought about it: "If you ask a retailer, what are you looking for? They're looking for 70, 75% full price sales, and then basically a tooling system that will give them the best margin on that last 25 to 30%." The math worked. Aim for **95% total sell-through** by the end of the trading year, with the remaining 5% pushed to outlet centers or sold through jobbers. It meant the bulk of inventory moved at healthy margins, and markdown activity focused on clearing the tail end of the assortment.

That baseline no longer holds. "The world has changed and sell-throughs have come down," Mountford notes. "There are more fashion retailers with 50% full price sell-through than there were pre-COVID where 70, 75 was a really standard number." The shift is **seismic**. A retailer moving from 70% full price sell-through to 50% hasn't just lost 20 percentage points of margin. They've fundamentally altered the economics of every collection.

What makes fashion particularly difficult is the **nature of the product** itself. Most pricing analytics solutions were built for grocery, where predicting sales response to discounts on branded cereal relies on years of repeat purchase data.
But fashion products have compressed life cycles, highly variable demand curves, and limited historical comparables. The result? Retailers too often default to what McKinsey calls "the **peanut butter approach**," spreading discounts evenly across the assortment regardless of how individual items perform.

The gap is striking. Retailers now operate with real-time inventory visibility, granular customer data, and advanced demand signals. Yet the pricing decision that determines whether a product sells at full margin or at a loss is still, in many organizations, made in a spreadsheet the week before a discount goes live.

Why it matters now

What changed? By 2025, the fashion industry was carrying **more inventory** than at any point in recent history. What we often forget is the mechanism that caused it.

The **Suez Canal crisis** transformed fashion retail logistics. Mountford puts it bluntly: "Six years ago, nobody talked about logistics on water. Never came up at a board meeting. It was a topic that nobody talked about." Shipping from Shanghai to Rotterdam used to take 28 days. Today it takes 67 days at best. Container costs went up, at one point even to $30,000 during COVID peaks. Products now spend **a month longer in transit**. Lead times stretch so far that buyers place orders 13 months ahead, missing the mark on trends. And with less selling time available once product arrives, the **window** to achieve full price sell-through **compresses further**. **The entire cash conversion model broke**. Mountford explains: "Previously fashion retailers would've had that stock in stores for 30 days. Normally you're looking for about 5% full price sell-through from day one. So by the time you had to pay for it, you'd sold 20% to 25%, which means you'd got your cost price back. And now you're paying the supplier seven days before it's actually even got into a shop."

Then **tariffs arrived**. Trade policy shifts in 2025 introduced duties estimated to drive price increases of 35% for apparel. But 74% of consumers are actively trading down to lower-priced retailers and cheaper brands, according to McKinsey research. For Gen Z, that figure hits 87%. On top of that there is **regulation** that adds urgency. Under EU rules, large companies will be prohibited from destroying unsold apparel from July 2026, with public disclosure requirements on how unsold inventory is treated. Konrad Olsson, editor at Scandinavian MIND, notes that "in the Nordics, sustainability has historically been a stronger driver than in many other European markets. While its priority has softened slightly over the past 18 to 24 months due to commercial pressure, it still remains a 'need to have' for most brands."

The combination creates a genuinely **new situation**. 46% of fashion executives expect conditions to worsen in 2026 (McKinsey). Margins, costs, and cash strategies rank as the second most significant theme after tariffs. 45% identify sourcing costs as their most pressured area, followed immediately by **pricing and inventory management** (State of Fashion 2026).

The old playbook of absorbing costs through scale no longer works. What remains is **pricing discipline**, specifically the ability to make faster and more precise markdown decisions.

The cost of getting it wrong

Retailers with **undisciplined** markdown processes consistently make **three mistakes**: they mark down items selling well that would continue at full price, they discount deeper than necessary to hit sell-through targets, and they set reductions too shallow to move low-performing stock (McKinsey). Most retailers are making all three simultaneously. The numbers are stark. McKinsey estimates that **markdown optimization** can improve margin rates by 400 to 800 basis points.

The mechanics deserve attention because the relationship between discount depth and profit is sharply **nonlinear**. On a product with 40% gross margin, a 20% discount doesn't reduce profit by 20%. It cuts profit in half (Bain & Company). Deeper discounts hit diminishing returns fast. Beyond direct margin impact, poor markdown management creates **opportunity costs**. Every euro spent on unnecessary discounting could have been reinvested in product development, customer acquisition, or supply chain improvements. Bain estimates disciplined optimization can boost discount investment returns by 5% to 10%, freeing millions for redeployment.

What makes this moment different is the **convergence of structural pressures**. Tariff-driven cost increases, a consumer base refusing full price, inventory at historic highs, new regulations penalizing overstock, and margin compression across segments are all happening at once. The gap between retailers treating markdowns as strategic capability and those treating it as an afterthought is widening. The tools exist today. The question for executive teams is whether they can afford to keep making these decisions the way they made them last year.

The old playbook no longer works.

What remains is pricing discipline.

The Bigger Picture:

A conversation with Jack Stratten

Jack Stratten is Director at Insider Trends and a RETHINK Retail Top Retail Expert 2025. We spoke with Jack about the forces reshaping fashion retail and what they mean for how retailers should think about pricing and markdown strategies.

UNDERSTANDING THE MAJOR FORCES RESHAPING FASHION RETAIL

MARKMI: Jack, when talking about what is currently happening in fashion retail, you especially address consumer saturation and several other major forces. Can you help us understand the landscape?

JACK: That's a good place to start. **Consumer saturation is like ground zero in the West, because it affects everything**. Most large retailers now have product ranges that are too big for their stores or impossible to navigate online. Too much choice, resulting in choice overload. Then there's **infrastructure**. Big players like Zara and H&M must build a future where physical stores play a

Jack Stratten
Director at Insider Trends and a RETHINK Retail Top Retail Expert 2025

central role, because their value as a business is closely linked to their real estate. **Supply chains** are a massive force too. Textile manufacturing in places like Bangladesh faces closures due to rising costs and climate change, forcing price increases. And **discovery** has changed dramatically. So much now comes through TikTok and AI-generated search. Traditional fast fashion businesses are losing control over how customers discover their items.

MARKMI: These trends seem almost overwhelming. Where do retailers actually have control?

JACK: That's the interesting thing. **Pricing is really the crucial lever fashion retailers still control**. They can't control saturation. They can't get rid of their stores. Supply chains remain challenging. Discovery happens on platforms they don't own. But pricing? Starting prices, markdown strategy, how you position discounts, which channels get what prices, they control all of that. It becomes the crucial element you have to focus on.

WHAT IS THE ROLE OF PRICING AND MARKDOWNS IN THIS CHANGING LANDSCAPE?

MARKMI: With all these pressures you've described, how should retailers think about pricing and markdowns?

JACK: For me the biggest problem is the race to the bottom. There's clearly huge pressure to compete on price in a saturated market, but lower prices isn't necessarily the answer. Take Uniqlo. They actually said their goal was to sell somewhat fewer products in the future but make more money. They've convinced customers their products are better than competitors, which gives them the opportunity to raise prices. Prices have to go up. There's no way around it. Manufacturing costs are rising. Supply chains need investment. Legacy retailers with thousands of stores have massive fixed costs.

But you can't just raise prices and expect customers to accept it. You have to justify it through better product, better experiences, better storytelling. H&M is doing this well, for instance, by elevating the experience through better stores, higher quality products, collaborations. The principle is: lead with full price and newness. Make markdown a part of the experience, but not the headline.

WHY DOES INVESTING IN A NEW WAVE OF PRICING AND MARKDOWN TOOLS MAKE SENSE RIGHT NOW?

MARKMI: Lots of retailers know Excel isn't the best tool for markdown planning. What's finally pushing them to move on?

JACK: What pricing tool providers, markdown management tool providers are doing is creating precisely the technology in retail that I like. Because **it's not gimmicky**. It's not something retailers have to invest millions in with no idea if it will work.
The problem is clear: an old, archaic way of doing things that takes enormous time and is difficult to scale. Markdown planning in spreadsheets, using rules of thumb, hoping your gut feeling is right. But I think things are changing. We're in a period where margins are lower, complexity is increasing, and retailers are becoming more pragmatic. What I'm seeing is: show me technology that helps me optimize what I already do. That's not sexy, but it's valuable.
What's pushing them? Margins and complexity. When you can't protect margins through volume anymore, you have to get disciplined and pragmatic about the processes you control. Retailers are finally saying: show me technology that optimizes what I already do. Not sexy, but it's valuable

MARKMI: Why is markdown optimization specifically compelling right now?

JACK: From a business perspective, margins matter more than ever. If you can improve sell-through or protect 3-4 percent in margin through better markdowns, that's real money at scale. Retailers can calculate the ROI pretty quickly. I think ten years ago, this kind of tool would have faced more skepticism. "We've always done it this way, why change?" But now, the pressure is real. The stakes are higher. And retailers are more open to tools that help them be more precise, more strategic and protect margin.

PART 2. How fashion retailers have been managing markdowns

The traditional fashion retail playbook

For decades, fashion retailers have been following the same rhythm for markdown decisions. It's seasonal, budget-driven, and built on experience.

At its core: weekly monitoring of sell-through rates, manual analysis in spreadsheets or legacy systems, 'markdown budget constraints' set as a guidance, and gut-feel pricing informed by merchandising expertise.

It goes a little something like this:
Collections arrive in stores. Winter in late-July, summer in late-January. Merchandisers track sell-through from day one. By mid-September, promotional campaigns start pushing specific items. But the first big markdown rounds come later. Mid-season in November. End-of-season in January or February.
When the marketing calendar signals **it's time**, merchandisers get their marching orders: proposals due by next week. They spend the following days grinding through their assortments in Excel or legacy systems. Category by category, often product by product, they decide discount levels, **constrained by budget**.
"We spent €20 million on markdowns last year, so that's our number this year." Proposals move up the approval chain. Once approved, there's nothing left but to watch the results unfold.

Why it worked

This system has real strengths, and they come down to three simple reasons.

Experience is worth something. Merchandisers who've been in the business for twenty years know these categories inside out. They know customers, understand product lifecycles, and can spot why a given item sells well in combination with another one. That intuition, built over decades, isn't nothing.
Budgets provide guardrails. "We spent €20 million last year, so we spend €20 million this year" gives finance teams predictability. There's comfort in consistency. It keeps markdown spend from spiraling out of control.
It scaled when life was simpler. Twenty years ago, retailers carried fewer SKUs, across fewer channels. Seasons were distinct and margins were easier to attain. Omnichannel wasn't a thing. In that world, the manual work was tedious, but manageable. Lots of small markdown mistakes were expensive, sure, but they may not have been that crucial.

"Where it used to be quite predictable, today everything is much more volatile and unpredictable," says Matthias, CEO of ZEB/The Fashion Store. "This makes it harder to forecast. There is so much to keep under control, otherwise things start to fall apart really fast."

What goes wrong

The first crack in the traditional playbook appears when you realize you're **almost working blind**. A merchandiser prices winter items at €2.99 instead of €4.99 because "we need to clear them fast." It feels right. Except that person may just have unnecessarily given away 20-30% margin, and will never know it. There's no way to see what would have happened at a different price point. No way to test alternatives before committing.

The second crack is the **time trap**. Most of the time spent on markdowns has no strategic purpose. It's filtering items in spreadsheets. Checking product codes. Waiting for product groups to load. By the time you've worked through 2,000 SKUs, you're exhausted.
One cannot lose sight of the fact that the markdown process is a **game of interests**, says Derk Hoogland, Project Manager AI at American Today. "Buying has fallen in love with the product and wants to give it another chance: 'It hasn't been warm yet, we need to wait.'
The merchandiser thinks inventory has to go.
Management wants margin but not excess stock.
The store wants simplicity. Everyone influences the other."
So, when it's time to answer the bigger questions, there is hardly any time or space left for the tough conversations. You're just trying to get through the list.

The third crack is the worst one because it feels like success. Everyone loves to optimize for ninety to ninety-eight percent sell-through. Hit that number and finance celebrates. Merchandising celebrates. Mission accomplished. Except hardly no one stops to ask whether you torched your margin to get there. Or questions whether eighty-seven percent sell-through with healthier margins might have been smarter. When you have thirty merchandisers making those micro-decisions across thousands of products, the margin you're leaving behind adds up fast. The traditional playbook worked **when fashion retail was simpler**. But assortments have grown, seasons have compressed, competition has intensified. Retailers are working harder than ever, and the cracks that were manageable twenty years ago have become true chasms.

The traditional playbook worked when fashion retail was simpler.

PART 3. The modern approach

The modern approach to markdown management

In this modern approach, the marketing calendar still dictates timing. Mid-season markdowns still land in November, end-of-season in January or February. Budget constraints haven't disappeared, and finance still cares about spend. The fundamental rhythm of fashion retail hasn't changed. What's changed is everything that happens in between "we need a markdown plan" and "execute."

The Setup

When retailers first implement a markdown optimization tool, there's **groundwork** to be done. Data integration. Connecting ERP systems, point-of-sale data, inventory feeds. Setting up the different sales channels and how they are treated differently or alike. Training the team on new workflows. The system analyzes two to four years of sales history, inventory data, and historical discount information alongside current product attributes. It learns category behaviors, seasonal patterns, how similar products performed at different price points.

Then, each season, the algorithms get **trained on the new collection**. The system learns what matters for this particular assortment in this particular market based on what actually happened with comparable products in the past. But a modern markdown tool isn't working from stale data. Throughout the active season, it continuously receives **current information**: weekly sales updates, real-time inventory levels, actual sell-through rates as they happen.

So **when markdown season arrives** in November, the system knows not just how similar winter coats performed two years ago, but exactly how this season's winter coats are performing right now. Which styles are moving. Which aren't. Where inventory is building up. The historical patterns provide the foundation, but current season data keeps the forecasts grounded in present reality.

> What's changed is everything that happens in between "we need a markdown plan" and "execute."

The scenarios that replace the spreadsheet madness

It's Week 44. The season has only really started a few weeks ago, but people are anxious because of a challenging first half of the year. "We need a **first set of markdown proposals** by next week." This is where the old way and the new way using modern markdown management tooling diverge completely.
The team opens such **a modern markdown optimization** tool and **configures parameters**: What are the objectives for this markdown round? Maximize sell-through? Protect margin? Clear specific categories? What business rules apply? Premium lines might have minimum margin thresholds. Certain categories never go below specific discount levels. These rules act as guardrails.
They click '**generate scenarios**' or whatever their particular tool calls it.
Strategies appear, let's say three in this example. Each one complete, showing the outcome and multiple markdown steps through season's end.

Scenario one: Conservative. Two million euros in markdown budget. Eighty percent sell-through predicted. Margin impact: minimal erosion, but you're left holding inventory. Additionally, there is a whole range of other KPIs you can check.

Scenario two: Balanced. Four million. Eighty-five percent sell-through. This is close to what you'd normally do. Margin takes a moderate hit, inventory moves steadily.
Scenario three: Aggressive. Five million. Ninety percent sell-through. You hit your volume target, but margin drops two percentage points compared to the conservative approach.
All three scenarios appear in a couple of minutes. Not days.

Each one as a result of highly-accurate forecasts, not gut feeling. Forecasts built on product-level demand modeling, price elasticity, seasonal patterns. The system has analyzed how similar products performed at different price points.It has processed thousands of markdown cycles. It knows what usually happens next.

Having the conversations that matter

This is where the work shifts from operational to strategic. The team isn't debating whether product #4729 should be marked €4.99 or €2.99. They're looking at five different strategies and asking: **which strategy serves our goals?**

- "We need to hit ninety percent sell-through this season. Finance is pushing hard on that number."
- "Okay, that's scenario four. But look at the margin impact. We're giving up two points. Is that worth it?"
- "What if we go with scenario five instead? We're at eighty-seven percent, but we protect margin and we can push the remaining thirteen percent to outlet or next year's pre-season."
- "What about regional differences? Can we run aggressive in Poland where we're overstocked and conservative in Germany where we're performing well?"

These are the **conversations that matter**. Trade-offs. Strategic choices. Risk and reward.
At one European retailer Markmi works with, regional teams now present their chosen scenarios to leadership with clear rationale. "We're choosing the aggressive strategy in Spain because our customer base is extremely price-sensitive and we're seeing competition from fast fashion intensify. We're choosing defensive in the Nordics because full-price performance is strong and we'd rather protect margin." The discussion happens at that level. Not product by product. Strategy by strategy.
Once a scenario is chosen, teams **can still adjust**. Maybe premium wool coats shouldn't go as deep as the model recommends because of brand positioning. A modern markdown tool allows these refinements. Business rules can be tweaked. Individual categories can be overridden.
But here's the critical difference: you're **refining a complete strategy**, not building one from scratch. You're adjusting at the edges, not grinding through the middle.

The mental shift for merchandising teams

The hard part isn't technical. It's **psychological**.
For a merchandiser who's spent twenty-five years building intuition, trusting an algorithm doesn't come naturally. The instinct is to check every product, make sure the system isn't doing something crazy. Modern tools allow this. You can drill down to product #4729, see the forecast, the elasticity assumptions, the reasoning. That **transparency** is necessary.
But the goal is different now. You should not be reviewing 2,000 products. You're spot-checking outliers. "The system wants forty percent off premium wool coats already? Let me understand why." Two clicks: slow sell-through, high inventory, price elasticity. You can override. You can adjust business rules. But you're not doing that for 2,000 products. Just the handful where human judgment adds value. Experienced merchandisers still know **what algorithms can't see:** that competitor X just opened nearby, that this fabric photographs poorly online, that customers here respond badly to aggressive discounting.
Peter De Sutter from E5 Mode puts it bluntly: 'Pricing and markdown decisions must avoid unnecessary margin waste and working capital tied up in inventory. But there's much more needed to succeed. Really **mastering the fashion trade itself** is the priority.'
The approval hierarchy remains. What disappears is the week grinding through spreadsheets, the manual errors, the exhaustion, the nagging uncertainty.

where the work
shifts from operational to strategic

The feedback loop

After markdowns go live, teams track performance against forecast and understand what differs from predictions: price elasticity, external factors. This learning helps to refine settings for the next round.

The result: from blind to informed

Merchandisers make strategic choices with **more visibility into outcomes**. They've tested alternatives before committing and had real conversations about trade-offs instead of rushing through task lists.
Luc De Baets from Belgian shoe retailer Torfs explains how this can shift an entire approach: "Working with markdown optimization tooling lets us price our assortment in a much more sophisticated way. We don't put everything on discount from day one anymore. Instead, we mark down select items to create initial traffic, then apply the right discount at the right moment. By continuously adjusting markdowns online, customers visit more regularly. We can now adjust our discount offering step by step throughout the entire markdown period. This was previously impossible." When markdowns go live, they're making informed bets. The work has gotten different, mostly smarter. The energy goes more to strategy, less to operations. The decisions come from analyzing possibilities instead of repeating last year's playbook.
That's the shift. From working blind to working informed. From operational to strategic. From hoping to knowing.

What to expect from these markdown optimization tools?

Schoenen TORFS, using Markmi as a markdown optimization tool

The Situation
Belgian shoe and fashion retailer (€200M revenue, 80+ stores) with a traditional, manual markdown process. Needed to prove AI could outperform human decision-making during end-of-season sales.

Key Facts
- 2020 Summer Sales pilot tested AI vs. manual approach
- Traditional process took days, was error-prone

Results & Benefits
- +30% revenue, +8% margin on AI-managed products
- 50% time reduction on markdown process
- Dynamic markdown adjustments throughout sales period
- Today, 12 consecutive seasons using Markmi

> “We were able to achieve a +30% revenue & +8% margin increase, merely by applying the price markdowns suggested by the solution.”

Luc De Baets - TORFS

Torfs

C&A, using Markmi as a markdown optimization tool

The Situation
Leading European retailer (1,300 stores, 17 countries) managing 170,000 markdown decisions with spreadsheets. Created inconsistencies, errors, and missed opportunities.

Key Facts
- 5,000 items across 17 countries, multiple sales phases
- Previous process required 3-4 days per cycle
- Old approach caused fatigue and market misalignment

Results & Benefits
- 3-4 days to 30 minutes for markdown decisions
- Consistent forecasts and aligned dashboards across all markets
- Better P&L management with strategic clarity
- Teams shifted from manual tasks to more strategic decision-making

> “I can manage my profit and loss statements much better and see that the strategy fits.”

Markus Krenn - C&A

Read the full case on markmi.ai

C&A

PART 4.

How to evaluate fashion markdown management solutions

Building the business case

Whether you're a CFO evaluating budget allocation, a CEO assessing strategic investments, or a commercial director building the internal case for change, you need concrete numbers to justify a markdown optimization investment.

Generic claims about "improving margins" don't cut it. You need to understand the actual euro impact on your P&L. This section provides a transparent, step-by-step framework for calculating the financial return of markdown optimization for your specific business. We'll walk through a worked example using a €500M retailer and provide a template for your own calculation.

The €500M retailer: A detailed example

Let's walk through the calculation for a mid-market fashion retailer with €500M in annual revenue.

Step 1:

SIZE THE SEASONAL MARKDOWN REVENUE POOL

Start by isolating the seasonal items that actually go through markdown periods:

- Total annual revenue: €500M
- Revenue from non-seasonal items (such as NOOS, etc.): 20%
- **Seasonal revenue:** €500M × 80% = **€400M**

Based on our work with European fashion retailers, approximately 35% of seasonal revenue is sold during markdown periods.

- **Markdown period revenue:** €400M × 35% = **€140M**

Step 2:

CALCULATE CURRENT GROSS MARGIN DURING MARKDOWN PERIODS

This represents blended gross margin across all items sold during markdown periods. Fashion retailers we talk to typically land around 45%.

For our €500M retailer:

- **Current gross margin generated:** €140M × 45% = **€63M**

Step 3:

APPLY THE IMPROVEMENT FACTOR

The standard for validating impact is a controlled A/B test. The markdown-optimized group (Group B) typically performs 3-7% better on gross margin while achieving the same sell-through target.

For our €500M retailer, using 5%:

- **Additional gross margin:** €63M × 5% = **€3.2M**
  Since markdown optimization doesn't require substantial additional operating costs, this flows directly to EBITDA:
- **Annual EBITDA uplift: €3.2M**
  0,8% of **seasonal** total revenue

The improvement comes from two mechanisms: reducing excessive discounting on items with sufficient demand, and clearing slow-movers more effectively with better-timed discounts

Implementation costs: What does it really take?

The primary cost is the software itself. Markdown optimization platforms typically charge between **0.04% and 0.12%** of seasonal revenue:

For our €500M retailer (€400M seasonal revenue):

- Mid-market pricing: €400M × 0.08% = **€320k** annually
  (Enterprise retailers typically pay about 0.04% of seasonal revenue, while smaller retailers working with local vendors may pay up to 0.12%).

Payback timeline

Based on the example above:
Using mid-market pricing (€320k annually):

- Year 1 investment: €320k
- Year 1 return: €3.2M
- **Yearly ROI:** 10x

Payback is generally achieved within the first year of operation.

Calculate your own business case

What affects your expected improvement

The size of the impact depends on the gap between your current state and what optimization enables.

USE THE 5-7% IMPROVEMENT RANGE IF:
Your current markdown process is largely manual or Excel-based, mostly relying on rules of thumb, or basic forecasting methods. You have operational flexibility: you can update markdown prices 2-3 times during the main markdown period, and you can set prices at the product-item level with different pricing by region and channel.

USE THE 3-5% IMPROVEMENT RANGE IF:
You already have a sophisticated markdown methodology in place, or you face operational constraints (only one markdown moment per season, or only category-level pricing).

A CRITICAL CONSTRAINT:
If you cannot set prices at the product-item level and apply different prices by region or channel, the expected impact typically drops by approximately 50%. Markdown optimization's power comes from precision.

Key capabilities checklist

What to look for in a fashion markdown tool? Well, there's **no universal checklist**. We talk regularly with fashion retailers across Europe to understand what matters most when evaluating markdown tools. Caterina Ticchio walks us through what she'd look for, then we'll add criteria that surfaced repeatedly in conversations with other merchandising and planning leaders.

Caterina Ticchio is Head of Merchandising & Planning at C.P. Company, with senior leadership experience across Diesel, C&A, Guess, Ralph Lauren, and Levi's. When evaluating a markdown management tool, Caterina would look for the following key capabilities:

PREDICTIVE ACCURACY
How well does the tool forecast demand and sell-through? The foundation of any markdown optimization system is its ability to predict what will sell, at what price, and when.

SCENARIO CAPABILITY
Can you model and compare different markdown strategies before executing? Retailers need to see the margin, revenue, and sell-through impact of different approaches before committing to one.

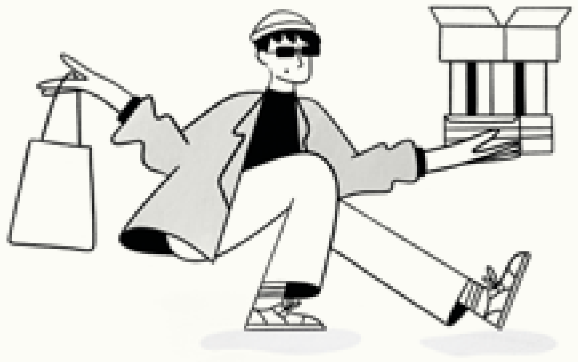
OMNICHANNEL COORDINATION
Does it handle coordination between physical stores and e-commerce according to your brand strategy? Some brands look for synchronized pricing across all channels to protect brand identity. Others want the flexibility to differentiate pricing between online and offline channels based on specific market conditions or strategic positioning.

BRAND-PROTECTION LOGIC
Can you protect specific items, categories, or price points from discounting?

SYSTEM INTEGRATION
How does it connect with your existing ERP, POS, and e-commerce platforms? The tool needs to fit into your current technical infrastructure without requiring a complete systems overhaul.

INTUITIVE UX
Most team members would love to work in an easier-to-manage environment than spreadsheets. They want modern, intuitive tools that don't require extensive training or technical expertise to use effectively.

From conversations with other fashion retailers we also captured following key criteria



MULTI-PHASE MARKDOWN PREDICTIONS
Can the tool plan across multiple markdown waves (e.g., -20%, -40%, -60%) rather than single-event discounting? Fashion retail operates in phases throughout a season, not in one-time clearance events like grocery or consumer goods.

ADOPTION SUPPORT
What training, guidance, and ongoing support does the vendor provide? Are they easy to reach? Can they help me swiftly? The best tool is useless if your team doesn't trust it or know how to use it effectively.

STANDARDIZED FLEXIBILITY
Can the tool handle your specific business rules (regional variations, category exceptions, channel-specific strategies) within a standardized framework? You need retailer-specific customization that's actually scalable and supported, not custom code that breaks with every update.

Be sure to also ask for **relevant client cases** from retailers similar to your business model, and insist on running a proof of value on your own data before committing. And finally, **don't get distracted** by exotic features with low impact. The quality of core capabilities (optimization accuracy, intuitive UI, reliable forecasting) matters far more than an extensive but superficial feature list.

How to prepare for implementation

Søren Juul, Director of Operations at Zizzi, shares valuable lessons from implementing a markdown optimization tool. Start by ensuring your **data is well structured**, particularly your markdown data. You might discover gaps in historical markdown tracking, especially for physical retail. Building that foundation takes time, so address it early.

Beyond data, **define your markdown process upfront**. How often will you markdown? Should prices align across channels or vary by market? At Zizzi, e-commerce benefits from more granular, flexible pricing while retail operations prefer simplicity. The tool can optimize within any framework you choose, but the strategic direction needs to come from you.

PART 5. Looking forward

The choice ahead

The transformation described in this guide isn't theoretical. It's happening across European fashion retail right now, driven by margin pressure that won't relent and operational complexity that keeps compounding.

The gap between retailers treating markdown management as strategic capability and those treating it as a seasonal task is widening fast. What's changed isn't just the tools. It's the recognition that human judgment alone can't handle what markdown decisions have become. As Søren Juul from Zizzi explains: "The human mind has a difficult time taking into consideration that if I discount this item in blue, it will also affect sales in black. It will affect other categories. We can perhaps handle two variables mentally, but there are dozens of interactions happening simultaneously."

But the bigger shift is where leadership energy goes. As Caterina Ticchio from C.P. Company puts it: "You're investing energy in the mistakes of last year's buying decisions. Next year, you'll spend energy on this year's mistakes again." Modern tools free teams from firefighting last season's problems so they can focus on next season's strategy.

Peter De Sutter from E5 Mode captures what I've seen across the retailers we work with: "Retail is a new profession in a new world. Data and people are key." The playbook from pre-corona is no longer relevant. The retailers who recognize this are implementing specialized tools rather than waiting for monolithic systems to solve everything.

The broader shift Philip Mountford describes is already underway: "Previously CEOs wanted a system that controlled everything from planning to allocation to markdown management. Now people are looking at specific tools for these different areas, with a strong base for data integrity, but then putting nimble, agile tooling on top."

Markdown management has become one of those areas where specialized tools outperform monolithic systems. The question isn't whether this works. The evidence is in.

In the coming months, I'll be on stage in Sweden and the UK, participating in roundtables and sitting down for coffees with senior leadership across European fashion retail. I'll be asking the same question over and over again, one that tips its hat to Prince: Why continue to burn margin like it's 1999? Too many retailers are burning through margin as if there's no tomorrow. What they need instead is pricing discipline with proper tooling.

I hope this guide has helped you understand what's at stake, how the new way of working differs from the old, and most importantly, that it will help you start the right discussions internally as you begin looking into markdown management tooling options.

Wishing you all the best in your future endeavors.

Laurent Mainil

Would you love to follow up with a coffee?

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Expert contributors

Philip Mountford
Chairman at Hush, Chairman at Needle & Thread. Additional advisory roles at Groupe ETAM, Takko Fashion and others. Former CEO at Hunkemöller.

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Additional insights from merchandising and planning teams at C&A, Torfs, ZEB,E5 Fashion, Schuurman Schoenen, OFM, State of Art, and other European fashion retailers.

Resources

Industry research

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- McKinsey & Company (2022). "Hitting the Mark: Why Markdowns Matter More Than Ever"
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- Business of Fashion & McKinsey (2024). "The State of Fashion 2025: Challenges at Every Turn"
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- Business of Fashion (2025). "Tackling Fashion's Excess Inventory Problem"

Markmi

Markmi is the markdown optimization assistant for fashion retailers, helping merchandising teams make faster, more confident, and more profitable pricing decisions.

Based in Ghent, Belgium, Markmi replaces outdated spreadsheets with a fashion-specific workflow that automates the complex parts of markdown planning, freeing teams to focus on weighing trade-offs and choosing the best strategy. Serving European retailers including C&A, Torfs, Schuurman Schoenen, Zizzi, ZEB, and E5 Fashion, the platform delivers what generic pricing tools can't: scenario-based planning for multi-phase markdowns across seasonal collections. Retailers typically experience margin improvements of 3% to 7% and workload reductions of 80% to 95%.

Spun off from Crunch Analytics, Markmi raised €1.1M in 2025 to expand across European markets and establish markdown management as a distinct category within retail technology.

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