

Long-term Partnership With Revionics Enables Retailer To Innovate And Thrive Against Big-Box Competitors

Van's Markets, based in Bozeman, Montana, operates 8 full-line IGA grocery stores throughout the state. Van's partnered with Revionics in 2004, and now uses Revionics' Price Optimization software and services to recommend pricing for 5 zones.

Market Situation and Challenges

"When Wal-Mart opened stores in Montana during the early 2000's it was survival of the fittest," said Frank Cannon, General Manager of Van's Markets. "There were 17 independent grocery retailers who went out of business in the state. Up to that point, Van's followed a simple zone-pricing strategy managed by our wholesaler, with pricing based solely on bigger competitors. One zone could choose 2% lower, one was even with their prices, and one was 3% higher depending on the item."

Cannon said he knew at the time that his pricing technology was not on par with large retailers like Wal-Mart. "That approach didn't take into account the competition's pricing strategy. We couldn't tell if their pricing strategy was in line with our goals, and we knew they had systems that could tell them what's moving and what's not in a global sense. Our previous system didn't account for movement analysis and didn't really know which items sell the best based on price."

Results

"Revionics works," Cannon said. "When we started, we only had two or three categories in the system. But we expanded by working with their pricing strategists, and quickly grew more comfortable with it."

Cannon has used Revionics to evolve pricing strategy and operations since 2004. "The biggest fear for a retailer is that if you raise prices you're going to go broke. Optimization isn't just a price raising system, however. The solution recommends both price increases and decreases based on the sensitivity of the item. The pricing science allows us to achieve higher gross on less price sensitive items, while still making money on those items where you need to be more aggressive on price. The result is that we've seen tremendous improvements in our bottom line – both revenue and profit growth," Cannon said.

Best Practices

As one of the first retailers in the United States to adopt Revionics and a key partner in the system's development, Cannon said he knows how to get the most out of price optimization and the key features of the Revionics system. He said he works closely with Revionics' pricing specialists and product development staff to constantly enhance the systems features. When asked to give a few words of advice to new Revionics customers, Cannon offered these suggestions:



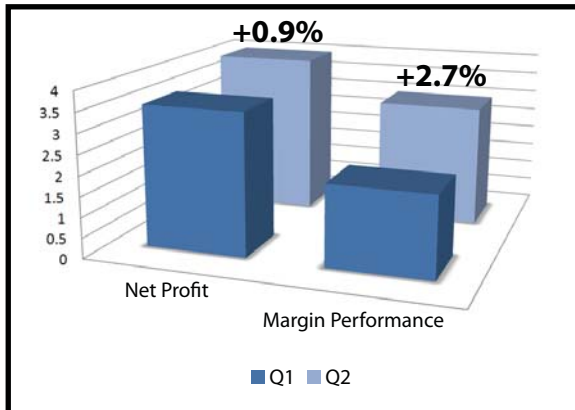
Evergreen IGA in Billings, Montana.



Price Optimization from Revionics helps Van's stay competitive.

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Innovations in Pricing Strategy are case studies of retail solutions generated by Revionics' industry-leading price optimization products and services. The success stories presented in this series reflect interviews with retail business owners and management who achieved substantial business improvement and operational value as a result of their engagement with Revionics.



This retailer saw significant lift in margin performance, and net profit.

“What distinguishes Revionics is the deep math, analytics, and science built into their system. Stores not using this kind of price optimization are probably leaving money on the table.”

- Frank Cannon, General Manager,
Van's Markets

1. Increased Revenue and Profit

“Don't over-analyze or micro-manage the system. Certainly review the recommendations to see if there are price changes that don't appear to make sense. But you'll have a hard time trying to out-smart some pretty sophisticated pricing experts and their science. Let it do what it's supposed to do. Over a short amount of time, you start seeing that you can control margins and increase profit by leaving their recommendations alone.”

2. Assign a Pricing Manager

“In the beginning, my information technology manager was responsible for all of our pricing across every store, along with everything else he had to do. It was a lot to handle. So we trained one of our top scanning coordinators to be our primary Revionics pricing manager. He's responsible for reviewing all change recommendations and for sending them out to all our stores. He's also our point of contact with Revionics, so we have someone to tackle any issue and to learn how to better use the system. He makes all the calls now.”

3. Price Efficiently & Consistently Across Item Families

“Set pricing parameters to account for small changes in cost. Before using Revionics when we were using zone or competitive target pricing, if the cost of an item went up a penny, we increased the price by a penny on all items in that family. Now, the system might determine this increase isn't going to have a real impact on prices and will not recommend price changes across the entire family because it's determined that this cost increase is too small to really be relevant. This reduces the number of price changes you have to make, so you can focus on other things.”

4. Open Up Your Pricing Parameters

“When we started we were only using the system to price one category per week, which meant it took a lot of time to adjust pricing for an entire store. Now with more stores using Revionics we've learned to open up our pricing parameters so that we account for nearly all our categories in one shot – we get everyone together for a tag-hanging party and change everything at the same time. This saves us time, makes us money. You need to have your parameters open so the system can deliver its full benefit across all your items.”

Partner in Innovation

Cannon's 4-year partnership with Revionics has generated significant product and service innovations for both Van's Markets and Revionics. “His input is of great value to the entire Revionics team,” said Todd Michaud, Revionics CEO. Recently, his experience with Revionics prompted Cannon to connect IGA Northwest Supermarkets partnership, a collection of more than 70 stores located across 7 Western states, supplied and supported by SUPERVALU, with Revionics. As a Board member, Cannon saw an opportunity to enhance the collective efforts of the group by deploying the Revionics Promotion Planning and Optimization tool.

“The Board saw an opportunity to improve our ad planning process, and become more competitive as a group,” said Cannon during the announcement this past March, 2008. “We partnered with Revionics for a solution that would work for our members, IGA, and SUPERVALU. This collaboration will deliver analytics and science to our current promotional planning process and ensure we promote the right products at the right price. We're creating a 'virtual chain' - meaning, members will buy as a group to reduce prices.”

IGA Northwest Supermarkets will leverage Revionics' scalable Software-as-a-Service promotional service to aggregate and analyze promotional activity for all members, allowing the Ad Group to act as a single, more powerful promotional entity.”

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