

Building a Data & Analytics Driven Pricing Strategy

As businesses continue on their pricing journey it's always a good idea to re-evaluate your pricing strategy and explore areas for pricing improvement. This \$1BN+ US restaurant & food chain saw that their revenues were increasing while guest count was decreasing. They had great customer data but they weren't utilizing the information to it's full potential.

The Pricing Solutions team evaluated the business from an internal and external pricing perspective to provide the client with impactful insights. At the end of the 4 month project the client captured over \$10MM in pricing opportunities.

\$10MM

Pricing Opportunity Identified

The Challenge

The business had been successful with their traditional pricing strategy, managing menu prices through cost control measures. However, as the business continued to grow the client wanted a more precise and sophisticated pricing strategy that leveraged the rich customer data they had collected.

The client was also concerned because they had attempted store tiering and other advanced analytics techniques before with little success. They needed a solution that was data driven and supported by strong pricing methodology and research.

Building a Solution That Fits

Pricing Solutions created a unique 5-step process to develop a high impact pricing strategy.

1. Identify Critical Pricing Processes

In this stage Pricing Solutions conducted a preliminary evaluation of the clients internal pricing infrastructure and processes. The client was scored on the 5-Levels of World Class Pricing which gave the team a better understanding of opportunities for improvement in the short term.

2. Deep Analytics Dive

Leveraging competitive data, transactional data and desk research Pricing Solutions conducted a comprehensive analytical effort in order to:

- Quantify Store Elasticity
- Quantify Product Demand and Purchase Behaviours
- Understand Market Basket Purchase Behaviors
- Understand Competitive Positioning

3. Redesign the Pricing Strategy

Using insights gathered from the pricing process stage and the analytics stage Pricing Solutions redesigned the clients overall pricing strategy with precise pricing recommendations for various product, category and store levels.

4. Develop Pricing Improvement Roadmap

The Pricing Solutions team then built out a timeline to define the steps for continuous pricing improvement and World Class Pricing capabilities. Each recommendation included information on suggested time or monetary investment and also potential skill sets for building a pricing department.

5. Implementation Support

With a clear roadmap and guidelines the team provided support after the final deliverable was developed. This ensured that the client felt comfortable implementing the recommendations and felt confident in their future pricing strategy.

The Result?

By the end of the project Pricing Solutions had identified several opportunities to improve the chains' pricing and grow guest count including: implementing value meals, managing price points & ticket size, store tiering and new deal thresholds. Pricing Solutions also developed an analytics tool that identified over \$10MM in pricing opportunities.

Finally, the team delivered a price simulator which allowed the client to set future prices with confidence through the ability to see how price changes effected other categories and the overall profitability of the organization.

What's the Pricing Solutions Difference?

Without the right tools and experience setting the right price can be difficult. To develop meaningful insights organizations need strong analytics capabilities supported by proven strategic methodologies. Pricing Solutions combines deep industry knowledge and experience with pricing expertise to deliver solutions that address the specific needs of the client and provide impactful results.

Enter price changes in this column

Estimate of annual revenue impact of the change

These numbers are per store per week

Department	Category	Current Price	Stats - Per Store per Week		Price Adjustment		Direct Effect (PSPW)		Direct Plus Substitution Effect (PSPW)		Indirect Effect (PSPW)		Total Effect (PSPW)		Approximate Annual Revenue Change (AAS)	
			Current Volume	Current Revenue	\$ Change	% Change	New Price	Volume Change	Revenue Change	Volume Change	Revenue Change	Volume Change	Revenue Change	Volume Change		Revenue Change
TOTALS							-5.3	-\$1.76	-2.4	\$11.39	-1.3	-\$0.56	-3.7	\$10.83	\$288,324	
FOOD	SANDWICH 1	\$5.43	141	\$764	\$0.20	3.7%	\$5.63	-5.3	-\$1.76	-5.3	\$0.00	0.0	\$0.00	-5.3	-\$1.76	-\$46,954
FOOD	SANDWICH 2	\$6.73	108	\$730		0.0%	\$6.73	0.0	\$0.00	0.2	\$1.16	0.0	\$0.00	0.2	\$1.16	\$30,910
FOOD	SANDWICH 3	\$3.35	331	\$1,109		0.0%	\$3.35	0.0	\$0.00	0.5	\$1.77	0.0	\$0.00	0.5	\$1.77	\$47,002
FOOD	SANDWICH 4	\$4.19	281	\$1,180		0.0%	\$4.19	0.0	\$0.00	0.4	\$1.88	0.0	\$0.00	0.4	\$1.88	\$49,988
JUICE	100% JUICE	\$2.06	255	\$525		0.0%	\$2.06	0.0	\$0.00	0.0	\$0.00	0.0	\$0.01	0.0	\$0.01	\$284
SODA	12 OUNCE CAN	\$0.40	1,606	\$637		0.0%	\$0.40	0.0	\$0.00	0.0	\$0.00	0.0	\$0.00	0.0	\$0.00	-\$33
SODA	21 TO 44 OZ	\$1.53	514	\$786		0.0%	\$1.53	0.0	\$0.00	0.0	\$0.00	-0.1	-\$0.09	-0.1	-\$0.09	-\$2,470
FOOD	FRIES	\$3.86	712	\$2,749		0.0%	\$3.86	0.0	\$0.00	0.0	\$0.00	0.1	\$0.42	0.1	\$0.42	\$11,224

Above: Sample of price simulator tool which allowed the client to predict the impact of a price

Our Firm

Our mission is to dramatically improve clients' profitability and market share through improved pricing. Pricing Solutions' four core services include Pricing Strategy, Pricing Analytics, Pricing Research and Pricing Training. Known for our World Class Pricing™ methodology, we have grown to become one of the world's leading pricing consultancies with offices in North America, Europe, Asia Pacific and Latin America. Our global team of researchers, consultants and partners are recognized thought-leaders.

We deliver customized cross-functional solutions, helping our clients achieve a typical payback of 10:1 on their investment.

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