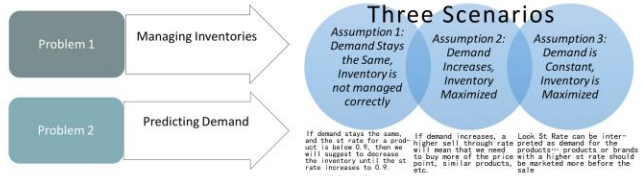
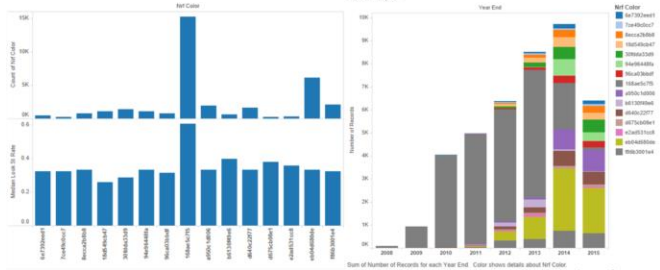
Optimizing Gilt Groupe

Variety Does NOT Equal Success

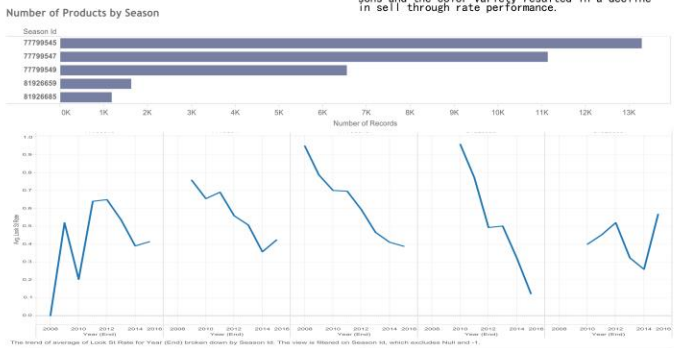
Lubin School of Business PACE UNIVERSITY Work toward greatness.

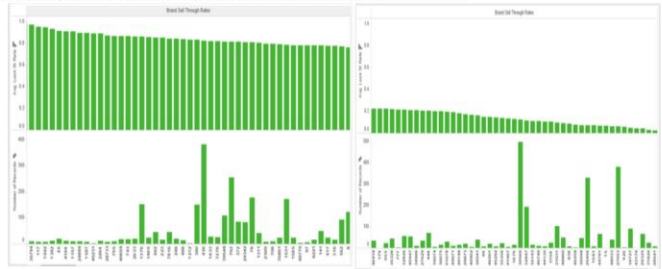
GILT GROUPE



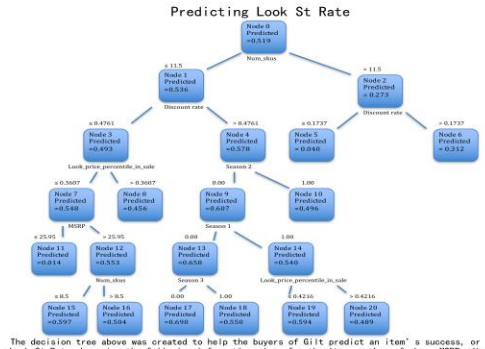


The combination of increasing the number of seasons and the color variety resulted in a decline in sell through rate performance.

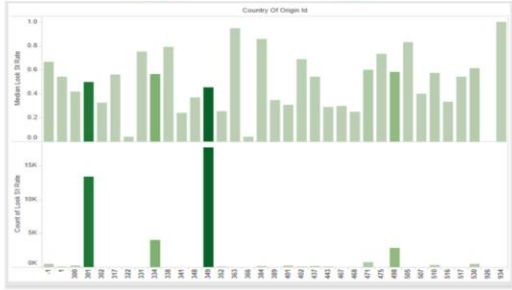




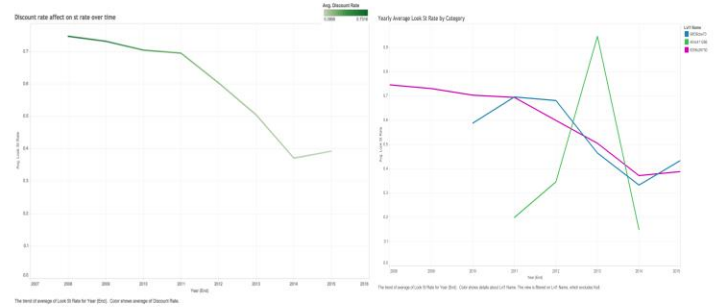
This analysis shows the success of brands according to their sell through rates. The top left chart represents the average sell through rate of the product. The right chart represents the number of products that were available. For instance, Gilt was offering too much of Brand 30560 and successfully offered Brand 430. We suggest offering less of the lower sell through rate brands and more of the higher sell through rate brands. However, we caution that brands that have high sell through rates that are offered less frequently may not be successful once they are offered more frequently.



The decision tree above was created to help the buyers of Gilt predict an item's success, or Look St Rate, by using the following information given for the item: number of skus, MSRP, discount rate, look price percentile in sale, and season. Season was broken down into five categories 77799545= Season 1, 77799547=Season 2, 77799549= Season 3, 81926659= Seasond and 81926685=Season 5. It was determined that this tree was an accurate model to predict the Look St Rate of a potential product to be offered. The tree has a small Standard Error of 0.001. The optimal product will have less than 11.5 skews, a discount rate about 47.61%, and will be offered for either season 4 or 5.



We are purchasing most of our product from only two countries [301, 349] that have an average to low sell through rate. We may suggest looking for other opportunities in other countries if it means lower costs and higher margins for our business.



The charts above show the sell through rate for the level one categories and the average sell through rate over time. We have assumed that the pink line is womens, the blue is mens and the green is children. Womens has steadily declined over the years, which coincides with the decline of the average discount rate over time. Therefore this may prove that lowering discount rates over time proved to be detrimental to the sell through rate and therefore the overall performance of Gilt.

This analysis shows that our target consumer prefers lower prices. The look price percentile in sale graph shows a decline in average sell through rates as the products offered increase in price. This relates to the average sell through rates of the products from the 0 to 300 dollars demonstrated on the bar graph showing the success of inexpensive products relative to more expensive items. The majority of the products were sold within the 0 to 300 dollar range and any outliers showing a higher sell through rate should be analyzed with caution due to low sample sizes.

Conclusions

1. Increasing complexity and variety caused a decline in performance. This decline in performance represents the drastic fall in the value of the company from 2011 to 2016.
2. We suggest decreasing complexity and variety along with returning to higher discount rates.
3. Offer proven successful colors such as 168ae5c715, offer brands with recognized higher sell through rates such as 430 and 1660.
4. Decrease the number of seasons offered to just four seasons, offer lower priced items that encourage a volume oriented business model, and a return to focusing on exclusively women's fashion.