



# CASE STUDY

## PRICING OPTIMIZATION

## CLIENT SITUATION

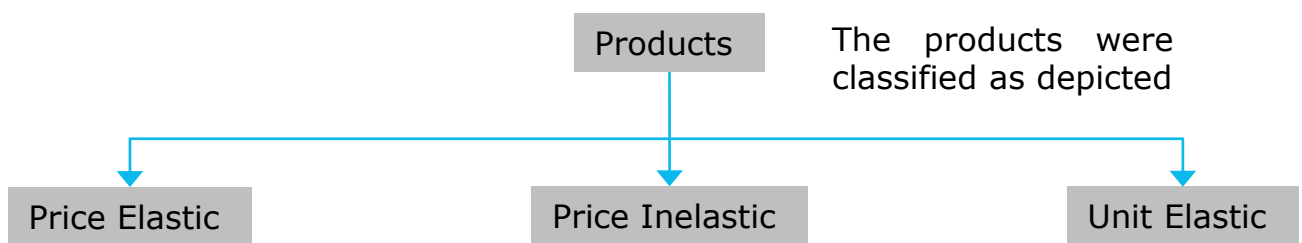
A Fortune 100 retail giant approached Impact Analytics for an analytics consulting and data science solution. The company wanted to revamp their internal price determination process to include data analytics and algorithms

- At the time of our engagement, the company sold **over 5,000 products across 12 categories**, some of which were sold exclusively online
- The company's pricing policy was limited to two pricing zones even though brick and mortar stores were spread across 1200 locations in the US
- The explosion of low cost ecommerce competition demanded speed and flexibility in pricing changes

However, back then, most pricing decisions at the company were unproductively gradual and usually explained away to management's business acumen and ad hoc customer feedback

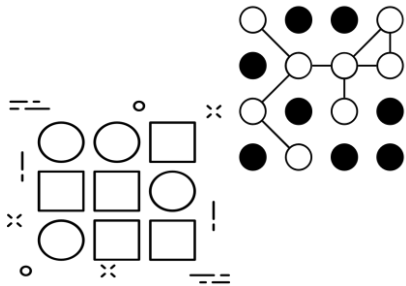
Impact Analytics (IA) kicked off the project with a detailed segmentation of the company's retail stores. We formed clusters using multiple factors such as regional economic indices, sales figures, competition density and others. Price elasticity of demand for each item, for a cluster, was determined using ARIMAX and/or OLS regression

## THE SOLUTION



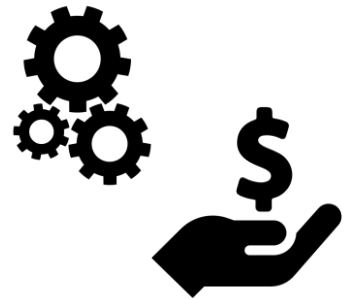
This classification helped to determine the magnitude of response to the price changes. Based on the price elasticity co-efficient and competitor pricing for relevant products in the same area, we made price recommendations in terms of percentage changes.





- IA then ran a comprehensive pilot test on 10 percent of total stores and eight product categories to analyze effects of recommended price changes
- Sales lift/dip and halo/cannibalization effect on other products were also monitored as part of the predictive analytics work

- IA Team did not undermine the importance of actual human feedback as a supplement to automated data
- To gauge in-store responses and to obtain valuable feedback from managers of pilot stores, IA built a custom application called Inside Insight
- The team built it using IA's proprietary survey analytics platform



## 3% INCREASE IN REVENUE

- The project concluded with the demarcation of four different pricing zones
- This additional flexibility accelerated time taken for decisions with respect to zone-specific prices
- Through the process, the client managed a 3 percent increase in revenue, driven extensively by price changes in inelastic products



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