

PURPOSE

This Standard Operating Procedure provides the Sierra stores organization with the necessary information and detailed instructions on how to plan and execute the Store Markdowns process. Successfully completing store markdowns is critical to driving sales, customer service and loyalty, merchandise presentation, inventory accuracy, and store profit.

GENERAL INFORMATION

The Sierra buying team works with merchandise planning and digital finance to select merchandise that will receive a selling price reduction, otherwise known as a markdown. All merchandise selected for a markdown is known as 'clearance merchandise'. Markdowns are planned at the department and unit ('style-code') level and are selected on several factors, including:

- **Turnover/Age** – Primary reason; merchandise that has not sold at regular price after an acceptable period will be reduced to accelerate selloff.
- **End of Season** – Secondary reason; merchandise bought for a particular season or holiday that has exceeded its seasonality and is no longer on-trend or relevant to the customer's expectations.
- **Low Quantities** – Merchandise that has low remaining on-hand quantities across the chain and is selected to clear the remaining stock
- **Market Competition** – As market trends and pricing fluctuate, some merchandise may be selected for price reduction to stimulate selloff and offer the customer a more competitive value.

The selected style-codes are bundled into a *Markdown File*, which is then downloaded to stores on a scheduled basis. The *Store Markdown Calendar* provides stores with a monthly schedule of all markdown file dates within each season. Occasionally, markdown files may be added to the schedule or paused/canceled to support sales trends or inventory levels.

Once a markdown file is downloaded to the store, it is ready for the store team to begin scanning. This involves physically scanning and marking merchandise with special price tags that advertise a reduced price. Store management is responsible for ensuring that these markdown files are started and completed on time and that all departments and merchandise included in the markdown file have been scanned.

STORE MARKDOWNS APPLICATION & EQUIPMENT

Store Associates must use specific markdown applications and equipment to complete markdowns. This section will cover all information on markdown systems.

Equipment

The equipment required to complete a markdown file includes a mobile scanning device ('mobile scanner'), mobile tag printing device ('mobile printer'), ring scanner, and merchandise labels ('gum tags').

While not in use, all markdown equipment, including mobile scanners, mobile printers (and batteries), and ring scanners, are to be stored on their designated docking stations for proper charging and should be kept in a secured, back-office location. When associates aren't actively using this equipment, they must always log out of their mobile scanners and power down their mobile printers. Equipment cannot be left unattended on the sales floor while the store is open and must be moved to one of the following secure locations when called to a register, walking away to support a customer, or taking a rest period:

- Secured back-office docking station
- Behind the front-end area, out of customer reach
- Backroom/processing area

Mobile Scanner

The current model mobile scanner is the Zebra TC52 series. This device provides access to the OMS *Sierra Store App*, which hosts all in-store mobile applications. Information on how to access and navigate the mobile scanner is listed in the *Application* section below.

Mobile Printer

The current model mobile printer is the Zebra ZQ620 series. This device allows for the loading and printing of merchandise price labels, often called 'tags'. These printers utilize a removable power pack ('battery').

Ring Scanner

The current model ring scanner is the Zebra RS5100 series. This device is meant to be paired with a scanner for convenient, hands-free, finger-mounted scanning of merchandise tags. The *Ring Scanner SOP* documents information on how to pair and operate the ring scanner.

Merchandise Labels

The adhesive price labels ('gum tags') used for markdowns are designed to be placed on every type of merchandise and have the following color coordination:

- **RED** – *Clearance*; standard initial and subsequent markdown
- **YELLOW** – *Final Clearance*; end-of-season initial or subsequent markdown
- **WHITE** – *Regular Price*; all merchandise that cannot be tagged with a hangtag

Tag stock is manufactured in rolls, with 200 labels per roll. All tag stock can be ordered through the existing store supply ordering process. Store Management is responsible for ordering the proper quantities of each tag. Like markdown equipment, tag stock is to be kept in a designated, secured storage location when not in use and cannot be left unattended on the sales floor.

Application

Markdown scanning is completed using the Order Management System (OMS) mobile application, known as the **Sierra Store App**. All associates scanning markdowns must first be set up in OMS *User Management* with the appropriate access level. Once set up, follow the steps below to successfully log on to the mobile scanner, access the *Sierra Store App*, log on to the *Retail Cadence* app, select a printer, and pair a ring scanner.

Step 1: Mobile Scanner Device Logon

When the scanner is powered on and lifted from the charging dock or when the power button is pressed to exit sleep mode, a password will be required to unlock the device.

- 1) Tap and hold the lock icon on the bottom of the device screen while swiping up to access the password entry screen.
- 2) Once on the entry screen, enter password **5025** (for all store locations) and tap the checkmark button.

Step 2: Sierra Store App Logon and Navigation

Upon successful device login, associates must select the *Sierra Store App* from the launch menu and navigate to the proper store application.

- 1) After selecting the *Sierra Store App*, tap the three lines in the top left corner of the screen to open the application menu and select the *Retail Cadence* option.

- 2) On the logon screen, enter your AIN and tap *Login*.
- 3) Tap the *Please select printer* drop-down menu and select the mobile printer that matches the printer ID label on the front of the printer.
- 4) On the *Retail Cadence* screen, ensure that the *Print Every Tag* option is turned off, then tap the *Item Code* box to ensure the cursor is active inside the box before beginning to scan.
- 5) Prior to scanning, be sure pair a ring scanner with the mobile scanner by placing and holding the top of a fully charged, powered-on ring scanner against the back of the mobile scanner. Hold the ring scanner in place until the 'RS5100 (Bluetooth Scanner) is connected.' message temporarily appears on the Retail Cadence screen.

Mobile Scanner, Ring Scanner & Mobile Printer Troubleshooting

If you are experiencing a technical issue with a mobile scanner, mobile printer, or ring scanner, a device restart may solve the issue. Pressing and holding the device power button on the mobile scanner will prompt you to select "Restart" from the on-screen menu. Pressing and holding the device power button on the mobile printer and ring scanner will shut the device down. Press the power button once more to power it back on. If a device issue continues, open a new technology incident via ServiceNow.

STORE MARKDOWNS REPORTING

As markdowns are being scanned, Store Management must continually review the progress of the markdown file to ensure all intended merchandise and markdown departments are being scanned. Each markdown file is monitored for scanning progress by the merchant, store operations, and field leadership teams. Once scanning is completed for each markdown file, field leadership will review the final markdown capture rate, otherwise known as *markdown compliance*. This is measured as a percentage of the total number of available markdown units in the file, by store, divided by the total number of scanned markdown units at the time of completion.

The ***Store Ops Price Change Report*** is the primary report for store management to access up-to-date markdown file statistics and scanning progress. Store Managers and/or the Manager-on-Duty (MOD) should run this report at the end of each day's markdown scanning execution to gauge progress and know how many pieces of merchandise remain outstanding, by department.

Follow these steps to access and run the Store Ops Price Change Report.

Step 1: Log in to Windows and open *The Summit*

Store Management will log in to their Windows account from any back-office PC, using their existing Windows username and password. Once logged on, Managers will access via the *Reports Manager* link on the homepage of *The Summit*.

Step 2: Open/Log in to Reports Manager and Select Report

Once the Reports Manager Homepage loads, scroll and select the 'Retail Cubes' link, then select 'Inventory Control', then select the 'Store Ops Price Change Report'. The report page will load.

Step 3: Select Report Parameters and Run Report

From the report page, managers will have several required search fields ('parameters') to complete before the report can run successfully. Each field will have drop-down options from which to select. Managers will enter the information and select the options that correspond to their specific markdown file. Once all information and options are entered, click the 'View Report' button to run the report. Please note that, depending on each store's network connection, the report run process could take up to 5 minutes to complete before the report will load. The following parameters must be completed:

Start Date and End Date - select the start and end dates that match the range of your markdown file/s. The Sierra Stores Markdown Calendar provides these dates. Please refer to Section 4 for more information.

- **Store Location** – select the appropriate store location

- **Department** – unless seeking to view only one specific department, Managers should select 'ALL' from the drop-down menu

- **Price Change Type** – unless seeking to view only price corrections or 'compare at' price changes, managers should select 'ALL' from the drop-down menu

- **Printed** – this field allows managers to select 'ALL' or 'No' from the drop-down menu. Selecting 'No' will only show units that remain unscanned within the markdown file, otherwise known as 'outstanding scans'. Selecting 'ALL' will show all units within the markdown file, including merchandise that is both scanned and unscanned. To see an accurate store markdown capture rate, Managers should select 'ALL' from the drop-down menu.

Step 4: View and Interpret Report Results

Once all report parameters are selected and the Store Ops Price Change Report loads, managers can view, filter and interpret the content within the report. Please note that the information within the Store Ops Price Change Report does NOT reflect live results of an active store scan. **All results are shown with a 24-hour delay.** For example, if a manager runs this report on a Thursday afternoon during an active markdown file, the results will only reflect the scanning activity up to Wednesday afternoon. This report can be saved and downloaded into several different formats for easier viewing, editing, and archiving. The save function can be accessed by selecting the disk icon from the top navigation menu and then selecting the export file type of your choice. For best results, export and save the report as an *'XML file with report data'*.

STORE MARKDOWNS PLANNING

Store management is responsible for planning each markdown file in advance of the scanning start date to ensure optimal sales, merchandise flow, and markdown accuracy. To support the planning process, several resources and process steps are listed below. Before creating a plan, keep in mind the following markdown file standards.

- The size of each store's markdown file will vary based on the time of year, current store inventory levels, future orders, and department and style selling performance.
- there are two file *types* that separate markdowns by the status of the merchandise being marked down:
 - **Initial** - Often referred to as 'initials', this file type includes all merchandise currently being sold at regular price (any price ending in '.99')
 - **Sub** - Short for subsequent and often referred to as 'subs', this file type includes all merchandise currently being sold at an existing clearance price (any price ending in '.00')
- In tandem with file types, markdown files are separated into three processing categories, otherwise known as 'cycles'. These cycles balance the load of merchandise, departments, and categories to be marked down against the date, day, and week of their execution. The following cycles are created for Sierra Stores:
 - **Cycle All, Initial, and/or Sub** – This cycle includes all merchandise categories and departments within the store. It may be planned as separate files (initials only, subs only) or combined files (all initials and subs).
 - **Cycle 1, Initial and/or Sub** - This cycle includes all soft-line merchandise categories and departments within the store and may be planned as separate files (initials only,

subs only) or combined files (all initials and subs). It includes, but is not limited to, women's apparel and accessories, men's apparel and accessories, and kids' apparel and accessories.

- **Cycle 2, Initial and/or Sub** - This cycle includes all hardline merchandise categories and departments within the store. It may be planned as separate files (initials only, subs only) or combined files (all initials and subs). This includes but is not limited to, gear, footwear, home, wellness, pet, and queue-line.

Planning Resources

Stores are provided with the following resources to plan and execute each markdown file successfully:

Store Markdown Calendar – This calendar is created by the central Merchant and Planning teams, in coordination with Store Operations. The calendar is posted to the Sierra SharePoint site, otherwise known as 'The Summit'. The purpose of this calendar is to provide store Management with a clear understanding of all planned markdown files for each fiscal season, listed by start day/s, fiscal weeks, and fiscal months. The calendar also provides a view of all markdown start date changes versus the original operating plan (OP), last year's markdown dates (LY) and the markdown date of the year prior (LLY).

Store Ops Price Change Report – As previously stated, this report is the primary source for store Leaders to access up-to-date markdown file statistics and scanning progress. Store management should run this report at the end of each day's markdown scanning execution to gauge progress and know how many pieces of merchandise remain to be marked down by department.

Markdown Execution Planner – A reference tool that stores can use to refer to critical markdown planning and execution guidelines and track scanning progress by department. The planner can be found on *The Summit*, under Operations>Store Markdowns Program.

Leaders Guide - A reference tool that Store & District Management can use to validate key success measures of the Store Markdowns Program, including several suggested in-store observations and validation questions. The leaders guide can be found on *The Summit*, under Operations> Store Markdowns Program.

Planning Process

Store Management is responsible for creating the markdown scanning plan one week prior to the beginning of a new file. The markdown plan should be created with the guidance of the planning resources listed above and through the following steps:

1) Create the Plan

- a) Identify markdown dates and cycle/s by utilizing the Store Markdown Calendar. Note that this calendar is subject to change and Store Operations will communicate all changes. Please ensure you are viewing the most up-to-date version.
- b) Prepare and assign the markdown scanning 'flow' based on the cycle/s to be scanned and the current merchandise presentation flow. **Always plan to scan the store front-to-back.** Stores must never scan their markdowns based on high-to-low unit ownership by department, random selection, or personal management preference.
- c) **All markdown scanning must begin on the date that's indicated on the Store Markdown Calendar, no exceptions.** Sub files are always scanned the day prior to an initial file and must be completed within the same day. All initial file scanning should be planned to be completed within no more than 5 weekdays from the date the file begins.
- d) Ensure that all markdown equipment is in good working order, fully charged, and accessible. Ensure appropriate supplies are available for all scanning associates.

2) Staff the Plan

- a) Markdowns are to be performed by a dedicated markdown team and leaders should schedule staff to utilize all mobile scanners. If stores cannot schedule four associates at a time, they must plan to schedule no fewer than two associates to complete markdowns together.
- b) In UKG Pro, use the *Shift Transfer* function to identify specific associate shifts for markdown scanning execution. If an associate's primary job location is the Front End, a shift transfer to the Backroom should be completed when they are scheduled to process a truck. This update will appropriately bucket that shift's payroll to the Backroom and reflect on the associate's schedule.

c) Plan to spread markdown execution across an appropriate number of days to meet and exceed compliance expectations, based on the number of departments to be scanned, markdown file size, and anticipated customer traffic/sales. Avoid high-traffic periods of the day or busy weekends. **Stores should not plan any markdown scanning activity on weekend days unless it is conducted prior to store opening.**

d) Markdown shifts should always be planned to begin before store opening. Maintain a focus on balancing markdown workload with other store work efforts. **Stores with competing workload priorities must ensure that markdowns remain a consistent priority in tandem with truck processing and sales floor merchandising.**

e) Additional associates should be scheduled (with staggered start times) to support added clearance re-merchandising and floor recovery needs created by scanning markdowns.

3) Communicate the Plan & Provide Updates

a) The operations ASM or Manager On Duty (MOD) will communicate the markdown plan to all members of management as soon as planning has been completed.

b) The MOD will communicate the markdown plan to the scheduled markdown team (associates and coordinators) on each scanning day.

c) As scanning is completed and validated across departments and fixtures, the MOD will update the *Markdown Tracker* in the Markdown Execution Planner, noting all areas and/or departments that have been fully scanned.

Compliance

Stores are measured on their markdown scanning results and performance otherwise known as markdown compliance. When planning markdowns, stores are to ensure that proper staffing, equipment, and workload considerations are made to meet or exceed the following compliance expectations:

Daily Completion Guidelines

SUB MARKDOWNS	DAY 1 COMPLETION	INITIAL MARKDOWNS	DAY 1 COMPLETION	DAY 2 COMPLETION	DAY 3 COMPLETION	DAY 4 COMPLETION	DAY 5 COMPLETION
All Sub Files	100%	Cycle 1/2 Initial Files	33% of store	66% of store	100% of store		
		'Cycle All' Initial Files	20% of store (Start w/ Cycle 1)	40% of store	60% of store (100% of Cycle 1)	80% of store	100% of store (100% of Cycle 2)
		Cycle 1/2 Initial Files	FISCAL WEEK 1	100% FUNDED			
			FISCAL WEEK 2	0% FUNDED			
		'Cycle All' Initial Files	FISCAL WEEK 1	60% FUNDED			
			FISCAL WEEK 2	40% FUNDED			

All stores are expected to achieve a minimum **70%** markdown compliance rate. The markdown compliance rate is measured as the total number of markdown-eligible items in an active cycle divided by the number of actual marked items (items scanned and tagged as a markdown), multiplied by 100. (e.g. 2500 markdowns to be scanned against 1855 markdown items scanned yields a 74.2% markdown compliance rate)

STORE MARKDOWNS PROCEDURE

As store Management completes the markdown planning process, the next step is to begin scanning merchandise on the markdown file start date. The goal is to efficiently scan all items once and minimize time spent on researching and revisiting missed and/or incomplete departments or categories. Throughout markdown execution, store management must ensure that sales and the customer experience remain a top priority. The following guidelines, both during and after the completion of markdown scanning, must be met thoroughly and consistently to ensure an optimal impact on store sales, merchandise presentation, profitability, and loss prevention.

Markdown Scanning Process

Scanning is to begin in a timely manner and in coordination with the markdown plan and schedule. Follow these execution steps to complete the markdown scanning process:

- 1) Pre-Scanning Recovery:** For those departments scheduled to begin markdown scanning, ensure a detailed recovery (sizing and reticketing) occurs the day before. Use the Markdown Execution Planner to manage this.
- 2) Returns & Holds:** By the end of each business day, all merchandise returned by our customer or released from an expired merchandise hold must first be scanned by a front-end associate to check markdown status before being returned to the sales floor.

- 3) **Department/Scan Prioritization:** If there is no direction from the Home Office, always start the markdown scan with the existing store merchandise presentation flow to match the cycle/s being scanned, **front-of-store to back-of-store, left-to-right, outer pads to inner pads, from wall to floor to feature**. If scanning all cycles in the same file, always start with apparel and end with hardlines.
- a. *Example:* Women's apparel is in the front, lefthand side of the store. Associates would begin with this department, scanning the department front-to-back, scanning each category in that order, first scanning the wall, then moving to each rack, then to the feature at the end of each rack before moving on to the next category. Upon completing the scan of the entire Women's apparel department, associates would move to the next apparel department behind Women's and continue the same scan flow.
 - b. Scan each department to completion as a team, ensuring not to forget features, display shelves with live merchandise, and mannequins or busts.
 - c. Do not start Initial cycles in seasonal departments or categories that have just arrived in store without first reviewing the Store Ops Price Change Report to understand current markdown quantities (e.g. do not scan for markdowns in swimwear if it has just arrived to store and the Store Ops Price Change Report shows no markdown units).
- 4) **Scanning & Label Placement:** As merchandise is scanned, the mobile scanner will notify the associate both on screen and via audible alert if a markdown is needed. If so, the paired printer will automatically print the corresponding clearance label. As each label prints, associates should immediately align and affix the label to either completely cover the existing regular-price or clearance gum tag or cover the lowest section of a hang tag without concealing the regular price. On a hang tag, it is important to keep both the regular price and clearance price visible to showcase value and savings to our customers.
- 5) **Merchandise Movement:** As Associates scan and mark down merchandise, those items must be removed from their full-price fixtures and placed on a designated markdown processing fixture, such as a Z-Rack or Tank, depending on the merchandise type and/or department.
- a. After scanning all merchandise in each department, associates must pause before moving on to the next department and first complete the re-merchandising of all newly marked-down merchandise to the appropriate clearance selling area/s and/or fixture/s. **Clearance remerchandising is a critical step and should be continually completed throughout the markdown scanning process.**

b. Associates must communicate to management the last fixture they've completed prior to completing their shift or beginning a break or meal. Associates should not start a fixture if they cannot complete it in their scheduled shift.

c. If an associate must end scanning while in the middle of scanning a fixture, wall, or rack, they should mark their last unit scanned as an indicator of where they left-off. (e.g. use a specially marked h-rack paddle or size donut)

6) Tagging Issues & Damage: As associates scan the markdown file, they may find merchandise with a tagging issue, such as a missing Sierra price tag or a damaged/unreadable barcode. These items must immediately be removed from their fixture and placed in a separate area of the associate's markdown rack, cart or tank for research and processing. Each associate scanning markdowns should collect and hold this merchandise until their scan of the department is complete. Upon scan completion, associates can utilize the *Print Tags* and *Inquire Product Item* functions in Retail OMS to conduct the necessary research and reticketing. All reticketed merchandise must then be returned to the selling floor and placed in the appropriate selling area.

Associates may also find damaged merchandise during markdown scanning. If an item is deemed damaged or unsalable it must be removed from its fixture and placed in a separate area of the associate's markdown rack, cart, or tank for processing. Each associate scanning markdowns should collect and hold this merchandise until their scan of the department is complete. Upon scan completion, associates will complete a damage tag for each item and place the damaged merchandise in their store's front-end or backroom Damage Center.

- a. While scanning gourmet food and pet food, Associates are to pull any food items that are shop-worn or within 7 days of expiration to be marked out of stock.
- b. When replenishing food items, a "first in, first out" approach should be followed to prioritize backstock being flowed to the sales floor before new food items to allow more opportunity for sale before expiration.

- 7) **Recovery:** Associates scanning for markdowns must continually focus on store merchandise recovery standards as they actively scan each department. Store management must ensure that recovery standards are being met throughout the markdown scanning process and after the completion of scanning by the department. It is recommended that the MOD follow up with all associates to provide recovery feedback and actions, as necessary, to ensure the store's merchandise presentation is meeting and exceeding expectations.
- 8) **Unfound Item Reconciliation:** After all departments have been 100% scanned, store management must run the Store Ops Price Change report to view their *Rough Capture Rate*. To support achieving and exceeding scan capture goals, stores should review all remaining markdown items to be scanned to determine which and how many items are outstanding. This process is called reconciliation. The MOD should then assign a department-filtered report to one associate per department to have those associates search for any unfound items. Any items found during this search must then be scanned for markdowns.
- This activity should be assigned and executed before store opening or, if not before opening, during morning business hours. This will ensure optimal staff attention to service and recovery as customer traffic increases throughout the afternoon and evening.
 - Remember, before running the report, select 'No' from the *Printed* field to show only those units that have not been scanned. Once the report loads, Managers can export it to Excel to enable editing. Once loaded in Excel, the report can be filtered and separated by department.