

DATA-DRIVEN COMPANY PRICE & PROMO ANALYTICS FOR RETAIL

DATA-DRIVEN THROUGH PRICE & PROMOTION ANALYTICS

A leading retail company used advanced analytics to evaluate EDLP versus High/Low price & promotion strategies across thousands of SKUs

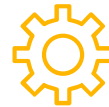


CHALLENGE

One of North Europe's leading DIY Retail companies was seeking for an unbiased evaluation of the EDLP and High/Low price & promotion strategies on multiple product categories.

Client was seeking for data driven decisions regarding competitive pricing and targeted promotions, clear & coherent policy and simple guidelines with consistent and clear customer communication.

The target was to establish a competitive price range with competition with these actions to impact sales and gross profit.



SOLUTION

More than 1TB of transactional data (3 years of history), promotional & product catalogues and store data were analyzed.

Utilizing econometric modelling techniques, price elasticities, promotion effectiveness, Halo & cannibalization effects, external factors' contribution (positive or negative) over sales, seasonality, trend and cycle of sales helped evaluate the different price and promotional strategies.

Generation of 20 pilots to test strategy in practice for price changes and customized promotions.



BENEFITS

Tailor made strategies (EDLP or High/Low) for specific product categories, testing the effectiveness of price compared with the effectiveness of promotions historically.

Potential benefits of + € 11.8 million additional gross profit by optimizing promotions

Regular price reduction, with an estimated negative impact of € -2.9M gross profit

The estimated net potential for client comes at + € 8.9 million additional gross profit by 2020.

PRICE / PROMO STRATEGY DETERMINATION

The strategy was developed by 1) Data Analytics, 2) Internal Analysis 3) Competitive Landscape and 4) Market Research

1. Data Analytics

ANALYTICS INZICHTEN

Alle analytics resultaten zijn in een dynamisch dashboard gepresenteerd en beschikbaar voor GAMMA. Inzichten kunnen op diverse aggregatieniveaus worden weergegeven. Nijverheid per SKU of per Segment.



1 TB

Transactional data

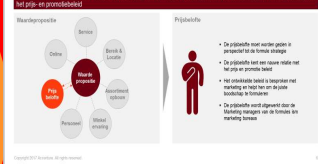
2. Internal Analysis

PRIJSBELOFTE

[00:00 - 00:01]

Vraag: Welke GAMMA op basis van de nieuwe strategie aan consumenten beloven qua prijs?

Antwoord: De prijsbelofte van de nieuwe strategie op basis van de overal format strategie, en is een relatie tot het prijs- en prijsbelofte.



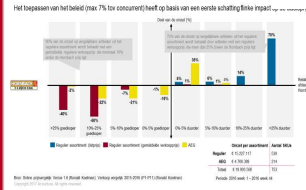
30+

Stakeholder Interviews

3. Competitive Landscape

PRIJSAFSTAND TOV CONCURRENTEN

Het begaaven van het beleid (max 7% tot concurrent) heeft op basis van een eerste schatting betaald op de concurrentie.



10

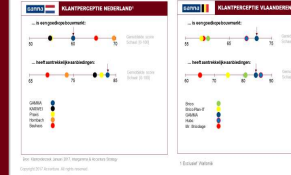
Stakeholder Competitor Research & Store Visits

4. Market Research

PRIJSERPERCTIE

Op een schaal van 0 tot 100 scoret GAMMA goed op 'antrekkelijke aanbiedingen' (50 en 60), maar scoret GAMMA

beduidend minder goed dan de Online ECU's op 'goedkope prijzen'.



2,000

Customer Responses

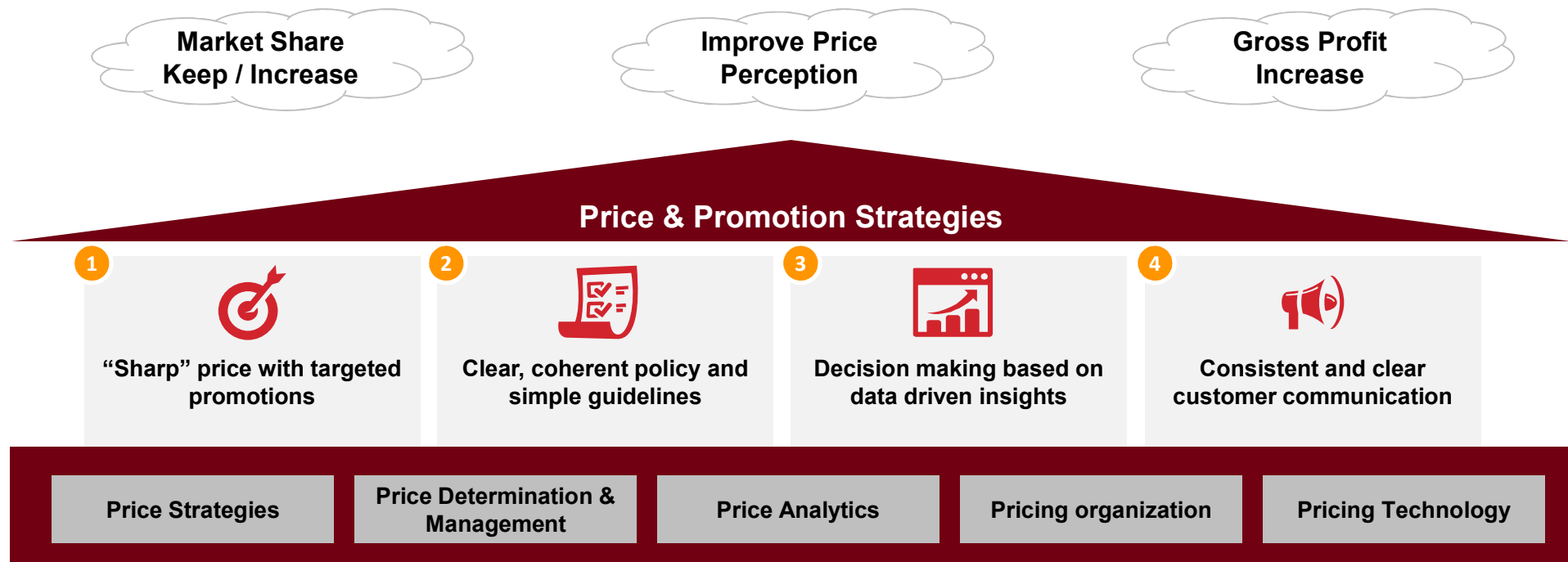
Strategies

- What should client do to achieve goals?
- What capabilities are needed for successful execution?
- What is the roadmap for realization of the strategy?

Goals as a starting point: i) Maintaining / Growing Market Share, ii) Client Perception, iii) Gross Profit

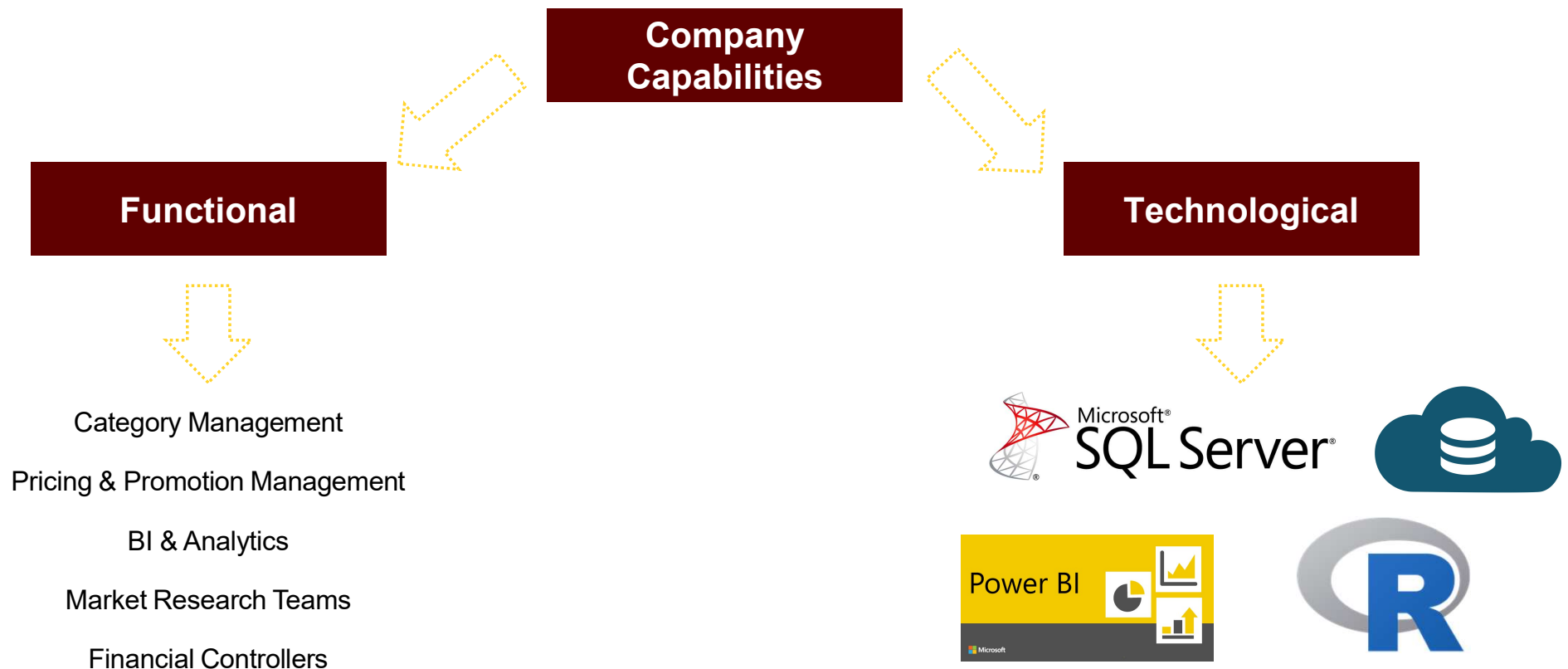
BUSINESS OBJECTIVES

Based on interviews and strategy sessions, three main objectives were defined which were translated into price & promotion strategies

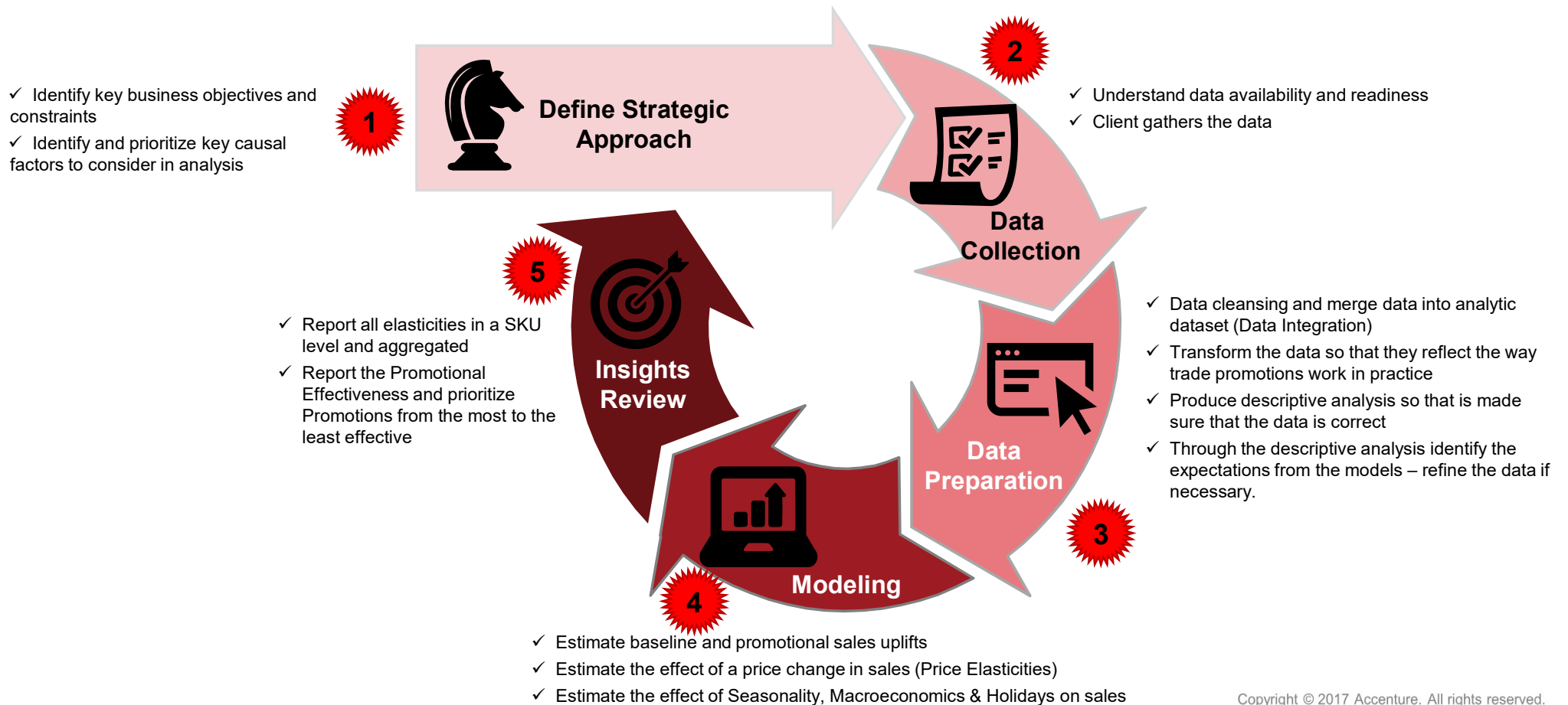


COMPANY ENGAGEMENT

The successful execution of the Pricing & Promotion analysis requires the joined effort of business' functional and technological capabilities

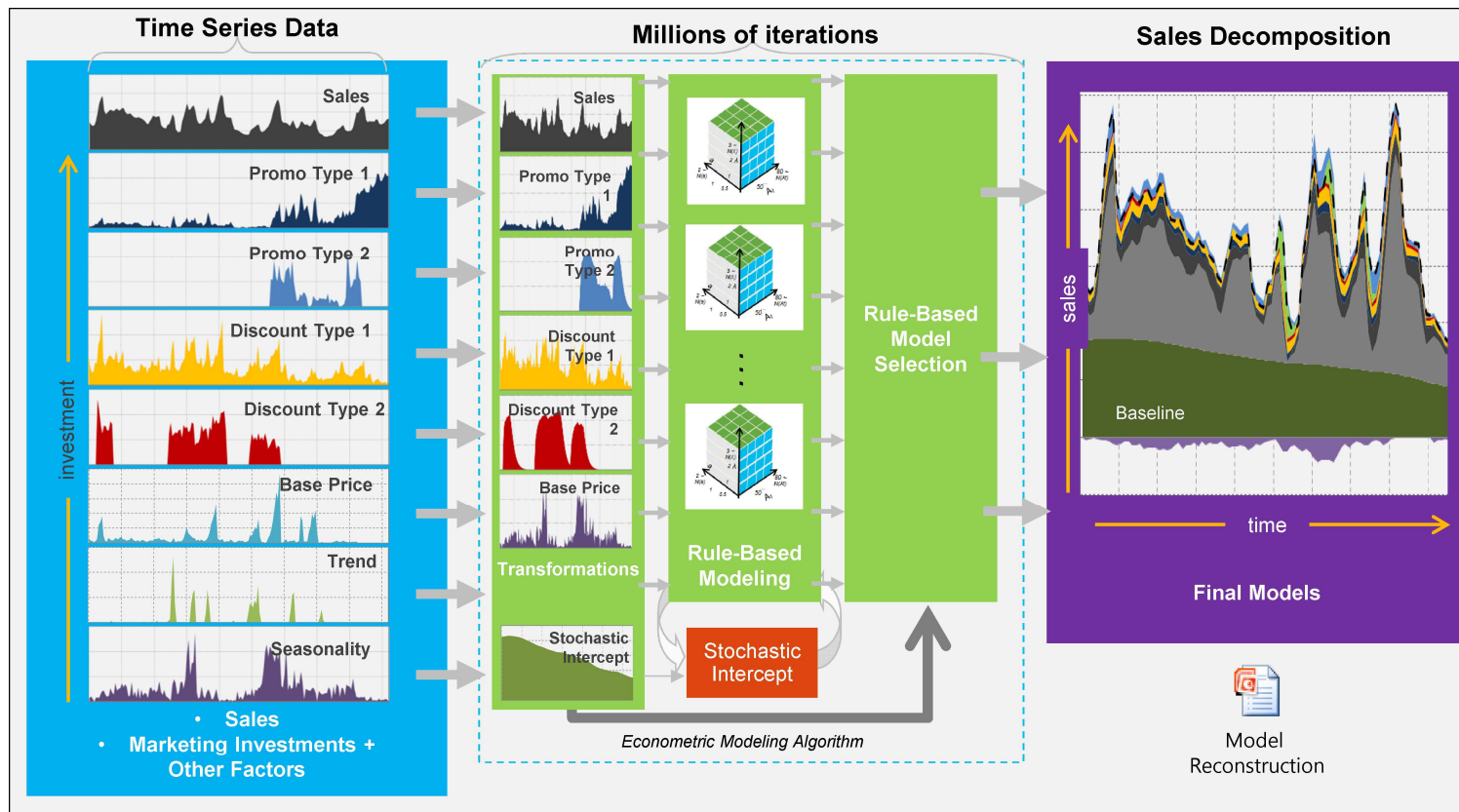


THE FULL CYCLE OF PRICE / PROMO ANALYSIS INCLUDES 5 MAIN STEPS



ADVANCED ECONOMETRIC MODELLING

Statistical well-accepted techniques in order to assess the Promotions' contribution on sales and calculate statistical Price elasticities



The process is based on building and filtering through millions of models to accurately capture the subtle relationships between activity and sales.

The objective here is to create all possible combinations of available factors that affect sales and keep only those that make sense from a business and scientific perspective.

Early involvement in the modelling process has the added benefit of ensuring local stakeholder engagement and buy-in to the results.

This helps ensure that a scientific approach to Promotional investment and Pricing decisions becomes embedded in the business

“NEW ANALYTICS ERA” FOR THE COMPANY

From the “gut feeling” decision making to a purely analytical process for optimal and tailor-made strategy per product

Promotion Effectiveness



Evaluate all Types of Promotion & Discounts on key SKUs sales and rank them from the most effective to the least effective

Base Price Elasticity Cross Effects



*Calculate the Base Price Elasticity and explore space for Price Cuts or Increases.
Identify cross effects across multiple product categories and reveal halo or cannibalization*

Promotional & Pricing Strategy Proposition



Verify EDLP or High/Low strategies and propose the most effective Promotions & Discounts plus a Pricing strategy for each companies' categories throughout the time