

Leveraging data analytics & market research for a stronger pricing structure

Existing in the complex multimarket and multi-SKU environment, large retail chain companies may face a challenge of fragmented pricing strategy. This client, a large eye care provider, was no exception. Besides offering exams, lenses, frames, contacts, and accessories across its stores, the company recently developed a common retail brand across its locations, but pricing and discounting was still managed locally. As the result, the client needed a new pricing and discounting strategy optimized for every product category, customer segment, and market.

By leveraging analyses of internal data and competitive research, Pricing Solutions developed recommendations for centralized, yet macro-result driven pricing strategy that identified an opportunity of +8.3% in annual revenue.

8.3%

Immediate Profit Opportunities

The Challenge

Like many large retailers, the company was struggling with unoptimized price points and heavily discounted items that lead to profit loss. In addition, the client did not have any form of segmentation and each new location was adding its own pricing to the system. To gain control of its multi-market pricing, the company needed recommendations related to price points, discounting and store tiering.

Building a Solution That Fits

Pricing Solutions created a unique 3-step process to develop a high impact pricing strategy.

1. Data Gathering & Hypotheses Development

Pricing Solutions gathered 3 years of store level transactional sales data and conducted cross-functional interviews to align expectations and identify value and quick win opportunities. Additionally, the team conducted a Value Workshop utilizing best practice pricing assessment tools.

2. Pricing Solution Research & Analytics

Comprehensive competitor research was conducted, that included assessing retail price points and price structure as well as in-store mystery shopping and web scrapping. Based on the analysis of the findings, Pricing Solutions developed a competitive value position that helped identify pricing opportunities, especially on price points and discounts.

3. Pricing Strategy Development

Based on the developed retail price architecture, discounting recommendations and guidelines were provided. The client scored 1 on the 5 Levels of the World Class Pricing meaning that additional controls were needed in order to move to value-based pricing.

To gain such control and centralize its pricing strategy, Pricing Solutions determined the optimal product pricing structure based on pricing and discounting rules. Pricing Solutions also developed a store tiering tool in which each location gets its pricing power scored and ranked based on the “4Cs” approach (Customer, Competition, Cost, Conditions).



The Result?

By the end of this 13-week profit transformation project, Pricing Solutions had identified several opportunities for immediate and long-term revenue growth. The process consisted of two steps: first, fixing profit leakages and, second, building value-based pricing strategy. The Pricing Solutions team identified over 4.5% in immediate profit opportunities from optimizing pricing point endings and additional 3.8% in standardizing discounts.

Finally, the team delivered the roadmap on value-based product segmentation as well as a store tiering tool which allowed the client to set future prices with confidence across all markets.

What's the Pricing Solutions Difference?

Comprehensive pricing strategy is a major profit-driver for the retail industry. Our approach to assisting retail businesses combines extensive competitive research and product price point assessment that together builds discounting and pricing structure that is reflective to quickly-changing retail business trends. The store tiering tool developed during the project was handed over to the client and the management team was trained on using it, so that they could monitor future pricing performance and evaluate future pricing changes themselves.

To hear more about our experience with store tiering pricing or optimizing price points, please contact us today.

Price Point Ending (Last Two \$ Digits Rounded Up)	If Price <\$100	If \$100<Price<\$500	If Price >\$500
09			
19	X		
29	X	X	
39	X		
49	X	X	X
59	X		
69	X		
79	X	X	
89	X		
99	X	X	X

Above: Based on best practices and past experiences in retail and consumer goods, we recommended the following Price Points Endings

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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