




True or False?

Applying pricing and choice behaviour learnings in the shift to digital

Joyce van Heeswijk | 21st of June, 2018

A woman with blonde hair, wearing a dark patterned top, is pointing at a whiteboard. The whiteboard has the word 'TEAM' written on it in large, dark letters. The scene is set in a modern office environment with blue and white walls and a desk in the foreground.

Pricing Myths Quiz



SKIM

>250 pricing & portfolio studies
in the past 5 years



35
countries



Millions of
shopping
trips



Thousands of
products



45
categories



Unilever



Nestlé



Spotify



vodafone



Bayer

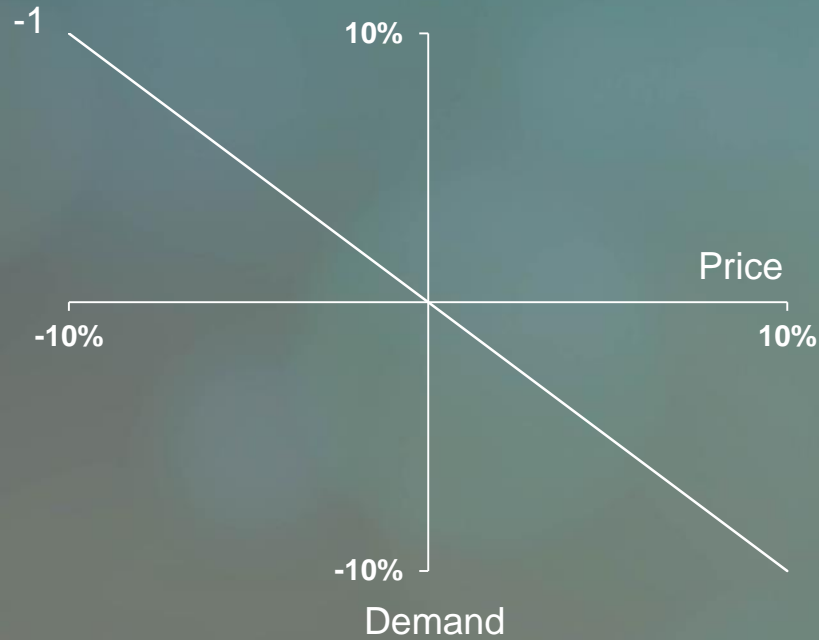


McKinsey & Company

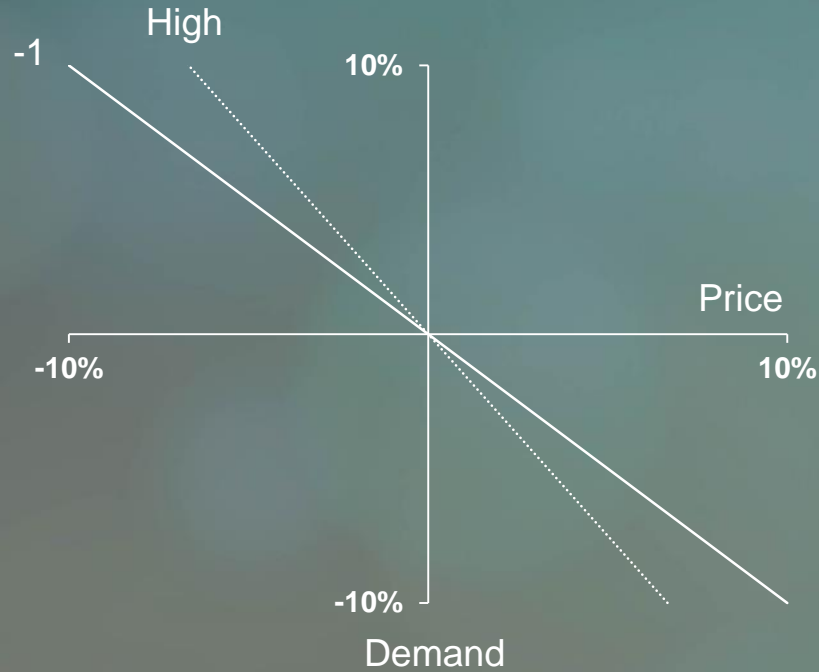


THE BOSTON CONSULTING GROUP

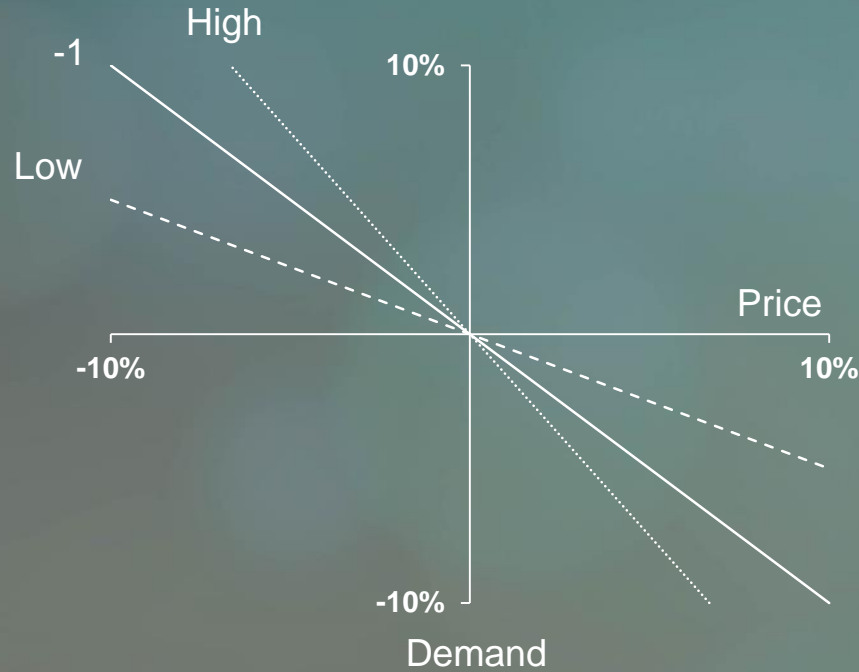
Price elasticity -1



High price elasticity



High vs Low price elasticity



Pricing beliefs: True or False?

1

2

3

4

5

www.kahoot.it

The Kahoot! logo is displayed in white on an orange background. The word "Kahoot!" is written in a bold, sans-serif font. The letter 'o' is replaced by a globe, and the second 'o' is replaced by a soccer ball.

Game PIN

Enter

Enter pin: ***364140***

Enter your nickname

You have 10 seconds to answer
the question.

**You get points for the right answer
and for being fast !!**

There is a small prize for the winner 😊

Example question



Are you attending this session
of your own free will ?

▲ No, I'm not 😞

◆ Yes, of course!

Pricing belief 1

A SKU has one price elasticity

TRUE OR FALSE?

 **FALSE**

 **TRUE**

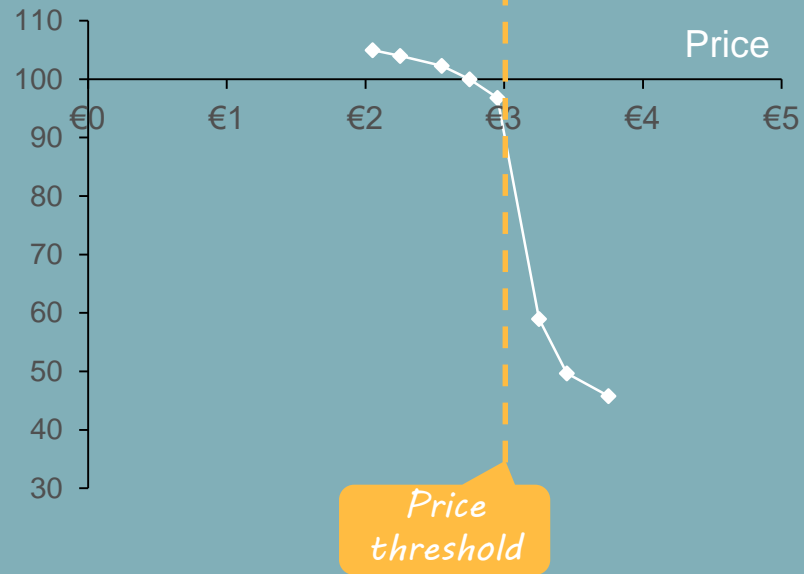
Pricing belief 1

A SKU has one price elasticity

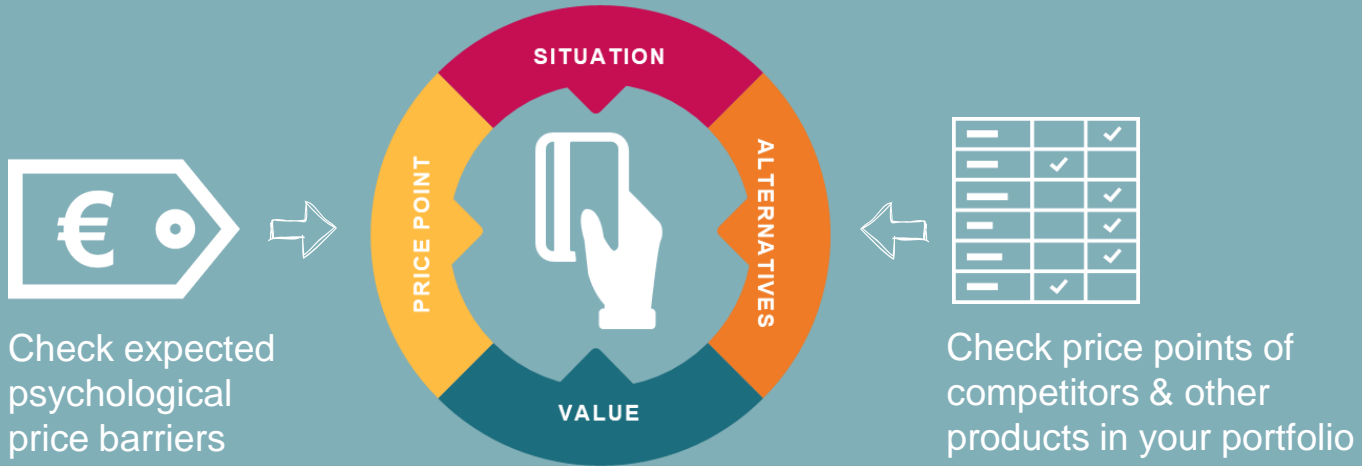
TRUE OR FALSE?

 **FALSE**

Unit Index



'Willingness to pay'



‘Willingness to pay’

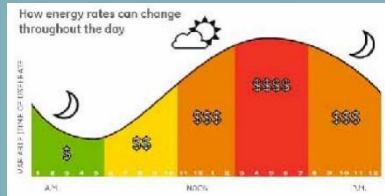


Considerations ONLINE

Dynamic pricing



Transparency about prices



HAPPY HOUR
— is the —
BEST HOUR



Understand reaction to range of prices

Pricing belief 2

Consumers are generally more sensitive to price changes than to size changes

TRUE OR FALSE?

Behind the myth

Consumers notice size changes less
than price changes



Pricing belief 2

Consumers are generally more sensitive to price changes than to size changes

TRUE OR FALSE?

 **FALSE**

 **TRUE**

Pricing belief 2

Consumers are generally more sensitive to price changes than to size changes

TRUE OR FALSE?

◆ TRUE

Considerations



It is easier to
change prices
than sizes



Introducing smaller
sizes poses risk of
decreasing
consumption volume



Smaller sizes create
more switching
opportunities, due to
higher purchase
frequency

Considerations ONLINE



Shopping behavior
online is different –
price has a different role
in this process



Different product
characteristics need to be
clearly communicated to
consumer, not only the price

Pricing belief 3

Products of lower tiers are more price elastic than products of higher tiers

TRUE OR FALSE?

Behind the myth

Purchasers of lower tier brands are driven by price, and thus more price sensitive

Therefore, increasing price of lower tier brands will result in a bigger volume loss than increasing price of higher tier brands

Pricing belief 3

Products of lower tiers are more price elastic than products of higher tiers

TRUE OR FALSE?

▲ FALSE

◆ TRUE

Pricing belief 3

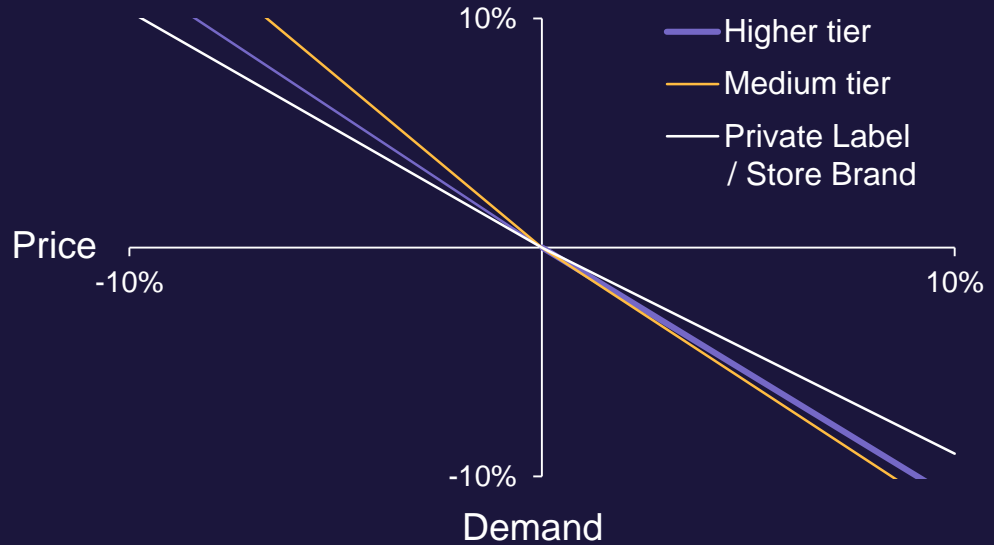
Products of lower tiers are more price elastic than products of higher tiers

TRUE OR FALSE?

▲ FALSE

Private labels are often the least price sensitive

Medium tier brands are usually most price elastic



Considerations



More switching possibilities within medium tier, driving higher price elasticity



High-end consumers are more brand-loyal and are less focused on prices, therefore less price sensitive



Low-end consumers have fewer cheap options to switch to when up pricing

Consideration ONLINE

In an online environment the scope of competition increases.
More choice is likely to increase price sensitivity



Ability to compare prices based on search criteria



 Coca-Cola Regular 1 l	1. ⁶²	 Coca-Cola Regular 1,5 l	2. ⁰⁸	 Coca-Cola Regular 6 x 0,33 l	3. ⁷²	 Coca-Cola Regular multipack 4 x 1,5 l	7. ⁴⁵	 Coca-Cola Zero sugar multipack 4 x 1,5 l	7. ⁴⁵	 Coca-Cola Zero sugar 6 x 0,33 l	3. ⁷²
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Pricing belief 4

Consumers are more price sensitive to price increases on large formats

TRUE OR FALSE?

Behind the myth

Large formats have higher prices, and price increases are more easily noticed



Increase: 20%

In absolute terms: + €0.10



Increase: 20%

In absolute terms: + €2.20

Pricing belief 4

Consumers are more price sensitive to price increases on large formats

TRUE OR FALSE?

 **FALSE**

 **TRUE**

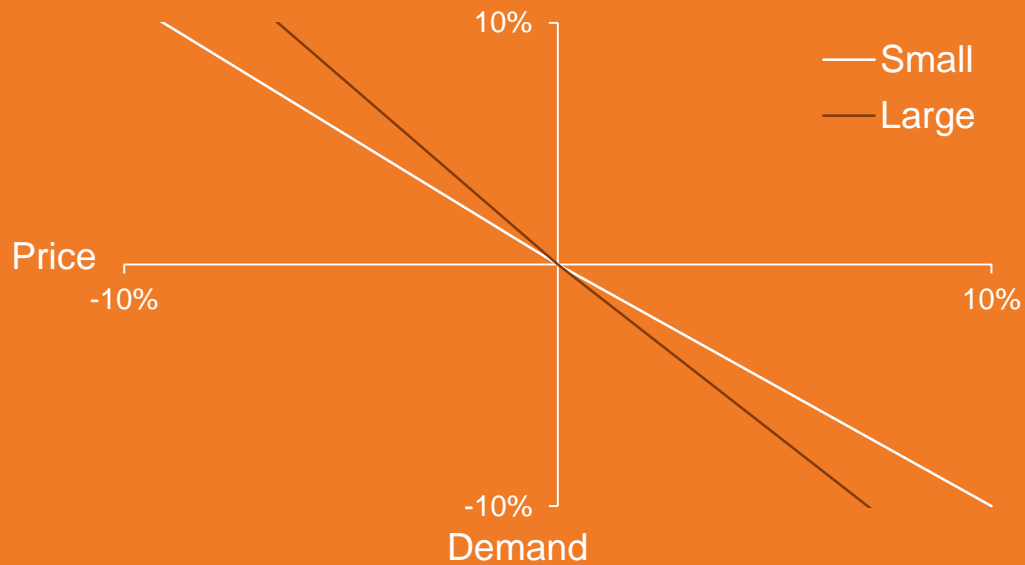
Pricing belief 4

Consumers are more price sensitive to price increases on large formats

TRUE OR FALSE?

◆ TRUE

Large SKUs are more price elastic than small SKUs



Recommendations



For larger SKUs a similar % increase leads to higher absolute price change which is more noticeable

When buying in bulk, most consumers expect a price discount and to pay a lower price / ml or / gram

Consideration ONLINE

Online shopping is about convenience shopping



VS.



Pricing belief 5

Women are generally more price sensitive than men when grocery shopping

TRUE OR FALSE?

Behind the myth

Women are often in charge of household budget,
and hence more price sensitive



Men shop mostly for products they are personally
involved with, hence are less price sensitive

Pricing belief 5

Women are generally more price sensitive than men when grocery shopping

TRUE OR FALSE?

 **FALSE**

 **TRUE**

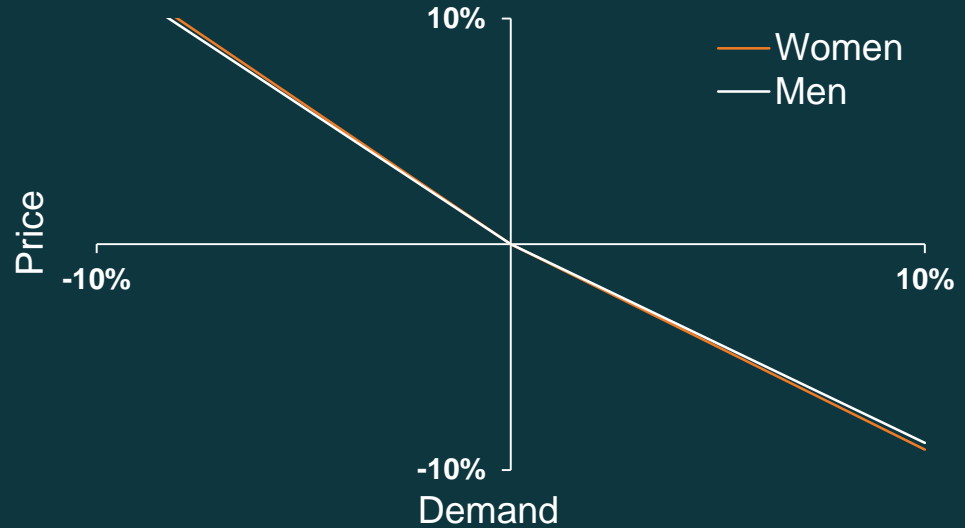
Pricing belief 5

Women are generally more price sensitive than men when grocery shopping

TRUE OR FALSE?

 **FALSE**

Looking at grocery shopping, there is no significant difference in price sensitivity between men and women



Recommendation

Are you going to charge different shelf prices to different target groups?

If not, it is not worth spending your budget to dig into these details

Consideration ONLINE

Digital allows for more accurate targeting, differentiating by willingness to pay.

