



Only The Best®

Sustained Improvement After Price Optimization Maturity

Business Process Metamorphosis and Increased Granularity



History

Big Y World Class Markets, a leading regional player in the Northeastern United States with over 60 grocery stores in Massachusetts and Connecticut, is known for its innovative approach to driving shopper loyalty. From early testing of Groupon, to early implementation of a web presence, loyalty cards, partnering with complimentary retailers, digital coupons, mobile apps, etc. Big Y is recognized as a leader in pushing the envelope without making mistakes in technology investments. **According to Harry Kimball, the Director of Database Marketing at Big Y, “We don’t go into things thinking we’re a pioneer. We’re willing to try things. We don’t just look at what Kroger or Safeway are doing, we consider what is best for our customer.”**

Big Y is no stranger to Price Optimization, having been a ground-breaking early adopter in 2004 with the first generation, black box solutions. **Big believers in the value of science, they teamed up with Revionics 4 years ago** because they were experiencing competitive positioning and price image challenges not addressed by their existing price optimization system.

Over that time, they have successfully used Revionics to combine shopper insights and competitive data to strengthen their price image and drive loyalty while exceeding profit objectives. **Lee McKay, Retail Pricing Manager at Big Y, believes “for Big Y, customer driven pricing is now a way of life and is embedded in our business philosophy — I would equate pricing without optimization to how someone would respond if you took away their cell phone, it would be like wandering around lost in the dark. I don’t know how anyone can compete in today’s complex environment without optimization science and analytics.”**

Big Y’s base price strategy is driven primarily by competitive indexing with all products in the assortment being categorized into three item groups based on how products are perceived by shoppers: Key Value Items (KVI), Key Competitive Items (KCI) and Background Items.

- **KVI’s:** Items that are most important to shoppers and have the highest price awareness
- **KCI’s:** Also important to shoppers but not as price sensitive or purchased with the frequency of KVIs
- **Background Items:** All other items, which are evaluated for price elasticity. The items that show low price sensitivity are used to generate margin and offset the investment made in the highly competitive items

Rapid Response to New Competitive Threat

Big Y decided to add a new price zone in response to several stores being faced with a new competitive threat.

The stores and their associated data were moved into the new zone within a few days and the zone was receiving optimized price recommendations for all categories based on default strategies during the next weekly optimization cycle.

To best manage this new zone, Big Y reached out to the Revionics Pricing Strategy Team to help with best practices and to implement suggestions. Together they determined the most appropriate attack methodology to combat this new competitor by evaluating and modifying strategies for KVI’s, KCI’s and Background Items as well as adjusting configurations and rules. The new competitive position was implemented and new price recommendations executed in their next weekly optimization cycle.

Increasing Granularity

Having achieved this level of maturity, the Big Y Pricing Team decided it was time to re-evaluate their pricing strategies and find opportunities to drive additional benefit by analyzing shopper response at a more granular level. With a focus on increasing unit sales and profits while maintaining their hard won price image, they enlisted their Revionics’ support team to assist.

The objective of this effort was to examine the core price optimization configurations, private label and price per unit logic, ending number strategies and price family relationships as well as review competitive indices, zone pricing strategies and KVI’s to determine where opportunities for improvement existed.

One of the goals was to create transparency around pricing that could be easily distributed throughout the organization — to both category managers and upper management. As part of their cloud-based subscription, the teams established a schedule of weekly calls in which they were able to not only review and make alterations to configurations and strategies, but also enabled Big Y to gain significant expertise in utilizing the system in new ways.



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“Revionics has a different view as to how a partnership works than some other folks,” says Revionics’ Account Executive, Jeff Bulger. “We see ourselves as trusted advisors with the goal of teaching our customers ‘how to fish’. Together, we found a meaningful and valuable process that Big Y could replicate again and again in the category review cycle.”

This effort inspired the creation of new data views to evaluate:

- **Candidates for Alternative Strategies**
- **Alterations to KVI & KCI Lists**
- **Effectiveness/Enforcement of Competitive Indices**
- **Out of Balance Price per Unit, Private Label Gap & Price Family Relationships**



Big Y also simulated what-if scenarios to compare the impact of alternate pricing strategies on units, margin and revenue in order to select and implement the one best suited to meet both category objectives and shopper demand patterns.

In addition, new Performance Intelligence reports were pulled from the existing report catalog to support the ongoing effectiveness measurement of these changes and verify that shoppers were responding as predicted.

Goal Seeking Achieves Scorecard Objectives

A Category Manager (CM) asked the Pricing Team (PT) to run different “what if” scenarios for a category considered very key to overall price image. The goal? To improve unit movement while protecting margin and staying competitively focused.

After pre-analysis on shopper demand patterns, Big Y ran several likely scenarios across different pricing zones. After confirming the forecasts achieved goals for individual key items within the category as well as for the category as a whole, they selected the strategy that accomplished the category’s role best.

Big Y selected a group of reports from the Performance Intelligence report catalog to monitor results and validate forecasts. These reports provide on the fly flexibility enabling the data required for the PT and CM to monitor and make modifications in response to changing conditions.

Business Process Metamorphosis

One of the unexpected outcomes of the review was that it uncovered an opportunity to create a new, collaborative business process with the Category Managers. While reviewing what-if scenario simulations of alternative strategies, the Pricing Team brought in a Category Manager to assist in the final strategy selection decision. The result was an epiphany when the Category Manager recognized the ability of the solution to help achieve scorecard objectives — particularly in categories and sub-categories that had been elusive to previous efforts.

In addition, the reporting capabilities of the system, with its built for purpose views, filters and data consolidations were seen as a major improvement over current Category Manager systems in both reporting flexibility and response speed.

The new process has created a cross-functional approach to symbiotically achieve Category Manager and Pricing Team objectives — ensuring that scorecards and goals are strategically and scientifically executed, challenges and opportunities are identified, and the Pricing Strategy Review process is fully coordinated with Category Review schedules.

This collaboration has created an environment where categories that have opportunity for improvement through changes to pricing strategies and product price relationships are identified, possible alternatives are strategically evaluated, and tactics are executed by organizational stakeholders.

The Future

Always with an eye on the future, the Big Y Pricing Team already knows where they want to go next in their optimization journey:

- The next step in their business process metamorphosis is to develop a process for escalating proposed changes to upper level management when the strategic implications impact other areas of the business
- The next step in their granularity push is to look for opportunities for improvement at the sub-category level and for additional differentiation of strategies for price zones that show significant variation in shopper price elasticity and demand response patterns