



## **7 LEARNINGS**

# **THE END OF MANUAL PRICING: HOW DECISION AUTOMATION INCREASES PROFITABILITY IN RETAIL**



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### THE AUTHOR

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Felix Hoffmann, is the co-founder and CEO of 7Learnings, where he focuses on helping brands and retailers improve profitability through AI-driven decision intelligence. His company developed a predictive pricing solution that goes beyond traditional rule-based “if-then” models by analyzing internal data—such as product details, price history, costs, marketing, and inventory—alongside external factors like weather, seasonality, and competitor pricing to determine optimal price scenarios, often increasing customers’ sales by around 10%. With more than 15 years of experience in pricing and marketing optimization, Hoffmann previously led the global price optimization algorithm as product owner at Zalando and worked for six years as a pricing consultant at A.T. Kearney. Originally from East Germany and raised in Brandenburg an der Havel, he studied internationally—including time at University of California, Santa Barbara and a double degree from ESCP Business School—and now lives in Berlin with his family, where he enjoys playing beach volleyball at Beachmitte.

### ABOUT 7LEARNINGS

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7Learnings offers an AI-powered pricing platform for retailers and brands and is pioneering the comprehensive optimization of pricing and performance marketing. With 7Learnings' machine learning algorithm, retailers and brands can predict the impact of pricing decisions, determine the optimal price for all products, and reduce manual work by up to 80 percent. The solution has been rigorously tested in numerous A/B experiments and consistently delivers measurable performance improvements and profit increases of more than ten percent.

7Learnings was founded in Berlin in 2019 by Felix Hoffmann, Eiko van Hettinga, and Martin Nowak. Its customers include international companies such as Westwing, Bonprix, Tom Tailor, Tamaris, and DK Company.



## **THE END OF MANUAL PRICING: HOW DECISION AUTOMATION INCREASES PROFITABILITY IN RETAIL**

### **ABSTRACT**

Retail pricing has become so complex that manual methods and rigid rule-based systems can no longer manage effectively. With thousands of SKUs, multiple sales channels, and fast-changing market dynamics, even the best pricing teams face limits that result in slow reactions, inconsistent decisions, and lost profitability. This article argues that the solution lies in decision automation powered by artificial intelligence. Predictive pricing solutions transform millions of data points into proactive, outcome-driven actions that align with strategic business goals such as profit growth, revenue maximization, or inventory efficiency. A case study with fashion brand Tom Tailor illustrates how AI-driven pricing automation can boost revenue (+6.7%), improve sell-through, and reduce manual workload. Far from eliminating human control, decision automation empowers teams by combining transparency, override options, and goal-setting capabilities. Retailers that embrace pricing AI shift from static, rule-based processes to dynamic, scalable, and strategic levers of growth, which is particularly important when facing fast-moving competitors like Temu and Shein.



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## PRICING COMPLEXITY CONTINUES TO INCREASE

At a time when the number of data points required to make informed pricing decisions is constantly increasing, many organizations still rely on manual pricing processes and rigid rules that haven't evolved in decades. This is no longer sustainable, and the solution lies in decision automation.

The difficulty of change combined with the complexity of pricing across channels, regions, SKUs, and promotional strategies can be overwhelming, and is a key reason why many retailers have not yet made the switch. Even the most talented pricing teams face cognitive limits. This results in slow reaction times, misaligned incentives, and inconsistent pricing decisions that erode profits.

Traditional pricing strategies aren't designed for today's pace of business. What is now required are pricing strategies informed by AI that can quickly turn millions of data points into informed action.

## FROM REACTIVE TO PROACTIVE PRICING

At its core, decision automation means using intelligent systems to make high-quality decisions consistently without manual intervention. According to Gartner's use-case prism for generative AI in retail, pricing is the area where the highest impact can be seen.



Instead of endless debates over Excel sheets and dashboards, decision automation gives pricing teams the ability to define strategic goals, like maximizing revenue or boosting sell-through, lets AI optimize decisions accordingly.

In simple terms, you can think of it like Google Maps; you set the target location, and the software reveals the most efficient way to get there.



This also flips the traditional pricing process on its head, as retailers can now see the impact of pricing decisions before they are even made and thus move to a proactive approach.



## THE DEATH OF THE STATIC PRICING MODEL

Rule-based pricing systems were built for a time gone by. They offer basic structure, for example, "If product is overstocked, apply 20% discount." However, they lack nuance and scalability. What happens when demand shifts? When competitors launch promotions? When customer elasticity varies by channel?

In contrast, AI-driven pricing tools evaluate thousands of variables simultaneously. They predict customer response, simulate future scenarios, and adjust pricing dynamically to meet business goals.

Here's what that looks like:

FEATURE	RULE-BASED PRICING	PREDICTIVE PRICING
Sets prices based on a predefined set of rules	✓	✓
Utilization of competitor prices	✓	✓
Learns automatically from past price changes		✓
Algorithm considers all relevant data features (e.g. transactions, weather, seasonality)		✓
Utilizes price elasticity		✓
Predicts price change impact on KPIs		✓
Optimal prices for private label products & bundles		✓
Channel-specific pricing (e.g. country)		✓
Long-tail pricing & initial pricing		✓
Goal-driven steering across the assortment		✓
Considers and cross-optimizes marketing decisions (e.g. coupons, promotions, performance marketing)		✓



## CASE STUDY: LEADING FASHION BRAND TOM TAILOR INCREASES REVENUE BY 6.7% WITH PREDICTIVE PRICING

Tom Tailor, a leading European fashion brand with over 13,000 points of sale, faced challenges managing seasonal pricing across multiple channels. Manual processes using Excel led to inconsistent pricing, slow reaction times, and high overstocks.

**By implementing 7Learnings' AI-powered predictive pricing solution, Tom Tailor was able to:**

- Automate and centralize pricing decisions
- Align prices across its online store and marketplaces like Zalando
- Set dynamic, goal-driven pricing strategies to optimize sell-through

**As a result, the company achieved:**

- +10.7% increase in online sales section revenue
- +6.7% increase in total revenue
- Reduced manual workload and improved inventory efficiency

This is a clear example of the benefits of an advanced pricing strategy supported by predictive analytics.

## AUTOMATION DOESN'T MEAN LOSING CONTROL

There's a persistent myth: automating pricing means surrendering control. In fact, it is more accurate to think of the AI as a co-pilot.

Quality pricing automation tools should not be black boxes. They operate within clearly defined strategic constraints set by the pricing team. **Business users can:**

- Set profit or revenue targets
- Define min/max prices and margin thresholds
- Apply channel or market-specific rules
- Review and override recommendations

**In order to ensure a sufficient level of trust in decision automation, three key areas must be addressed:**

### Strategic alignment

Pricing goals are clearly defined and embedded in the model.

### Model transparency

Every recommendation is traceable to a rationale (e.g., inventory pressure, demand elasticity).

### Operational control

Teams retain override capabilities and receive continuous feedback.



## MANUAL PRICING CAN'T COMPETE

Manually calculating optimal discounts for 20,000 SKUs across 10 channels, 12 regions, and 6 competitor profiles is simply not feasible. The math is incredibly complex.

### Manual pricing is:

- Slow: lagging behind market signals
- Biased: driven by gut feeling or past experience
- Inconsistent: decisions vary across teams and regions

### Automated pricing is:

- Rapid: updates as signals change
- Objective: driven by models trained on historical data
- Scalable: consistent strategy execution across the org





## IMPLEMENTATION TIPS

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Adopting decision automation is as much about change management as it is about technology.

**Here's what successful organizations have in common:**

**1. They start with clear goals.**

Whether increasing profit or reducing overstock, they define KPIs up front.

**2. They choose pricing-specific AI, not general ML platforms.**

Purpose-built models understand price elasticity, product lifecycle, and category dynamics.

**3. They roll out in phases.**

Start with recommendations, then expand to full automation for trusted segments.

**4. They invest in enablement.**

Pricing teams are trained to interpret, challenge, and improve the system.

**5. They align cross-functionally.**

Sales, finance, and marketing are involved early to build trust and accountability.

For further reading, I recommend viewing the 30-step process for selecting AI-based pricing tools developed by pricing expert Dr. Markus Husemann-Kopetzky.

## PRICING AI AS A STRATEGIC CORE

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Pricing automation is developing beyond simply a tool into a strategic lever companies can use to boost their bottom line. Most retailers start with AI chatbots, but the real value is in pricing and marketing. That's where AI can make or break your margin.

**The capabilities this unlocks are numerous, as retailers begin:**

- Steering prices dynamically based on explicit business goals like sell-through, profit, or revenue growth.
- Optimizing promotions and marketing spend together, not in silos.
- Using machine learning models trained on real business data: inventory levels, return rates, customer behavior, not just external benchmarks.
- Ensuring consistency and fairness by using deterministic models (unlike LLMs), where the same input always yields the same result.

This is a necessary response to an increasingly tough market where platforms like Temu and Shein can dictate price expectations, and customer acquisition is becoming harder, especially for premium brands.

Pricing must become a core lever of strategic control, not a reactive function at the end of a long decision-making chain.



## **AI REINTRODUCES SIMPLICITY TO PRICING**

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By shifting the focus from managing rules to achieving outcomes, AI takes the complexity out of making pricing decisions. Retailers that embrace predictive, outcome-driven pricing shift pricing from a web of rules into a direct lever for business growth. Clean, centralized data + consistent optimization = fewer manual errors and more strategic agility.

Retailers who continue managing pricing through rules are already outmatched. The winners of tomorrow won't be those with, for example, the biggest discounts; they'll be those who know precisely when and how to discount.



## ABOUT EPP

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EPP Pulse offers another valuable platform for the Pricing and RGM community by bringing to light successful practices and strategies, enabling expertise exchange, fostering connections among pricing professionals, and engaging the community in dialogue and content sharing. Furthermore, EPP Pulse serves as a tool to identify market needs and interests for topics that could be developed in future EPP forums and events.”

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