E-Commerce & Omni-Channel Price Strategy

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The New World

“Amazon [...] is a charitable organization being run by elements of the investment community for the benefit of consumers.”

-- Matthew Yglesias, Slate.com

Differentiate Beyond Price
- Ease of checkout
- Shipping terms
- Engagement
- Assortment

Price Matching
- No margin control
- Race to the bottom
- Biggest wins

Compete Intelligently
- Control your margin
- Surgical use of price response

Staples launches new online pricing strategy to reverse recent sales slip
Variable Paths to Purchase

Are you Omni channel?

Is your customer Omni channel?
THE WALLS COME DOWN: TRANSPARENCY IN THE MARKET
A Transparent Marketplace

- Customer research tools
- Historical visibility
- No sense of urgency
- Are customers equipped to interpret all of this?
On-line Influences

• Competition
  – Transparency
  – Dynamic players

• The New Information Asymmetry
  – Customers know more than you
  – ‘Transient’ customers start here
New Customer Tools

- History
- Analytics
- Alerts
- Agents / Bots

Shopping just got easier.

Think of the free Pricelink browser add-on as your personal shopping assistant that finds the lowest prices when you shop online. Shop with confidence knowing that you have found the best deal possible.

Finds the lowest prices.

When you are viewing a product, Pricelink automatically scans over 4,000 merchants for lower prices. Whatever you are shopping for – from apparel to appliances, or toys to tools – Pricelink has you covered.
Customer Predictive Models

- Wields persuasive power
- Credibility?

Image credit: decide.com
Influencing Customer Behavior Beyond Price

- Fees
- Social Marketing
- Digital Engagement
- Segmentation / Personalization
- Brand Differentiation
- Services
- Ratings

$299 Annual Fee

Extended Returns

Customer Feedback

15% Off
MEET THE NEW CUSTOMER, NOTHING LIKE THE OLD CUSTOMER
Multi-Channel Elasticity

- Increased transparency = increased elasticity
- Customers not always the same

Source: Revionics/McKinsey&Company
Category/Channel Elasticity

Mean Elasticity

B&M

- Hair Care
- Vitamins
- Automotive

Internet

- Laundry
- Toys
- Home & Garden
- Kitchen Accessories

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Attribute Elasticity

Golf Apparel Elasticity by Gender & Channel

- All Channels
- Stores
- Internet

- Men's Golf Apparel
- Women's Golf Apparel
- Kid's Golf Apparel

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Price Point Elasticity

No Strategy is ‘One Size Fits All’
Shopping Behavior

Customer Elasticity
- Channel
- Price
- Category
- Attributes

Competitor Prices
- Impact on your customer
- Frequency of changes

WHO

HOW MUCH

WHAT PRODUCTS
Channels – How Many Prices?

One Price
Across all stores, channels, customers

Territory
On-line matches corresponding store which is zone priced

On-line Is Different

Criteria - Driving Factors

• Drivers by Product
  – Competition
  – Immediacy
  – Assortment
  – Price Sensitivity

• Drivers by Customer Target
  – Tolerance
  – On-line
  – Social Media
  – Price Sensitivity
NEW CAPABILITIES, NEW STRATEGIES
New Capabilities

- Daily Comp Updates
- Daily / Hourly Optimization
- Daily Modeling

Competitive Intelligence
Base Pricing Timing

Support for Daily Competitive Feeds

Manage ‘aggregator site’ visibility

Daily Optimization

Make Optimal Decisions Every day!

Not Just for eComm!

Visit our Solution Pavilion

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Competitive Intelligence

More Than Just Your Elasticity: Competitor Price Elasticity

Identify SKUs with a reaction to competitor price change

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Identifying Sensitive SKUs

Segmentation by Competitive Sensitivity: More Intelligent Pricing

KVI Group Used to Manage Comp Sensitive SKUs Differently

Most Impactful, Most Sensitive to Competitor Position — Strict competitor indexing

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Using Competitive Intelligence

- Competitive Indexing is currently an analytical service

**Required Data**
- Weekly or Daily Competitor History

**Delivery**
- Competitive Workbench – SKU Segmentation
### Base Elasticity

- Frequency distribution with values ranging from 0.60 to 4.50.

### Competitive Elasticity

- Frequency distribution with values ranging from 0.01 to 1.33.

### Competitive Elasticity Scatter Plot

- Scatter plot showing competitive elasticity against revenue.

### Table

<table>
<thead>
<tr>
<th>UPC</th>
<th>Brand</th>
<th>Department</th>
<th>Category</th>
<th>Regular Price</th>
<th>Comp Price</th>
<th>Model Fit</th>
<th>Elasticity Own</th>
<th>Elasticity Comp</th>
<th>Gamma</th>
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</thead>
<tbody>
<tr>
<td>3302042</td>
<td>Evante</td>
<td>Small Appliances</td>
<td>Humidifiers</td>
<td>$17.99</td>
<td>$26.59</td>
<td>0.68</td>
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<td>Personal Electronics</td>
<td>Earphones</td>
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<td>Men's Shoes</td>
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<td>2.19</td>
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<td>Footwear</td>
<td>Sport Socks</td>
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<td>10053200</td>
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<td>Home Electronics</td>
<td>Safety</td>
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<td>1.93</td>
<td>0.14</td>
<td>0.14</td>
</tr>
</tbody>
</table>

### Additional Data

- Mean: 1.21, Comp Price: 0.16, Gamma: 0.13
- Std Dev: 0.21, Min: 0.09, Max: 0.06
- Gamma: 0.00, Max: 0.50
Strategy

Know Your Customers!

- A blanket approach doesn’t work

Don’t Chase Competition!

- Leverage competitive elasticity to flank them with precise, measured moves
- Insight into what matters most to customers with cross-channel KVIs

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Strategy

• Establish Clear Objectives
  – Use discovered knowledge of customer and competitor response to shape objectives

• Establish Rhythm
  – Update and review regularly
  – Pay close attention to major assortment changes—both internally and by competitors

• Document and Enforce!
## Example

<table>
<thead>
<tr>
<th>Category 1</th>
<th>Category 2</th>
<th>Category 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>KVI A</td>
<td>KVI A</td>
<td>KVI A</td>
</tr>
<tr>
<td>KVI B</td>
<td>KVI B</td>
<td>KVI B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Retail</th>
<th>Online</th>
<th>Catalog</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max 10% Variance</td>
<td>Max 25%, Comp Driven</td>
<td>Unique Price</td>
</tr>
<tr>
<td>No Variance by Channel</td>
<td>Max 10% Variance</td>
<td>Unique Price</td>
</tr>
<tr>
<td>Max 25%, Comp Driven</td>
<td>Unique Price</td>
<td>Unique Price</td>
</tr>
</tbody>
</table>
Organization

Know Your Customers!

- March in the Same Direction
  - Targeted cross-channel strategy
  - Avoid disparate pricing
  - Reduce purchase friction

Don’t Chase Competition!

- Rally around fact-based inputs
  - eCommerce produces massive quantity of valuable data – teach your organization to embrace this
Hi Kathleen,

2014 Dogs' Refuge Home Calendar Out Now!

We're as proud as punch to once again sponsor the annual calendar from our good mates at the Dogs' Refuge Home, Shenton Park. And the 2014 edition is now available for just $9.95!

Get your copy from your local City Farmers store or online with FREE SHIPPING if you can't make it into store.

Once again all proceeds from the sale of the calendars will go to the Refuge and helping a good cause!
Life Cycle Pricing

• Promo
  – Segmented offers for Electronic Direct Marketing

• Social Commerce
  – Have it your way
  – Drive digital customer engagement

• Markdown
  – Using On-line for clearance
FUTURE VISION
Addressing The New Competitive Environment

Revionics Vision: New Competitive Science
- Competitive price impact on demand & elasticity
- Systematic identification of key competitors
- Competitive alert re-optimization
- Competitive response science

New rule: Competitor C3
- Re-price if price increases > +$0.22
- Re-price if price decreases > -$0.10

Predicted price response if
C3 price decrease > -$0.05 = -.20
C3 price increase > +$0.01 = none
Dynamic Pricing to Influence Behavior

**Revionics Vision: Personalized Pricing**
- Forecasting baskets vs. products
- Dynamic bundling/kitting with price recommendations
- Quantity discounts, discounted shipping analysis
- Loyalty pricing
- Product recommendations
- Price Testing
Revionics Vision: Increase frequency, exceptions, inventory drivers

- Intra-Day, Intra-Hour Pricing
  - Frequent data updates, model regeneration
  - Guardrails to limit chases to the bottom
- Real-Time Price Exception
  - Automated pricing at any time
  - Pricing by customer segment
- Inventory influence on re-pricing
  - Inventory availability throughout supply chain
  - Competitive stockouts/availability
Wrap up

• Use data to understand
  – Your customer
  – Your competitors

• Develop a channel strategy

• Get surgical on every element of price strategy by channel