



PRICING  
SOLUTIONS

APPAREL

## Growing Profits and Protecting Brand Value with a Cohesive Pricing Strategy

Disrupted by new technologies and political uncertainty, retail stores are going through some hard times. To remain competitive, many retailers become stuck offering too many promotions and as the result become “addicted” to the promotion mentality.

Our client, a high-end multi-national apparel company was facing the same issue of decreasing sales and increasing markdowns. As discounting was becoming more frequent, the brand was at risk of becoming permanently “On Sale”. To avoid this, the retailer wanted to develop a comprehensive, yet clear pricing strategy that would improve margins and make more effective use of promotions. In only 10 weeks, Pricing Solutions developed a pricing strategy that significantly reduced discounts in key categories and increased revenue by 20%.

# 20%

Increase in Revenue

# 10

Weeks for Project Completion

### The Challenge

The client was experiencing a decrease in sales volume and started offering long-term discounts to meet revenue goals. However, they did not consider the negative effects of this pricing practice, and the damage it did to the brand. Due to the frequency of heavy discounting, the customer became trained to wait for discounts, which cannibalized sales of full-price items. To gain back control of markdowns and optimize margins, Pricing Solutions answered the following questions for the client:

- How is the brand value perceived by customers versus competitors?
- How can the brand reduce or eliminate addictive promotions?

### Building a Solution That Fits

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

#### 1. Develop Value & Pricing Hypotheses

Using the past two years of the client’s transactional data, the Pricing Solutions team conducted in-depth analytics to determine price

elasticity by product category and the impact of promotions (graph 1). In addition, the client conducted mystery shopping at key competitors stores to gain useful first-hand insights into their competitive positioning. Next,, Pricing Solutions ran a series of workshops to develop competitive positioning by applying a value mapping exercise.

#### 2. Conduct Market Research

To understand customer buying behaviour, Pricing Solutions conducted focus group research which helped to develop a customer segmentation model. In addition, the Pricing Solutions team measured customer elasticity to define the discounting structure. A new promotions strategy aimed to replace hard discounting with soft discounts to differentiate between categories within a collection as well as limit markdowns to customers willing to pay higher prices.

#### 3. Create a New Pricing Strategy

To address research data, the Pricing Solutions team developed a new, cohesive pricing strategy that included:

Redesigning retail price points around a



“good, better, best” strategy

- Developing category pricing strategies (e.g. Blouse, T’s, Pants, Sweaters, Jackets) to address the specific challenges of each category
- Redesigning online versus in-store pricing strategies
- Finalizing a corporate Pricing Philosophy

### The Result?

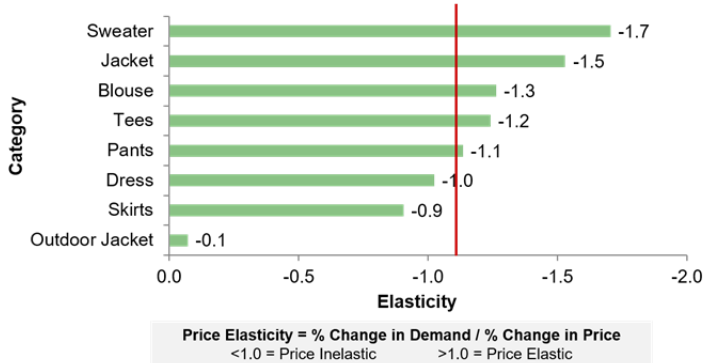
After adopting Pricing Solutions’ recommendations, the client experienced a 20% increase in revenue by significantly reducing markdowns in key categories. The project optimized the performance of deals and promotions by assessing the opportunity of hard

discounting by category and customer segments or store tiers. This optimization reduced the erosion of brand equity.

Ultimately, brand health grew significantly with sales (at full price) increasing for the first time in five years.

### What’s the Pricing Solutions Difference?

Keeping the balance between sales volume and brand value is not easy in retail, but with the right pricing strategy in hand, it is achievable. Pricing Solutions assesses value proposition by measuring customer purchase behaviour and buying patterns as well as completing competitive research. With an accurate estimate of brand health, we are capable of building a strong value-based pricing structure that optimizes revenue. To hear more about our experience with retail pricing strategies, please contact us today.



*Graph 1: measuring price elasticity by categories. Higher elasticity categories should be discounted more aggressively compared to lower elasticity*

## 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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