

# TECHNOLOGY SOLUTIONS GUIDE



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## PRICING OPTIMIZATION

In the hyper-competitive retail landscape proper pricing can often be the difference between capturing the sale and driving shoppers to the competition. Access to the entire competitive pricing landscape is never more than a few clicks or swipes away and shoppers are leveraging this info to make buying decisions. While it is important to price products competitively, retailers need to avoid the treacherous race to the bottom. By leveraging a dynamic analytics-powered approach to pricing retailers can not only gain a real-time view of the competitive landscape and adjust prices accordingly, but discover hidden margin in their product array, boosting the bottom line.

### Q How are retailers using next-gen tools to dynamically adjust prices?

**SEAN DANGLER:** Next-gen (really current-gen) pricing tools provide the means to collect, process and deliver massive amounts of pricing data within seconds. This provides retailers the ability to dynamically adjust prices, often in reaction to Amazon and their pricing algorithms. While the technology supports the process of dynamic pricing, the bigger challenge for a retailer is to understand and build out their larger value equation with their shoppers, to drive relevance and earn loyalty. We know that price is a large influencer of value, but if it's the only lever you have to pull and you are selling commodity products, tough times lie ahead.



**SEAN DANGLER,**  
Global Capability  
Director, dunnhumby  
Price and Promotions



**DARIUS JAKUBIK,**  
Vice President of Sales,  
Advanced Pricing Logic



**CHERYL SULLIVAN,**  
Chief Marketing and  
Strategy Officer, Revionics

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**RETAILERS WHO BUILD AN EFFECTIVE PRICING CAPABILITY BOLSTERED BY THE BEST PREDICTIVE AND PRESCRIPTIVE AUTOMATED TOOLS WILL EXPECT LASTING TOP-AND BOTTOM-LINE IMPACT.**

— DARIUS JAKUBIK, VICE PRESIDENT OF SALES, ADVANCED PRICING LOGIC

**DARIUS JAKUBIK:** To acquire and maintain any advantage in today's hyper-competitive retail world is no simple task. With more e-tailers and retailers jumping into the mix at record pace, everyone is feeling the pressure as they look to squeeze the most out of razor thin margins. The knowledgeable retailer understands the vital importance of taking advantage of today's sophisticated price optimization solutions as the only way to stay ahead of the competition. The real players are turning to intelligent software solutions that combine deep, back-end analytics with matching product data aimed at optimizing vast product lineups to dynamically predict and prescribe accurate prices both in-store and online.

**CHERYL SULLIVAN:** With today's predictive and self-learning algorithms, retailers can rapidly run analytics and suggest highly targeted, meaningful price updates in response to real-time changes in competitor prices, shopper behaviors and market conditions. Many people (wrongly) associate dynamic pricing with changing all of your prices constantly. The reality is that dynamic pricing is about the ability to respond, when necessary, to these factors in an optimal and automatic way, but at a frequency which makes sense for the retailer. Good pricing algorithms are very effective in helping you know when you don't need to update prices — helping you to escape knee-jerk price-matching that erodes margins and sets off a race to the bottom. And because they're self-learning, they continually evolve to give you a sustainable competitive advantage.

**Q** What are the roadblocks to true competitor pricing transparency, and how can retailers turn this data into actionable insight?

**JAKUBIK:** Those who do not adapt to today's highly competitive marketplace will open themselves up to greater risk and failure. Those who chose not to seek out intelligent software solutions will not price effectively and will see a rapid loss of customers and margin. Retailers who build an effective pricing capability bolstered by the best predictive and prescriptive automated tools will expect lasting top-and bottom-line impact. Progressive competitive data matching can have a significant impact both in-store as well as across channels. The lesson here is to not rely solely on analog methods for competitor pricing analysis and dynamic pricing strategies. Instead, retailers must seek out a multi-dimensional approach and combine market prices with intelligent back-end analytics to produce the kind of results that will help them increase profits with a sustainable long-term pricing strategies.

**SULLIVAN:** The first step is the retailer's ability to harvest this data, capturing competitors' real-time prices. Next they need to analyze the data to gain key insights into how they trend against their competitors. This data can provide answers to key questions such as, which items am I over- or under-priced against my key competitors? What percent of my total revenue do these items represent? How did my pricing over time compare to my competitors? Which items are they carrying vs me? Am I over- or under-assorted compared to my competitors? What new items have they introduced or delisted? Retailers need to operationalize this within next-generation price management and optimization solutions using science to determine competitive and shopper price elasticities to predict how both will respond to price changes.

**DANGLER:** The amount of competitor pricing data that's available has increased tremendously over the past five years. While largely driven by the availability of online data, in-store pricing data availability has also increased through innovation in price collection methods and crowd-sourced data. But, more data does not necessarily mean better decisions. Retailers must understand what's important to their shoppers, including by customer segment. This will allow them to leverage this data for the right items with the customers that matter most, to improve the price and value perception.

**WITH TODAY'S PREDICTIVE AND SELF-LEARNING ALGORITHMS, RETAILERS CAN RAPIDLY RUN ANALYTICS AND SUGGEST HIGHLY TARGETED, MEANINGFUL PRICE UPDATES IN RESPONSE TO REAL-TIME CHANGES IN COMPETITOR PRICES, SHOPPER BEHAVIORS AND MARKET CONDITIONS.**

— CHERYL SULLIVAN, CHIEF MARKETING AND STRATEGY OFFICER, REVIONICS



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**Q** How can retailers gain a holistic view of pricing, taking into account competitive prices and inventory stocks to obtain the optimum action?

**SULLIVAN:** Great question. I recommend that retailers evaluate costs, competition, assortment, pricing rules and strategy — across all channels. It should include consumer-demand data intelligence from the point of sale, calculating price elasticity, along with retail demand intelligence to analyze assortment data. As retailers mature, we often see them look to optimize with this approach across the entire lifecycle — from everyday prices through promotions and markdowns. And smart retail pricing teams really take advantage of running what-if scenarios to model and forecast accurately for strategic planning — including impact on inventory. Obviously this means that your price optimization system needs to integrate effectively with your various existing systems and data sources.

**JAKUBIK:** The key to pricing success depends on one's ability to "light up" the path forward. Many of today's pricing managers understand that only looking at competitive data and reacting "dynamically" by matching price is short sighted and will only accelerate the race to the bottom. Price matching, by its very nature, lacks deeper intelligence and is therefore unsustainable. The only alternative is to apply deep, back-end analytics that weighs many metrics like inventory levels, velocity of product movement, market trends, and so on. When we combine such deep data results with scraped competitor data and other analytics, smart retailers pull ahead, intelligently and confidently setting prices and achieving sustainable margins and growth.

**DANGLER:** A holistic view of pricing really

**A HOLISTIC VIEW OF PRICING REALLY MUST START WITH AN UNDERSTANDING OF WHO YOUR MOST IMPORTANT CUSTOMERS ARE, AND HOW TO SERVE THEM BETTER.**

— SEAN DANGLER, GLOBAL CAPABILITY DIRECTOR, DUNNHUMBY PRICE AND PROMOTIONS

must start with an understanding of who your most important customers are, and how to serve them better. This is not exclusive to price alone, but includes personalized offers, assortments that are unique, and communication of these that is focused and relevant. The collection of competitive data is critical, not just on price, but on competitive market strategies, as well as customer research on scoring of your competitors based off customer loyalty measures. You need a complete understanding of your competitors approach within the market, and clearly defined plans of how to win with your shoppers against your competitors.

**Q** What is the future of pricing optimization technology and what should retailers look for when considering implementation or updates to this technology?

**DANGLER:** The future of price optimization will be driven by the need to understand all the value-levers that influence price and value perception for a shopper, and how to "optimize" all of these. We've experienced the success of this first-hand with some of our retail clients, where they may not be the lowest priced in a market, but have equal or better price and value perception with their shoppers. Elements like relevant, personalized offers, unique assortments, store services and experience all have a tremendous impact on delivering value that drives a stronger price perception. Any updates to pricing technology must be centered on shopper data, providing a foundation to understand the influence

and importance of all the value-levers, which allows retailers to deliver a relevant price to each and every shopper.

**SULLIVAN:** It's a really exciting time because big data analytics is evolving so quickly and price optimization algorithms become more effective and more accurate all the time. That's one of the key reasons why a software-as-a-service (SaaS) model is so important. It enables a much faster implementation, and you gain the benefits of improvements and updates instantly. The fact that the algorithms are self-learning means they get better all the time. With the traditional model of an on-site installation, the algorithm is stagnant and gets farther and farther out of tune with market, customer and competitor changes. And updates are expensive, slow and painful. SaaS is definitely the way to go.

**JAKUBIK:** The short answer is: "the future is now." All retailers should be looking to that healthy combination of deep, internal analytics coupled with competitive data matching results. Pin-point accuracy in pricing is not optional —it's a survival tactic. The future is a hybrid of smart algorithmic pricing solutions that accurately predict and prescribe prices merged with a constant stream of competitor pricing data. This type of deep data merge will eventually allow software resolve patterns so that people can make smarter recommendations based on what they recognize as the key drivers for any particular set of products, regional markets, target customers, and so on. The future is in intelligent solutions that automatically transform raw data into usable data that we can convert into ac-



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COMPANY NAME/ WEBSITE	RELEVANT PRODUCT/SOLUTION	KEY CLIENTS
<b>Advanced Pricing Logic</b> <a href="http://www.advancedpricinglogic.com">www.advancedpricinglogic.com</a> <b>SEE AD ON PAGE 19</b>	Pricexpert	Cal-Mustang, Original Parts Group, Sherrilltree
<b>Boomerang Commerce</b> <a href="http://www.boomerangcommerce.com">www.boomerangcommerce.com</a>	Boomerang Price Performance Management	Groupon, Saks, Staples
<b>dunnhumby</b> <a href="http://dunnhumby.com">dunnhumby.com</a> <b>SEE AD ON PAGE 21</b>	dunnhumby PriceStrat Promotional Optimization	AutoZone, Raley's, Tesco
<b>Global Pricing Solutions (GPS)</b> <a href="http://www.globalpricing.com/solutions/">http://www.globalpricing.com/solutions/</a>	Price Navigator	Admiral Flag/Boston Gifts, The Home Depot
<b>Infor</b> <a href="http://www.infor.com">www.infor.com</a>	Infor Pricing Suite	DSW, Home Depot, Whole Foods
<b>JDA Software</b> <a href="http://www.jda.com">www.jda.com</a>	JDA Pricer	Guess
<b>Mi9 Retail</b> <a href="http://www.mi9retail.com">www.mi9retail.com</a>	Mi9 Omni-Channel Retail Suite	Barneys New York, Crocs, Levi's
<b>Quad Analytix</b> <a href="http://quadanalytix.com">quadanalytix.com</a> <a href="http://wiser.com">wiser.com</a>	WisePricer	Skullcandy, Luxottica, eBay
<b>Retalon</b> <a href="http://www.retalon.com">www.retalon.com</a>	Retalon's Pricing, Markdowns & Promotion Optimizer	GameStop, La Maison Simons, The Paper Store
<b>Revionics</b> <a href="http://www.Revionics.com">www.Revionics.com</a> <b>SEE AD ON PAGE 23</b>	Revionics Price Suite	Argos, Delhaize, Dollar General
<b>Upstream Commerce</b> <a href="http://www.upstreamcommerce.com">www.upstreamcommerce.com</a>	Predictive Pricer, Dynamic Pricer, Pricing and Assortment Intelligence	Lowe's, PetCo, Transamerican Autoparts