Holistic pricing decisions:

Uncover growth opportunities with more holistic and data-driven pricing strategies

Robin de Rooij

SKIM

decision behavior experts

*"The most immediate and impactful means of improving growth while protecting margins is through **Revenue Growth Management (RGM)** …*

McKinsey & Company

BCG BOSTON CONSULTING GROUP

BAIN & COMPANY

Deloitte.

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"

.... However, many CP companies continue to use basic, rudimentary methods including limited internal data to find value"
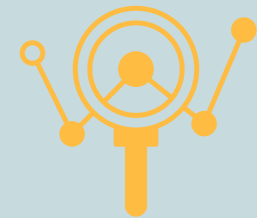
Deloitte 2020
Magnifying Revenue Growth Management

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How do we drive Revenue growth?

What kinds of data can we use?

How do we make sense of it all?

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Three examples of driving revenue growth by integrating the right combination of data sources

1 Maximize new **launch sales** and better inform **supply chain**

2 Protect **margins** and tackle **rising cost** pressures

3 Mitigate risk of destroying **value** with more **holistic promotion strategies**

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Many companies are setting up Revenue Growth or NRM functions

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Tools help assess and improve pricing & NRM capabilities

Level 4: Deploy / Ongoing Revenue optimization

4

Level 3: Full value capturing through insights

3

Level 2: Gain transactional control and optimize

2

Level 1: Price list maintenance

1

Crawl	Walk	Run	Fly
Start	Y1	Y2-3	Y4+

Source: European Pricing Platform

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Pricing is difficult because nothing happens in isolation

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Consider how all your business levers play together to form an optimal portfolio

BUSINESS LEVERS

Brand

Product

Price

Promotion

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Complicating things further, levers should be optimized many times, taking different contexts into account

BUSINESS LEVERS

Brand
Product
Price
Promotion

Consumers
Competitors
Channel
Conditions

CONTEXT

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Complicating things further, levers should be optimized many times, taking different contexts into account

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(Net) Revenue Management = Data Driven

Having the right data available is key to adjust to different context

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1 **Assess available data**
Which data and information sources to use

Bridge 2 worlds

Real-world
Company data
Big data, etc.

Experimental
Research

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What we encounter often looks something like this

1 Conjoint pricing studies

2 Sales data

3 Other (qualitative) studies

4 Tracking studies

5 Expert view

6 Cost of goods

Conjoint pricing studies	Sales data	Other (qualitative) studies	Tracking studies	Expert view	Cost of goods
MARKETING	MARKETING	MARKETING	MARKETING	MARKETING	MARKETING
CEO	CEO	CEO	CEO	CEO	CEO
FINANCE	FINANCE	FINANCE	FINANCE	FINANCE	FINANCE
BRAND MANAGER A	BRAND MANAGER A	BRAND MANAGER A	BRAND MANAGER A	BRAND MANAGER A	BRAND MANAGER A
BRAND MANAGER B	BRAND MANAGER B	BRAND MANAGER B	BRAND MANAGER B	BRAND MANAGER B	BRAND MANAGER B
LEGAL	LEGAL	LEGAL	LEGAL	LEGAL	LEGAL
INSIGHTS	INSIGHTS	INSIGHTS	INSIGHTS	INSIGHTS	INSIGHTS

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(2) Consider two data-fusion analytics approaches
How to effectively bring the data and the people together

For a more holistic picture

For a more accurate picture

Triangulation
Conceptual integration

Integration
Technical integration

There is **no standard way** of combining information to solve business challenges.
The analytics approach will almost always be tailor-made.

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Recent examples:

BUSINESS LEVERS

Brand
Product
Price
Promotion

1 Maximize new **launch sales** and better inform **supply chain**

2 Protect **margins** and tackle **rising cost** pressures

3 Mitigate risk of destroying **value** with more **holistic** promotion strategies

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Product screening in Jewelry

1 Optimize **Product offer** to drive growth

Objectives

o Better pre-select innovations before bringing them to market

o Better understand which products are likely to drive sales, to anticipate production and distribution needs

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Available data

Company data

Research data

	Company data	Research data
Pre-testing data		UNSPOKEN product screening Legacy Pre-testing KPIs
Price effect	Weekly pricing data *(to isolate effect on sales)*	Tested at fixed price points
Distribution & In-store promotion	Store data	
Trends & Seasonality	Historical sales data	

BUSINESS LEVERS
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Integration
Technical
data integration

For a more **accurate** view

**Historic
sales data**

**Research
data**

**Other
data**

0110
1001
1010

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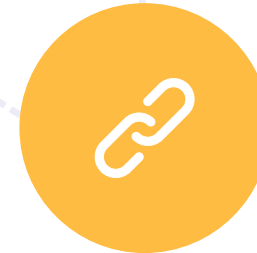
Produce more accurate insights
Account for uncertainty of a new launch with simulated outputs

Company data

Research data

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Business impact

| Prioritize top performing Innovations | Production can be ramped up for expected top sellers | Final screening out of worst performing innovations | Production can be reduced for Innovations expected to sell less well |

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2 **Optimize pricing
to drive growth**

Tackling cost pressures in fast food

Objectives

o Combat increased production costs by considering potential prices increases

o Tackle cost pressures without losing customers

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Available data

Company data

Research data

	Company data	Research data
Sales analysis	Historical sales data trends	
Interaction of products		Menu Based Conjoint
Price Sensitivity	Historical price changes	Menu Based Conjoint Price perception tracker
Brand perception		Brand trackers
Competitive actions		Competitive intelligence tracker
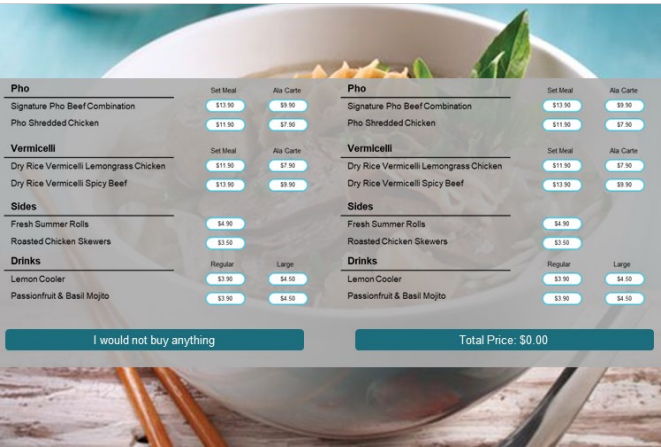
Consumers
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Triangulation
Conceptual data integration

For a more **holistic** view

Relevant information

Real-world
Company data
Big data, etc.

Experimental
Research

Relevant expertise

Relevant stakeholders

Triangulation Workshop

Increased costs drives need for price increase	✓
Downward trend in sales on key SKUs	X
Tracking underperformance vs. key competitior	X
High Price elasticity from MBC	X

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3 Optimize **Promotions** to drive growth

Promo Intensity in FMCG - Foods

Objectives

o Increase promotion to drive sales

o Prevent promotions that destroy value

o More accurately forecast sales over time

o Better inform future promotion strategies

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Available data
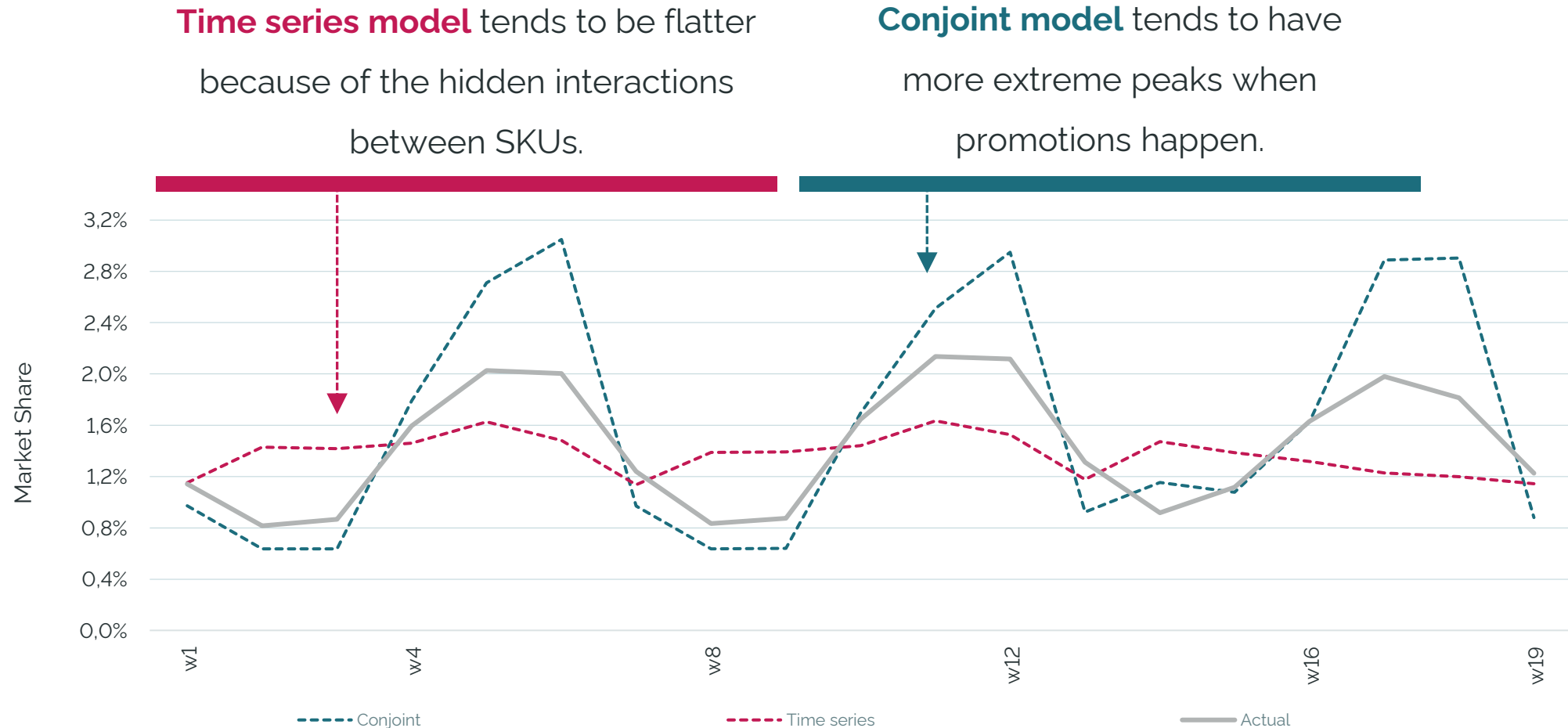

	Company data	Research data
Sales analysis	Historical sales data	
Interaction of products	Sales data analysis	Conjoint data analysis
Price Sensitivity	Sales data analysis	Conjoint data analysis
Promo Sensitivity	Sales data analysis	Conjoint data analysis

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Despite strengths of both models, both have limitations in accurately predicting volume changes due to promotions

Time series model tends to be flatter because of the hidden interactions between SKUs.

Conjoint model tends to have more extreme peaks when promotions happen.

Market Share

3,2%
2,8%
2,4%
2,0%
1,6%
1,2%
0,8%
0,4%
0,0%

w1 — w4 — w8 — w12 — w16 — w19

- - - Conjoint   - - - Time series   —— Actual

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Combining both data sources helps us achieve a much more accurate model

The data fusion prediction is highly in line with the actual sales data both directionally and in terms of magnitude of the changes generated by price and promotions shocks.

Market Share

Legend: Data Fusion — Conjoint — Time series — Actual

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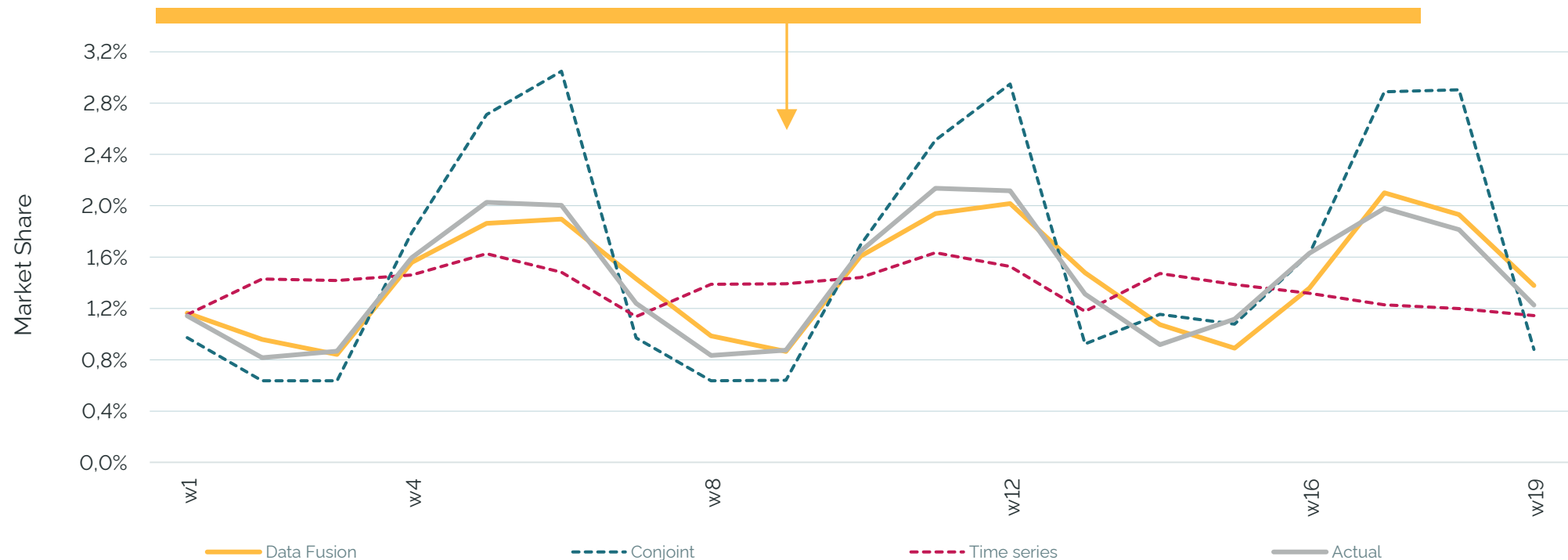
Business impact

Accurately estimate the impact of promotions – and provide stakeholder alignment

Better assess the incremental gains of any promotion

Resulting in better promotion strategies, with less value being destroyed.

Still run regular promotions, but no longer stuck in a 'race to the bottom'

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Drive revenue growth by using the right combination of data sources

1 **Product**
Maximize new product potential **sales** and better inform **supply chain** *by integrating past sales data with pre-testing data*

2 **Pricing**
Protect **margins** and tackle **rising cost** pressures *by pushing back on price increases for key products, and uncovering alternative revenue sources*

3 **Promotions**
Mitigate risk of destroying **value** and make more **holistic** promo decisions *with more accurate forecasts of the impact of promotions*

Moving from Integration to Automation

How can you leverage available data for even better pricing decisions?

Bridge 2 worlds

Real-world
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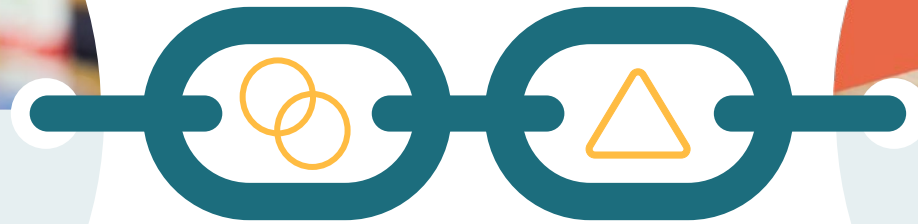
Experimental
Research

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Questions?

And for more SKIMspiration ...

Sign up for a complimentary 15-minute **SKIM Data Fusion Consultation**.

Not sure what data sources can/should be integrated for the next question you're tackling? Curious to know which data integration approach is best for your organization? We're happy to help think along!

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decision behavior experts

skimgroup.com/holistic-decisions