



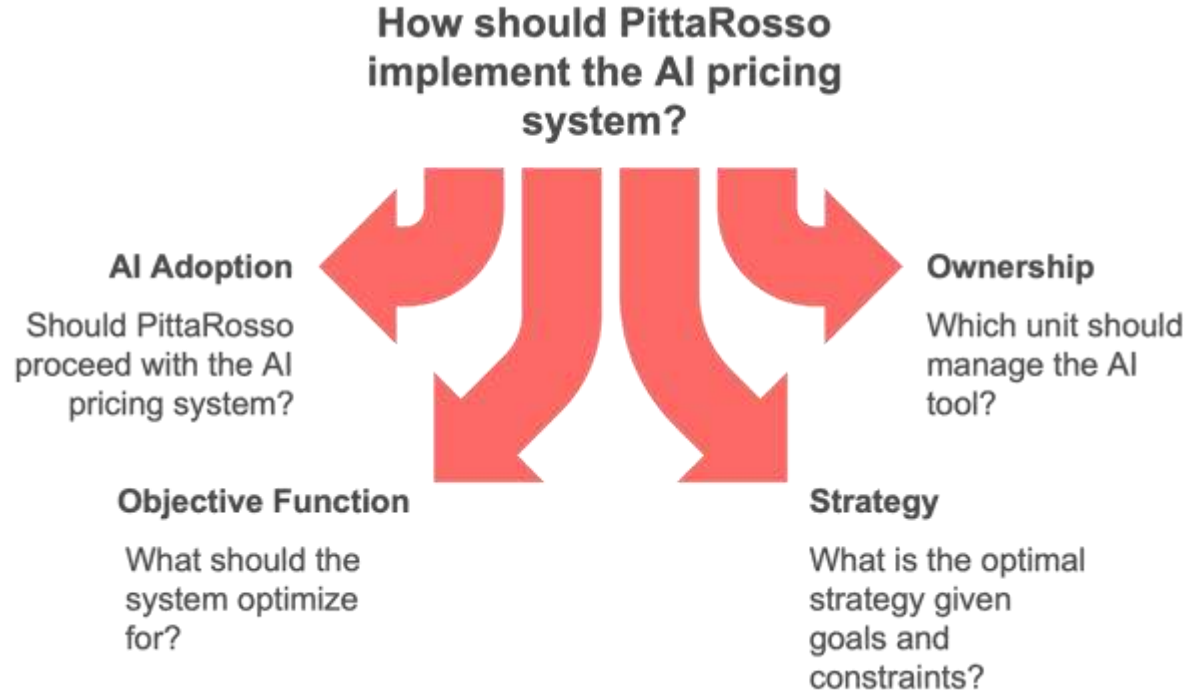
Team 3:

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Overview

A little insight into PittaRosso:

- Major Italian shoe retailer with 200+ stores and high inventory levels
- CEO Marcello Pace initiated a turnaround in 2019 (store closures, assortment overhaul, brand repositioning)
- Introduced AI tool via Evo Pricing to optimize markdowns and promotions



Adoption of AI Tool



Strategic adoption is essential for efficiency and growth

Why it's a Good Idea:

- Automates pricing across 200 stores and 39,000+ SKUs
- Reduces aged inventory through SKU-specific markdowns
- Aligns promotions with real-time demand and consumer behavior
- Enhances marketing ROI by integrating top and bottom funnel insights

Risks & Mitigation:

- **Internal resistance** → Cross-functional training + phased implementation
- **Unexpected AI recommendations** → Run controlled pilots and calibrate

AI Tool Owner

Designated Owner:

Valentina Labate – Head of Merchandise Planning & Allocation

Why Labate's Team:

- Oversees pricing, assortment, and inventory – all inputs to the AI
- Already leading system rollout and alignment with vendor (Evo Pricing)
- Trusted by CEO; has deep merchandising experience

Governance Structure:

- Cross-functional steering group with:
 - Finance (margins/cash flow)
 - Buying (category insights)
 - Marketing (campaign alignment)
 - IT (data accuracy + integration)





Objective Function



Objective Function Recommendation:

Maximize a balanced mix of **Sell-Through**, **Margin**, and **Revenue**

Formula: Objective = $0.4 \times \text{Sell-Through} + 0.3 \times \text{Gross Margin} + 0.3 \times \text{Revenue}$

Why this Mix:

- **Sell-through** → Clears aging inventory, improves cash flow
- **Margin** → Maintains profitability in discount-heavy environment
- **Revenue** → Supports refinancing and liquidity targets

Next Step: Adjust weights each season to reflect strategic priorities



Recommended Strategy

Markdown Strategy

Accelerate inventory turnover by targeting low-performing SKUs with strategic discounts.

- Focus on older and seasonal summer SKUs with low sell-through and high inventory.
- Apply 20–30% markdowns selectively to boost sell-through.
- Avoid discounting newer or high-margin items.

Broad Promotions

Drive volume and urgency through limited-time offers aligned with seasonal shifts.

- Launch “3 for 2” campaigns in late July to clear summer stock.
- Target casual sandals and outdated designs.
- Coordinate messaging across physical stores and online platforms.

Online Marketing Spend

Engage high-intent customers through personalized, cost-effective digital outreach.

- Allocate €15,000–€20,000 to loyalty-targeted email and SMS campaigns.
- A/B test content and timing for better performance.
- Highlight active promotions like markdowns and 3x2 offers.



Recommended Strategy

Output Value (Cell E12)



E12 Result:

Reflects the optimized financial outcome based on AI-driven recommendations.

Likely Outcome:

Higher than traditional methods, combining markdowns, promotions, and online marketing for improved results.



Recommended Strategy

Why This is the Best Strategy?

Balanced Approach

- Maximizes revenue
- Maintains healthy margins
- Reduces old inventory stock

AI-Driven Precision

- SKU-specific markdowns and targeted promotions
- Replaces broad, inefficient discounts

Inventory Health

- Boosts sell-through rates
- Clears aging stock, creating space for trendy collections

Customer Engagement

- Targeted online marketing & loyalty programs
- Increased store traffic and conversions



Other Recommendations

Foster Change Management and Cultural Acceptance

Implement training, workshops, and clear communication to overcome internal resistance and foster trust in the AI system.

Designate champions in merchandising and marketing to drive adoption and ensure alignment.

Improve Data Quality and System Calibration

Enhance data collection on customer preferences, sales trends, and promotions to ensure the AI tool delivers accurate and actionable insights.

Regularly calibrate the system to align with real-world dynamics and evolving market conditions.

Optimize Inventory and Supply Chain

Transition to dynamic, demand-driven inventory allocation instead of static, uniform distributions across stores. Work closely with suppliers to create flexible replenishment models that minimize excess stock and improve sell-through rates.



Thank You!