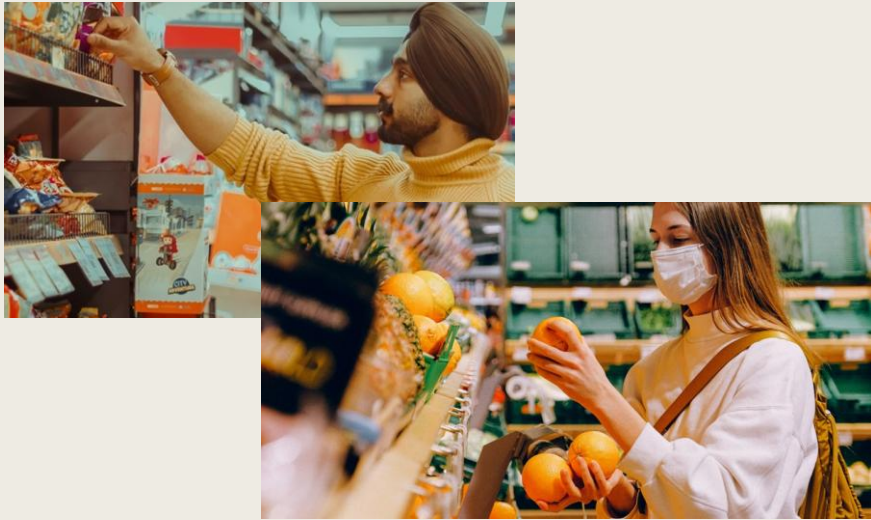


Developing an optimal SKU portfolio to generate sustainable margins



Developed recommendations on the optimal price and packaging size that maximize unit volume, liter volume and revenue of the client.

+15%

The recommended SKU portfolio and related pricing generated a significant increase in system margin (+7%) and retailer margin up (+15%).

Challenge

The client was a +30BN CPG company that faced the pressure of increasing production cost on its beverage business in the Convenience and Gas channel. To reflect increasing commodity and energy costs, as well as stabilize profit margins, the client decided to change the price of a single serve product. As a result, they needed pricing recommendations for the different price and package options. **The following business questions were addressed:**

- Which price and package combination produces the most consumer appeal and consumption?
- Which price and package combination is easiest to execute and is most profitable for the system?

Solution

Step 1. Research

- +600 consumer-focused quantitative pricing research surveys that took relevant competitors into consideration.

Step 2. Modelling

- Estimated consumer retail sale price elasticity at a SKU level and consumer price elasticity for each packaging alternative
- Developed a category model to simulate a change in unit demand for each package size alternative.
- Quantified financial impact (revenue & profit) of each alternative pricing and packaging size strategy.

Step 3. Recommendations

- Assess the viability and implications for each of the alternative pricing and package size strategies.
- Recommend the optimal price and package size strategy for the client.