

## Industry

### Retail & e-Commerce

## Objective

To understand the impact of price sensitivity on sales volume for various lines of products.

## Manthan's Approach

We built price elasticity models, did price threshold and price gap analysis to determine the optimal price points for 508 SKUs.

## Benefits Achieved

### Before:

- ▶ Weak pricing strategy.
- ▶ Prices were frequently changed.
- ▶ Inability to understand the price sensitivities of various product lines

### After:

- ▶ Better understanding of product performance based on price sensitivity.
- ▶ Ability to centrally control price points with a price range for each product line.

## “PRICING ANALYTICS TO REDEFINE PRICING STRATEGY FOR MULTIPLE PRODUCT LINES FOR A MEXICO-BASED RETAILER”

Our customer wanted to tune in their pricing strategy with increasing business complexities and the dynamic nature of the market. Faced with growing competition they realized that an appropriate price tag attached to their product is the only way to gain overall sales and margin.

## Leading Mexico-based Grocery Retailer

Client is a primarily franchised chain of convenience stores from Mexico, with over 11,000 stores across Latin America. It is the largest chain of this kind of store in Mexico.

## Business Context

Client has a centralized pricing team that decides the pricing of various product lines. However, prices were frequently changed by the store's regional managers and hence their pricing team hardly had control over it. In order to develop a competitive pricing capability, client was interested in getting answered some of the key pricing questions-

How sensitive is the sales of my product to price?

- What is the maximum price threshold beyond which the volume drops significantly?
- How much of price gap should I maintain with that of my competitor so that I maximize the sales volume?
- What is the optimal price range that I can play around to maximize product profitability?
- What is dept of price discount that I can go for a specific SKU?

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## Solution

Manthan in partnership with the client evaluated different pricing challenges and help architect analytical solutions to answer their key pricing questions. Our team diligently utilized client's transactional, promotional data and its competitor's data to come up with different price elasticity and cross elasticity models for 508 product lines. We used advance statistical regression technique for building these models. Our team collaborated with the client's central pricing team from project initiation to final insights delivery.

We provided the following key analytics-based solutions to the client -

- Price Elasticity: Built price elasticity models for 508 SKUs. This helped the clients to classify price sensitive items and non-price sensitive items. Further it allowed the clients to measure the volume loss/gain as a result of unit increase in price.
- Price Thresholds: Identified promotion price point, beyond which sales volume decrease significantly. This helps in finding out the optimal price range for different SKUs on promotion.
- Price Gaps: Identified the price differentials that the client needed to maintain in order to maximize the sales volume.
- Optimal Price Point: Identified the optimal price point to maximize the product profitability.
- Pricing Dashboard: Developed pricing simulation tool which allowed client to measure different sales and profitability based on different pricing scenarios.

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## Benefits

The analysis revealed a clear understanding of the impact of various price points on sales volume and profitability. This lead to a better control of pricing strategy by the client's central pricing team and helped in designing the right price promotion for each SKUs.

## About Manthan



We are a high-end Analytics and Information Management Solutions company headquartered in Bangalore, India. We are a team of domain experts working round the clock to providing cutting-edge solutions to some of the biggest names in the Retail / CPG industry.

## Analyze, Decide & Do