



Join industry leading retailers across the globe representing over 37,000 sites who trust Revionics to optimize over \$150 billion in annual revenue



Schedule a consultation today.

More Information

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Revionics® Advanced Analytics For Price Optimization

Data Mining Optimizes Configurations & Strategies

Accelerate Implementation & Increase Sophistication Over Time

Revionics® Advanced Analytic services enable retailers to jump start their Price Optimization implementation with deep insight into channel, location, competitor and product price elasticity.

Once retailers get the right start, these services provide additional value by permitting clients to increase pricing sophistication and solve complex problems as they move up the maturity curve.

Evaluating elasticity at the outset permits initial system configuration that maximizes the effectiveness of:

- Key (Known) Value Items
- Item Investment Classification
- Store Zone Clustering
- Competitive Positioning
- Category & Sub-Category Strategies

Designed to easily adapt to the growing skill sets and sophistication levels of retailers, Revionics® Price Optimization and Advanced Analytics enable clients to continually drive significant ROI as their organizations gain experience, refine strategies and hone competitive positions.

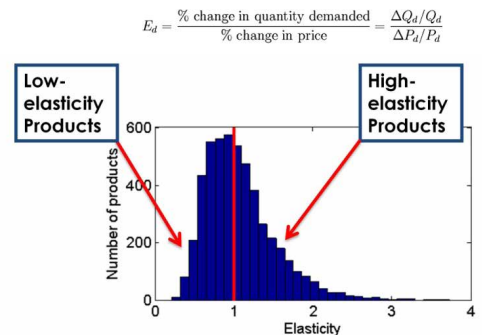
Leveraging Shopper Price Response

A fundamental principal of price optimization is the concept of price elasticity; defined as the change in customer demand relative to a change in price.

Products show varying degrees of elasticity and this elasticity can vary by channel, market, store and shopper segment. Some products have an elasticity of 1 because there is a 1-to-1 relationship between a price increase and a demand decrease. Products that do not respond to changes in price with large swings in demand are considered low elasticity while products that do show sensitivity to price changes are considered high elasticity.

The products that present the most opportunity to derive high value from price changes are the high and low elasticity outliers.

- High elasticity products (with the values moving towards 2) are often candidates for a price decrease because a 10% price decrease causes a 20% demand increase.
- Low elasticity products are often candidates for price increases because, with an elasticity of .5, a 10% price increase will only cause a 5% demand decrease.



Price elasticity can be decomposed by channel, brand, location, etc., to get a granular view of shopper segments. By studying the demand patterns for every product in every store, science can predict how shoppers will respond to pricing decisions.

Applying Elasticity to Pricing

Elasticity enhances many of the key configuration decisions made when implementing Price Optimization. Many retailers follow the principals of category management when determining the roles and strategies for their categories and have defined KVI's, background items and store groups that have similar characteristics. However, without understanding price elasticity, these groups and strategies cannot be optimally aligned to shopper demand signals.

Key/Known Value Item Analysis (KVI)

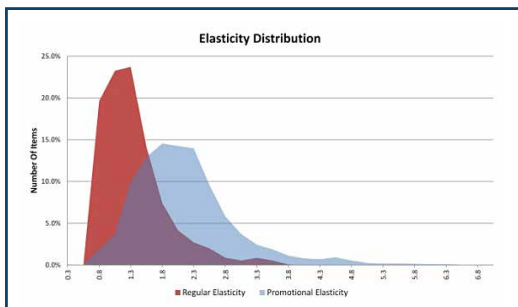
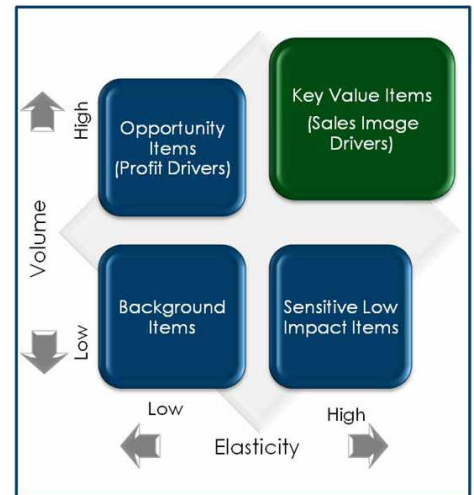
Every retailer has a list of items that drive their price image. However, KVI lists are often outdated; containing some unnecessary items while missing other items. The application of elasticity as a component in the decision process enables retailers to identify items that require highly competitive pricing strategies while supplementing profitability with the items that are not as price sensitive.

Revionics brings advanced science to supplement a retailer's intuition and **identify the true KVI's based on price sensitivity, sales volume and the role and prevalence of the item in the market basket.**

Aggressively pricing KVI's enables retailers to:

- Influence consumer price perception
- Strategically position against competitors
- Increase low elasticity item margins to offset KVI Investment

Revionics® KVI Analysis empowers retailers to create focused strategies and indices for the items that define their price image and drive traffic. Rapid execution of KVI analysis permits retailers to update KVI lists seasonally, or even more frequently, to keep up with the changing dynamics of shoppers, product mix and the competitive landscape. Additionally, this service supports the many retailers who are on the path to developing a multi-tiered KVI strategy - enabling them to fine-tune the degree of competitive price matching to balance a strong price image with consistent margin generation.



Item Cluster Analysis

Item Cluster Analysis uses both base price elasticity and promotional elasticity to create item groups. Analyzing the lift associated with a base price change, versus the lift achieved when additional promotional mechanics are applied, draws out distinct behavioral differences.

Quadrant analysis **identifies similar characteristics in shopper response in order to create clusters of items that are most appropriate for different pricing and promotional strategies.**

- **Promotional/TPR Candidates** have both high regular price and promotional price sensitivity and should occasionally be placed on Ad.
- **Promotional/Ad Candidates** have the highest lift potential when placed on Ad.
- **EDLP/EDFP Candidates** are very sensitive to base price changes and should be considered for highly competitive strategies and indices.
- **Profit Driving Candidates** are less sensitive to changes in Promotional or Base Prices.

Revionics® Item Cluster Analysis enables retailers to most effectively use investment dollars in the optimal way: on ads, on temporary price reductions or on everyday price reductions. Regardless of the retailer's strategy (EDLP, EDFP, Hi/Lo), this analysis helps rationalize and bridge the strategies for Base Price and Promotional Price optimization.

Typical EDLP Retailer



Typical Hi/Lo Retailer





Store Cluster Analysis

Many retailers have groups of stores that they use for various planning purposes; however, these clusters are usually suboptimal when it comes to differential, localized price planning.

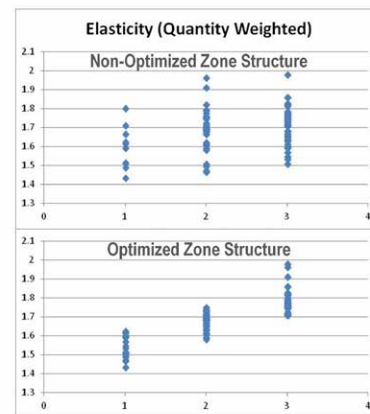
Revionics® Store Cluster Analysis permits retailers to take advantage of localized pricing opportunities by evaluating common store characteristics for pricing purposes:

- Consumer Price Sensitivity
- Competitive Density: Proximity & number of competitors
- Demographic & geographic characteristics

Non-optimized store zone clusters (typically based on District or Regional Managers, proximity to a DC and/or sales volume), when evaluated based on price sensitivity, show a lack of cohesiveness and do not support optimal differential pricing.

In an Optimized Zone Structure, stores are grouped based on common pricing characteristics enabling easy execution of differential pricing.

In addition to determining the stores that belong in each cluster, **Revionics® Store Cluster Analysis** also finds the point of diminishing returns when making the decision to add another cluster: This point occurs when the cost of managing and executing differential pricing in an additional zone is not offset by the incremental gains attributed to increased localization.



Strategic Workbenches

Some retailers have clearly articulated competitive positions and strategies at implementation time. If so, Revionics will seamlessly execute those strategies and competitive indices. However, without insight into elasticity, these strategies may be sub-optimal. In other cases, retailers need help determining which strategies are the most appropriate. To support each of these requirements, **Revionics has developed workbenches to assist in assigning optimal strategies and competitive positions** at any cross-section of the price planning matrix: Channel, Store Cluster, Category, Sub-category, KVI and/or Item Cluster. Each workbench provides:

- **Highly visual, graphical representations** to quickly hone in on problems and highlight opportunities.
- **Hierarchical drill-down capabilities** to the item level with numeric supporting details.



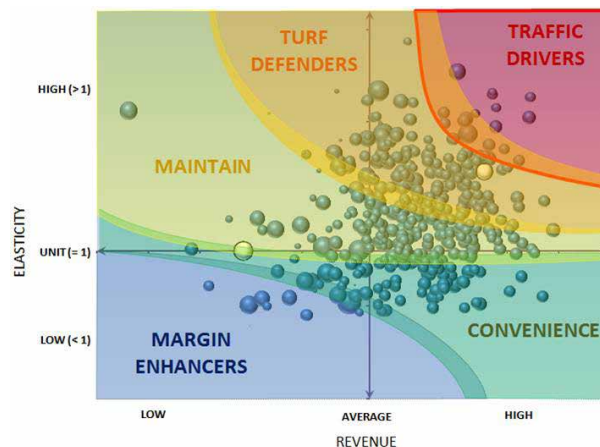
Periodic review of strategies and positions, while regularly increasing the granularity of application, permits surgical alignment of shopper demand with retailer profitability, price image and market share goals.

Elasticity Workbench (E-Bench)

Revionics® Elasticity Workbench maps elasticity against revenue (with profit represented by the size of each bubble) to determine potential pricing strategies for categories, sub-categories, KVI's and item groups.

When strategies have not been defined, this analysis suggests the most appropriate strategies based on elasticity. It is also useful in strategy validation and in category review cycles for clients who already have strategies in place. **Scientifically derived strategies can support or refute 'gut-feel' strategies through fact-based analytics.**

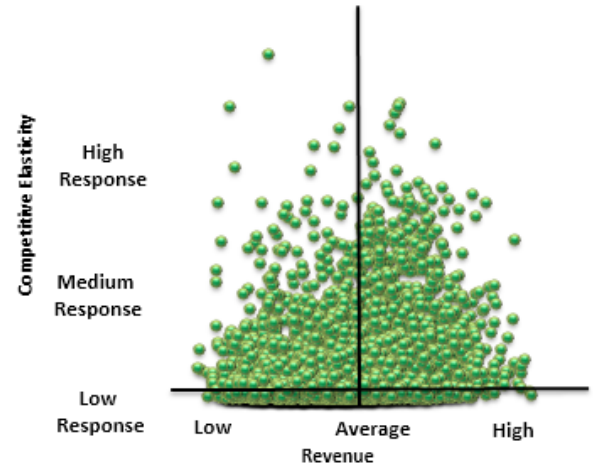
In addition to Elasticity and Revenue, retailers can sort and filter on Elasticity Confidence so they can gauge not only the direction but also the strength of the shopper demand signal.



Competitive Intelligence Workbench (C-bench)

Price elasticity is used to gauge the impact of a retailer's price changes on their shopper demand. However, increasingly, this is not enough as competitor price changes also impact a retailer's sales. **Revionics® Competitive Intelligence Workbench identifies the items and/or categories which are the most important to price sharply against competitors as well as identifying the ones that do not need to follow competitor pricing and have margin opportunity.**

- **Nielsen Pricing Insights.** The required volume and frequency of collecting in-store competitive intelligence is often expensive and inaccurate. Nielsen provides weekly insight into the Most Common Prices (MCP) in a given trading area as well as the unit volume associated with each MCP.
- **Online Competitive Data Scrapes** have the advantage of being real-time. This data is useful when competing head-to-head with online competitors but also has applications for brick and mortar retailers that are losing market share to online retailers in specific categories.
- **Shopped Competitor Data** is the most expensive but is very important when a retailer has a few specific competitors in a store zone cluster – typically this data is most valuable when a retailer has an aggressive competitive strategy and identified competitors are proximate.



All forms of competitive data can be seamlessly integrated into Revionics to not only determine competitive strategies leveraging the C-bench but also in executing precise, surgical competitive positions in everyday base pricing.

The C-bench helps retailers determine the degree and impact of competitor price changes on shopper demand, enabling more effective selection and use of competitive data to determine:

- Products & competitors requiring highly competitive strategies
- Price thresholds a competitor must cross to trigger a price change

Deep Domain Expertise

Clients view Revionics as a value-added strategic partner, not just a solution provider. Revionics' global team of experienced data scientists, pricing strategists and retail consultants get client's started on the right foot and help evolve a retail organizations' pricing sophistication.

Compete more Profitably and Position for the Future with Proven Methodologies and Best Practices that Harness Big Data into Actionable Strategic Insights.

Advanced Analytics for Price Optimization

Visit our website to attend a webinar, download white papers or case studies, and view customer testimonials today!

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