PRICE & PROMOTION
Optimizer

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UNDERSTANDING YOUR SHOPPERS EVERY STEP OF THE WAY

Derived from Actual Observed Behaviors

Decide to Go Shopping

Choosing A Store

Explore the Store

Select a Category

Select a Product

Buy the Product

Shopper Mission

- Shopping Frequency Patterns
- Consumer Reach Points
- Store Repertoire
- Store Loyalty/Propensity
- Favorite Store/ Lapsed Shoppers
- Channel Evolution Effect

Category Adjacencies

- Category Conversion
- Category Role (Penetration/ Frequency Matrix)
- Secondary Site Locations

Shopper Decision Hierarchies

- Range Optimization
- Fixture layout & Merchandizing Principles
- Shopper Evolution

Marketing Tactics

- **Price & Promotions Optimizer**
- Product Expandability
- Loyalty Chains

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5 Steps to Price and Promotion success.

Step 1 – Macro Understanding

Macro understanding of the role that price and promotions play in a category

Step 2 – Optimum Price

What is the optimum base price for my brand skus?

Step 3 - Price Simulation

Simulating the effect of changes and testing market price scenarios.

Step 4 – Promotion source of volume

Which promotions are truly effective.

Step 5 – Brand Trial promotions

Winning new brand buyers

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Step 1 - Macro Understanding

Macro understanding of the role that price and promotions play in a category

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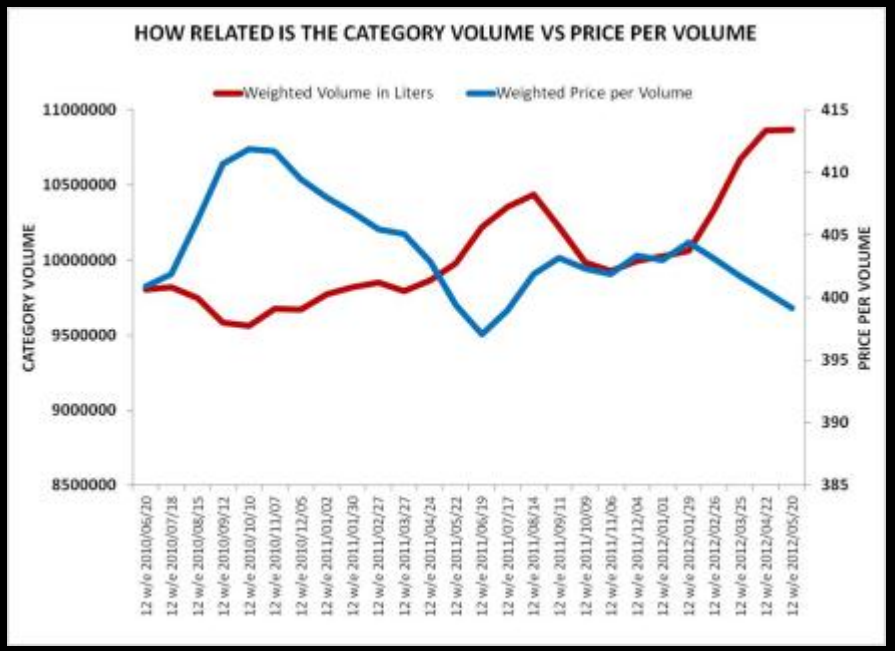
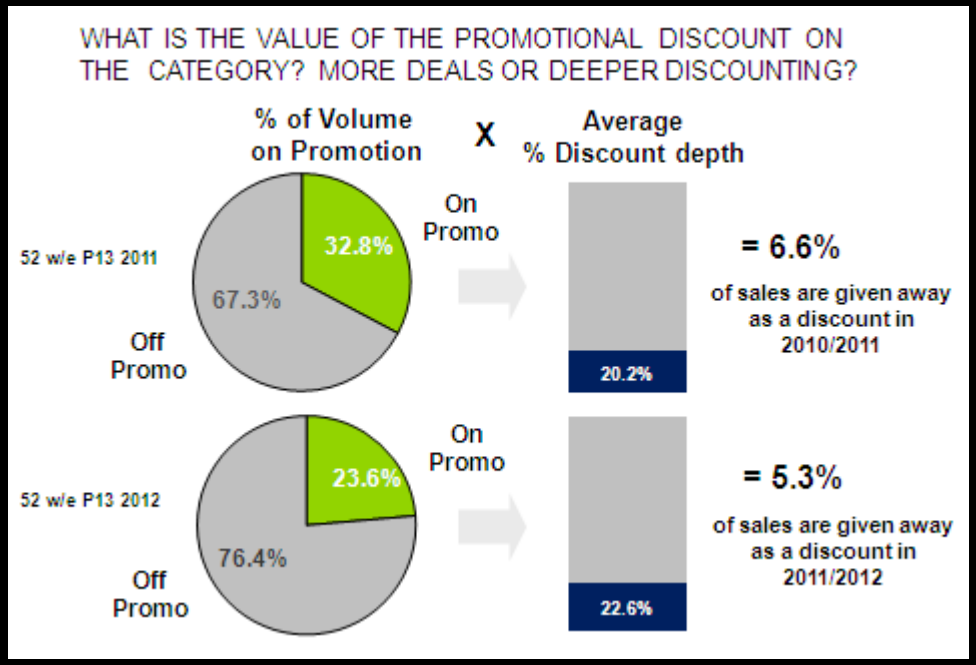
PRICING

How sensitive is the category to price changes? Category level Price/volume elasticity?



PROMOTIONS

How much of the category is actually sold on promotion? What's the value?



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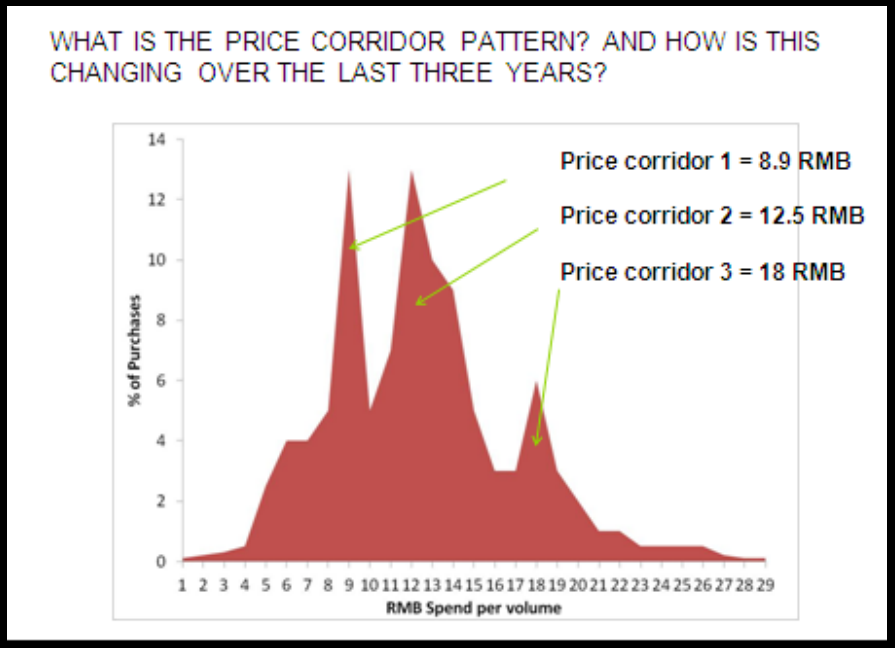
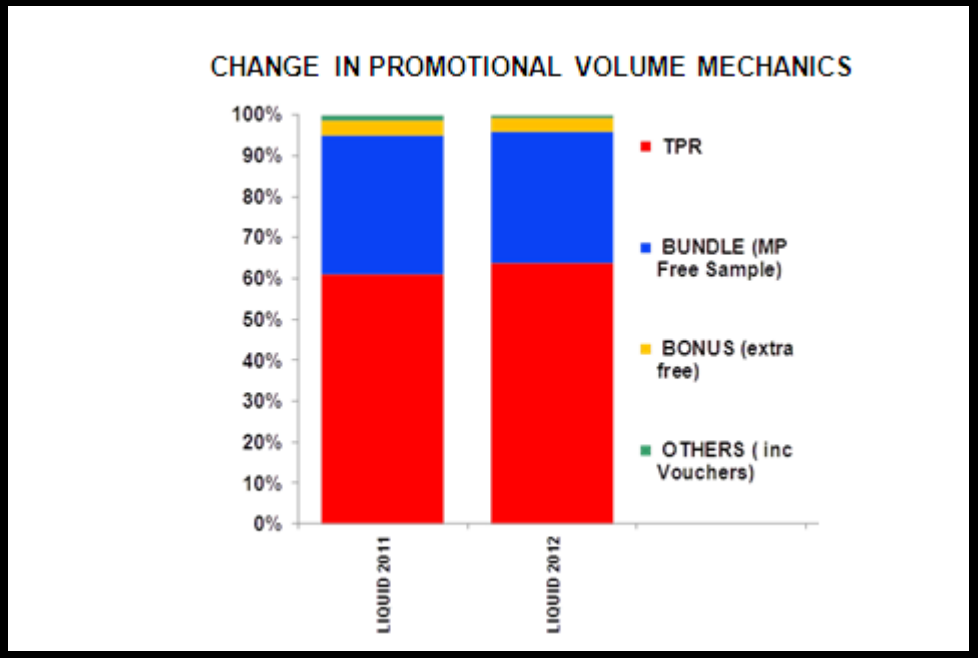
PRICING

What are the price corridors in the category? How are they changing?



PROMOTIONS

What promotion mechanics are used and how is their use changing?



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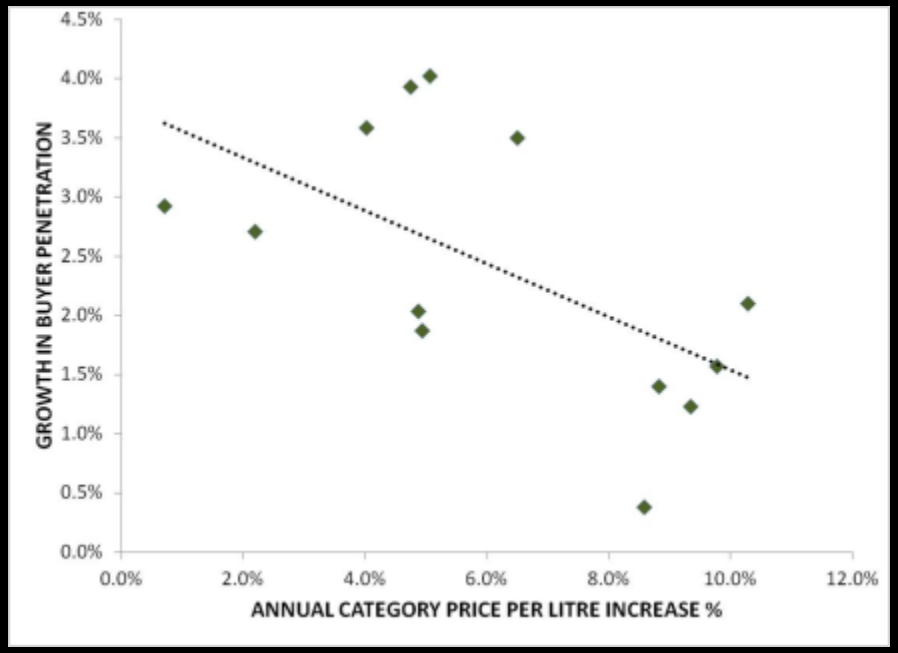
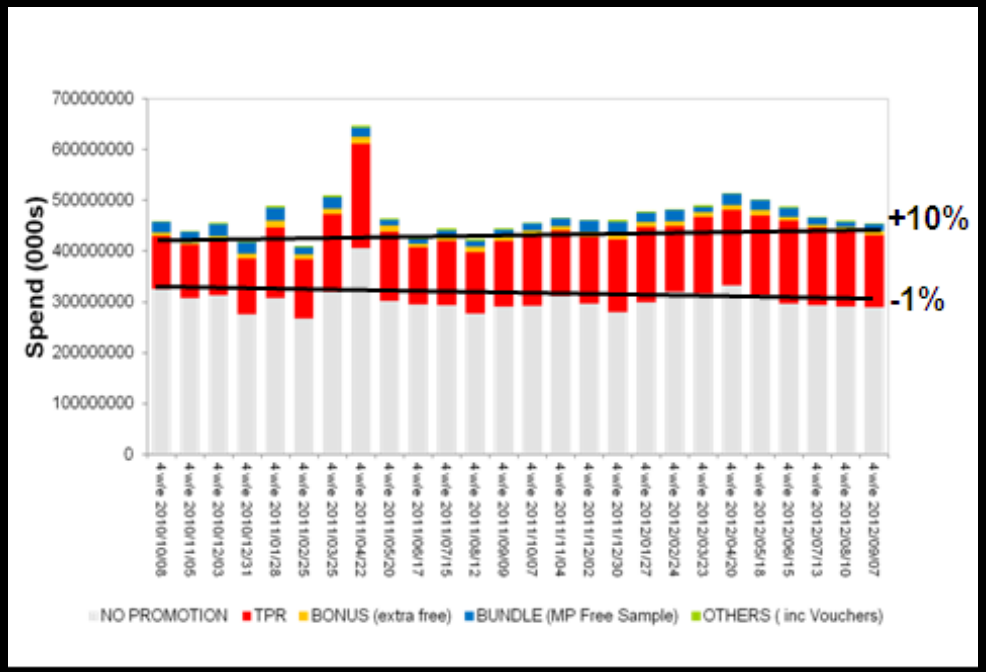
PRICING

What is the impact of category price change on penetration growth?



PROMOTIONS

How much do promotions contribute to category spend growth?



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Step 2 – Optimum Price

What is the optimum base price for my brand skus?

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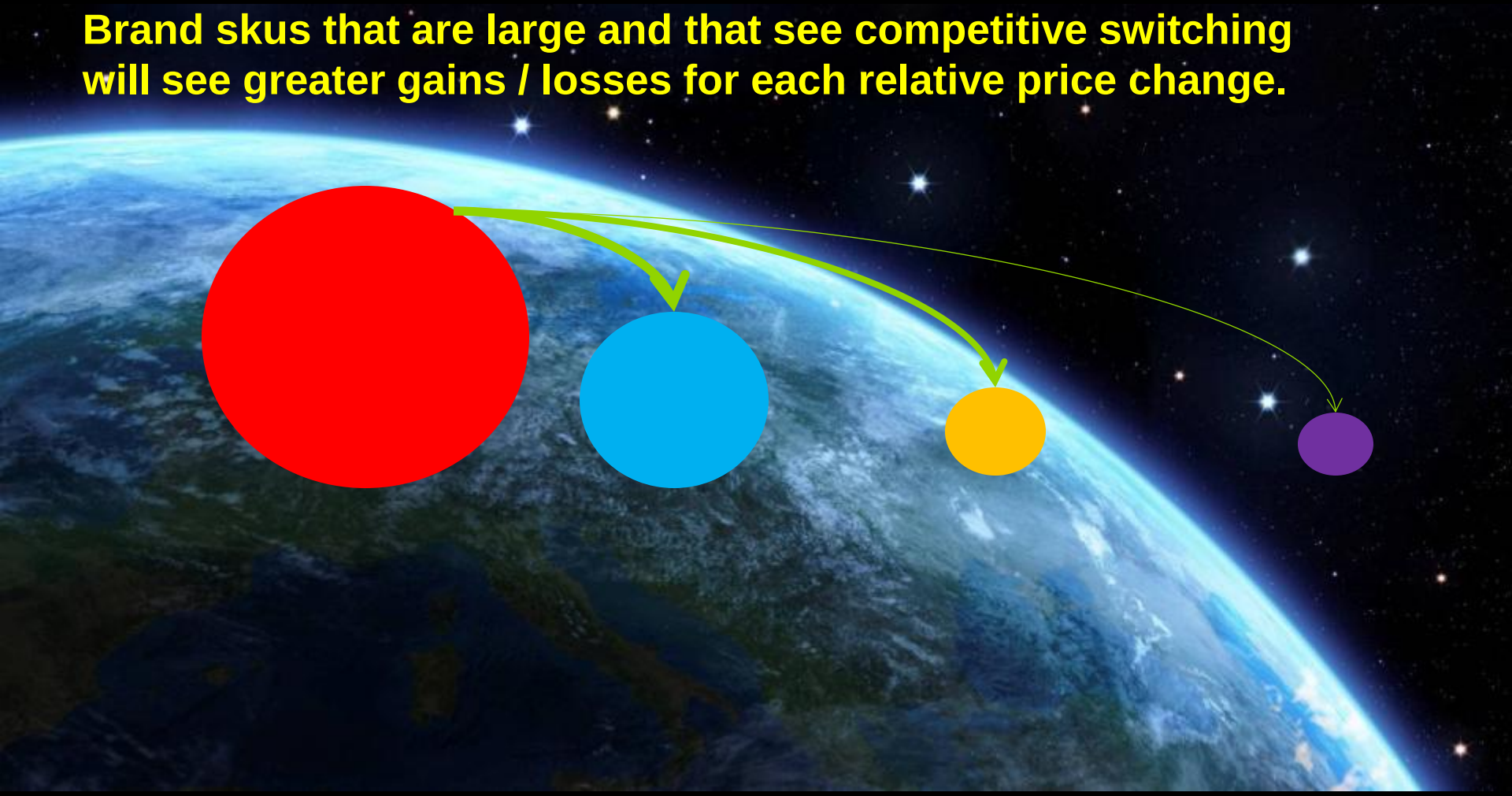
Much like planets, brand skus will interact with each other based on their size and competitive distance from each other.

Brand skus that are large and that see competitive switching will see greater gains / losses for each relative price change.



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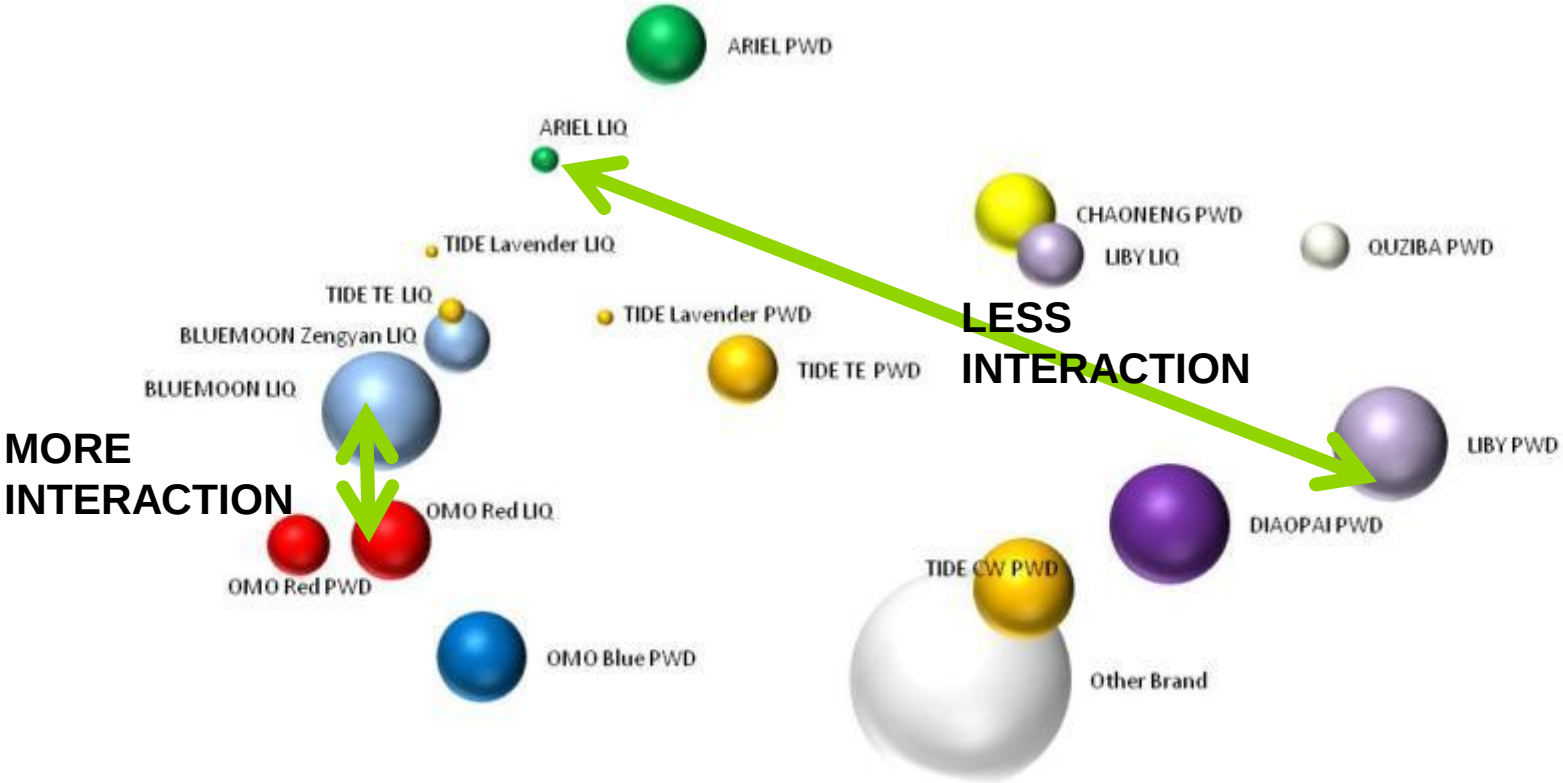
WHO DO I COMPETE WITH WHEN PRICE CHANGES ARE MADE? DISTANCE = BUYER DUPLICATION



Bubble size = RMB VALUE spend
Plot distances in 2D space = interaction index
i.e. closer the points the greater interaction Pre to Target.

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HOW DO I COMPARE MY PRICE WITH RIVALS?
YOUR COMPETITIVE PRICE IS RELATIVE TO YOUR KEY COMPETITORS.

Highest level of competitive purchase overlap (Competitor price changes will make an impact)

Same Product/Brand or different sub variant

Closest rival competitors / other Variants / Pack size options

General market competitors

Lowest level of competitive purchase overlap (Competitor price less relevant. Their changes will make little or no impact)

Unrelated market participants With limited buyer overlap

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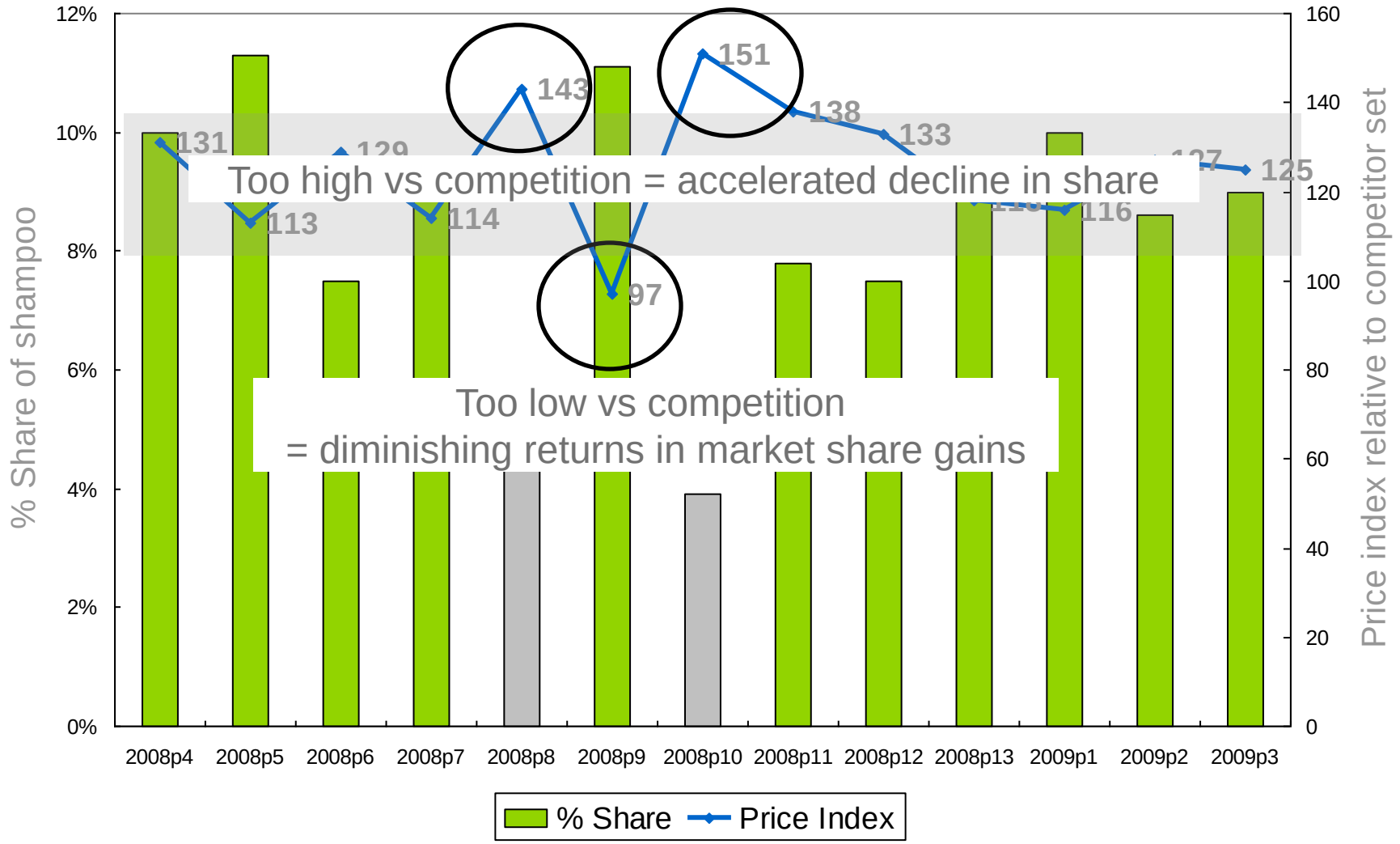
OVER TIME HOW DOES OUR BRAND SHARE CHANGE RELATIVE TO THE PRICE OF OUR COMPETITIVE SET?



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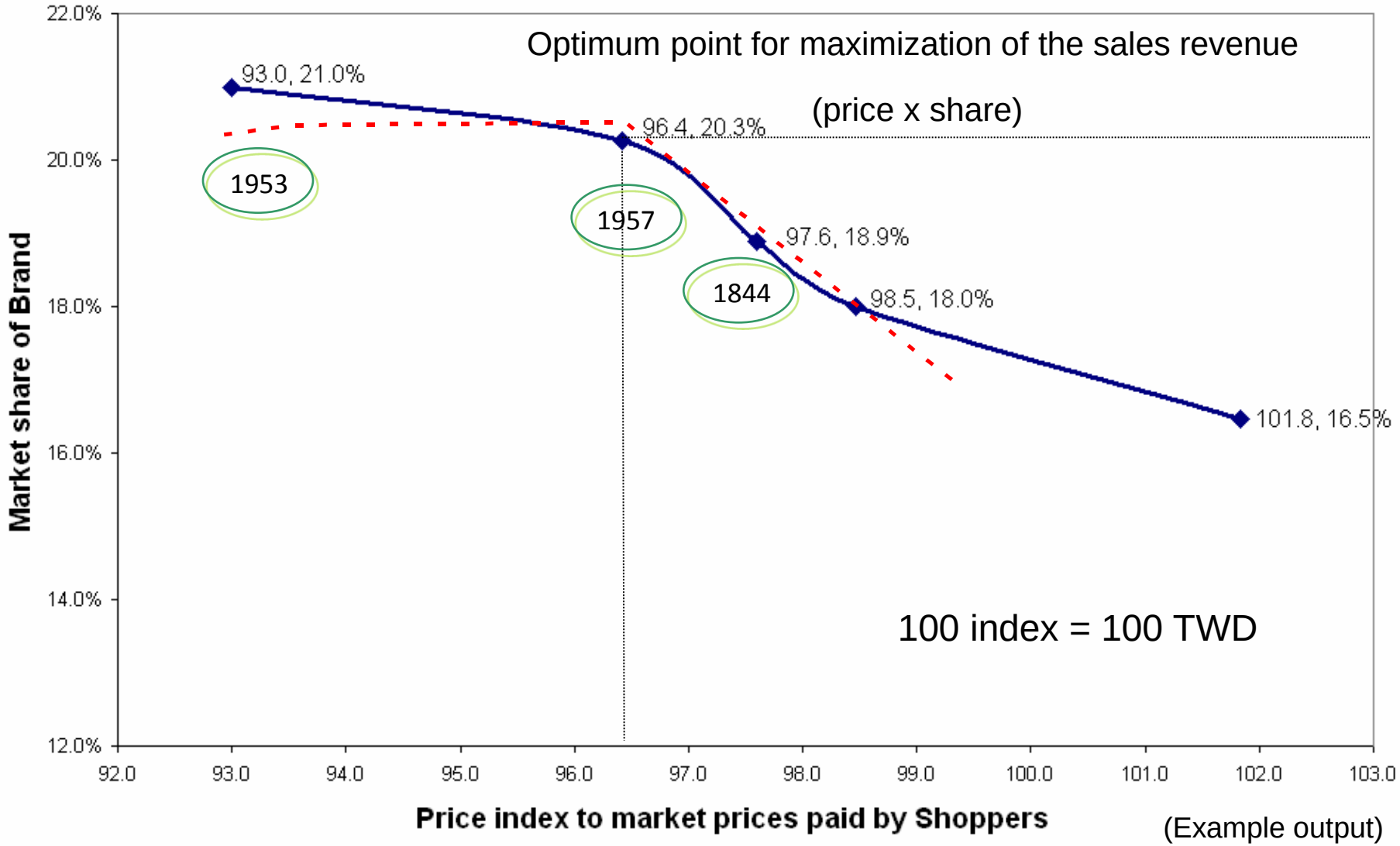
WHAT IS MY BRAND SKUS OPTIMUM PRICE POINT TO MAXIMIZE REVENUE OR MARKET SHARE?



(Example output)

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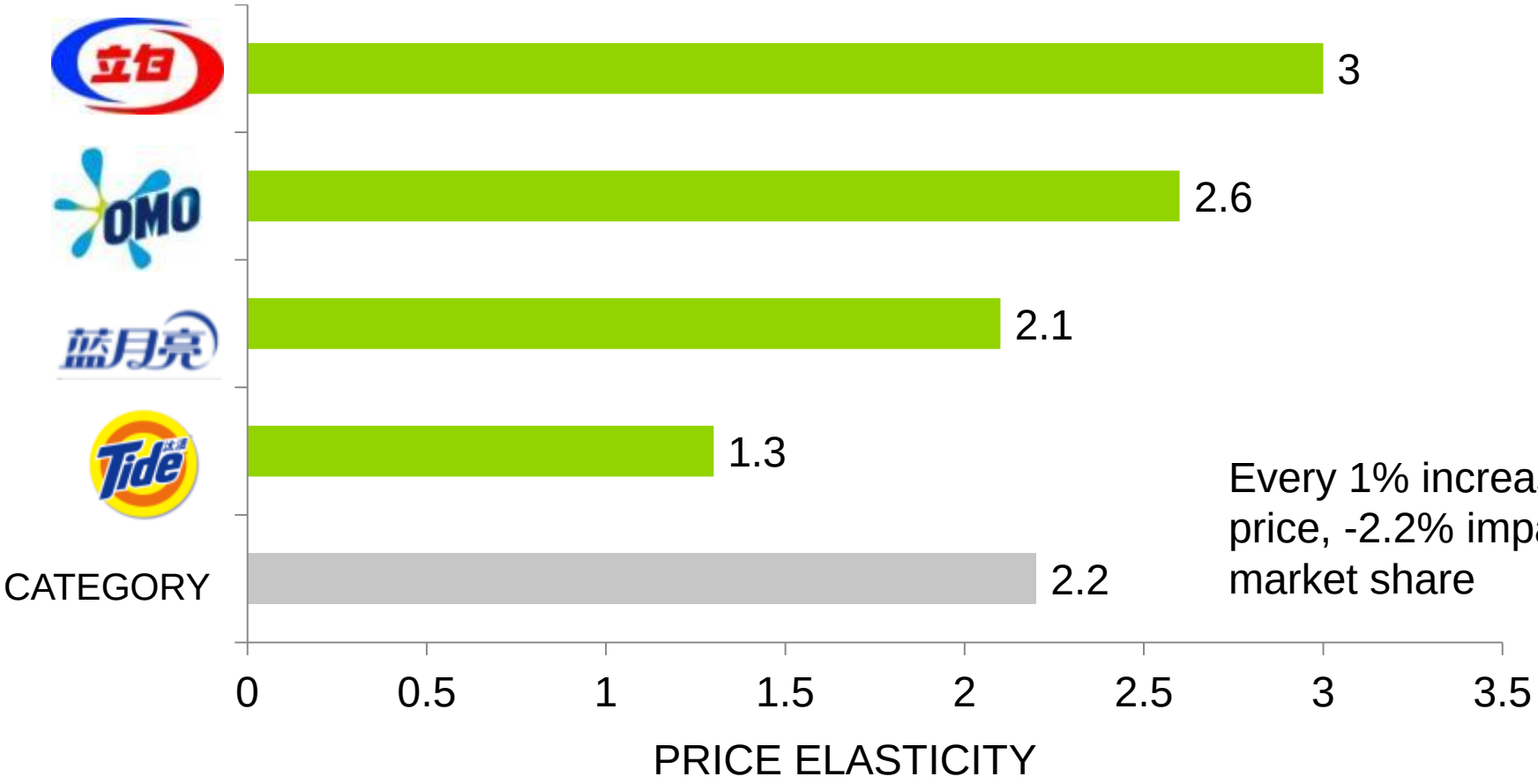
HOW DOES MY SKU LEVEL PRICE ELASTICITY COMPARE WITH RIVALS? ESPECIALLY THOSE IN THE SAME COMPETITIVE AREA?



Every 1% increase in price, -2.2% impact on market share

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Step 3 – Price Simulation

Simulating the effect of changes and testing market price scenarios.

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PriceTargeter SIMULATION TOOL

- Knowing the price elasticity of brands and the interactions between the brands we build a price simulation model to determine which brand skus can raise prices and which would benefit from a price cut.
- Discover best prices for each sku compared to rivals
- Know when to react quickly to the actions of lower prices from competition and when to hold your ground.

PriceTargeter

DESCRIPTION	BRAND SKU_1	BRAND SKU_2	BRAND SKU_3	BRAND SKU_4	BRAND SKU_5	BRAND SKU_6	BRAND SKU_7	BRAND SKU_8	BRAND SKU_9	BRAND SKU_10
Price in Centavos per 500 sheets	926	850	926	738	504	527	499	824	881	870
Number of sheets in Pack	500	500	500	500	500	500	500	500	500	500
Percentage change in Price	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Price in Centavos per Sheet	1.85	1.70	1.85	1.48	1.01	1.05	1.00	1.65	1.76	1.74
Price index vs market	248	228	248	198	135	141	134	221	236	233
Price index vs comp set weight	100	100	100	100	100	100	100	100	100	100
SKU Price Elasticity	-3.4	-2.3	-2.4	-1.5	-3.2	-2.6	-1.2	-2.1	-2.8	-1.5
Expected Volume Market Share IF Comp set price index	0.900%	0.500%	1.0000%	0.700%	5.500%	1.000%	8.800%	0.600%	0.600%	2.500%
Start share	0.900%	0.500%	1.0000%	0.700%	5.500%	1.000%	8.800%	0.600%	0.600%	2.500%
%Share / Loss	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
TOTAL MANUFACTUER 1	8.60%	8.60%	0.00%							
TOTAL MANUFACTURER 2	53.70%	53.70%	0.00%							
TOTAL MANUFACTURER 3	5.30%	5.30%	0.00%							
OTHER MANUFACTURERS	32.40%	32.40%	0.00%							

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CASE STUDY

How do we best manage price increases in the market?

the benefit of having a price strategy by SKU rather than going for blanket price rises

Comparison of the following scenarios:
1) 5% price increase for all our SKUs
2) strategic price increases by SKU to achieve a value uplift of 5% for the brand.

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Scenario 1 – Increase price 5% on all SKUs at the same time will result in stable value sales, but a drop in volume share for the brand.

Decision	Effect of +5% price increase	% Purchases Average before	% Purchases Average after	Average Price per Unit	Average Price per Unit +5%	Est. Rev Before	Est Rev After
+5%	Brand 1	0.50%	0.49%	48	50.4	0.24	0.25
+5%	Brand 2	0.50%	0.49%	47	49.4	0.24	0.24
+5%	Brand 3	1.20%	1.16%	23	24.2	0.28	0.28
+5%	Brand 4	5.20%	5.04%	9	9.5	0.47	0.48
+5%	Brand 5	0.60%	0.58%	55	57.8	0.33	0.33
+5%	Brand 6	3.40%	3.30%	10	10.5	0.34	0.35
+5%	Brand 7	0.50%	0.49%	10	10.5	0.05	0.05
+5%	Brand 8	0.80%	0.79%	23	24.2	0.18	0.19
+5%	Brand 9	5.10%	4.90%	10	10.5	0.51	0.51
+5%	Brand 10	0.40%	0.37%	55	57.8	0.22	0.21
+5%	Brand 11	1.20%	1.05%	9	9.5	0.11	0.10
+5%	Brand 12	5.20%	4.60%	9	9.5	0.47	0.43
	Total Share / Est Revenue	24.60%	23.26%			3.43	3.43
	% Change	Share of Purchases Change	-5.4%	Vol Share Change	-4.49%	Revenue Change	0.1%

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Scenario 2 – Selective price increases on SKUS will result in significant revenue increases while minimizing volume declines and is less risky compared to raising all prices.

Decision	Selective Increases	% Purchases Average before	% Purchases Average after	Average Price per Unit	Average Price per Unit After	Est. Rev Before	Est Rev After
+10%	Brand 1	0.50%	0.47%	48	52.8	0.24	0.25
+10%	Brand 2	0.50%	0.46%	47	51.7	0.24	0.24
+10%	Brand 3	1.20%	1.10%	23	25.3	0.28	0.28
+5%	Brand 4	5.20%	4.90%	9	9.5	0.47	0.46
+5%	Brand 5	0.60%	0.56%	55	57.8	0.33	0.32
Hold	Brand 6	3.40%	3.45%	10	10.5	0.34	0.36
Hold	Brand 7	0.50%	0.51%	10	10.5	0.05	0.05
Hold	Brand 8	0.80%	0.84%	23	24.2	0.18	0.20
Hold	Brand 9	5.10%	5.20%	10	10.5	0.51	0.55
Hold	Brand 10	0.40%	0.43%	55	57.8	0.22	0.25
Hold	Brand 11	1.20%	1.22%	9	9.0	0.11	0.11
Hold	Brand 12	5.20%	5.55%	9	9.0	0.47	0.50
	% of Purchases / Est Revenue	24.60%	24.69%			3.43	3.57
	% Change	Share of Purchases Change	0.4%	Vol Share Change	-1.10%	Revenue Change	4.2%

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Step 4 – Promotion source of volume

Which promotions are truly effective.

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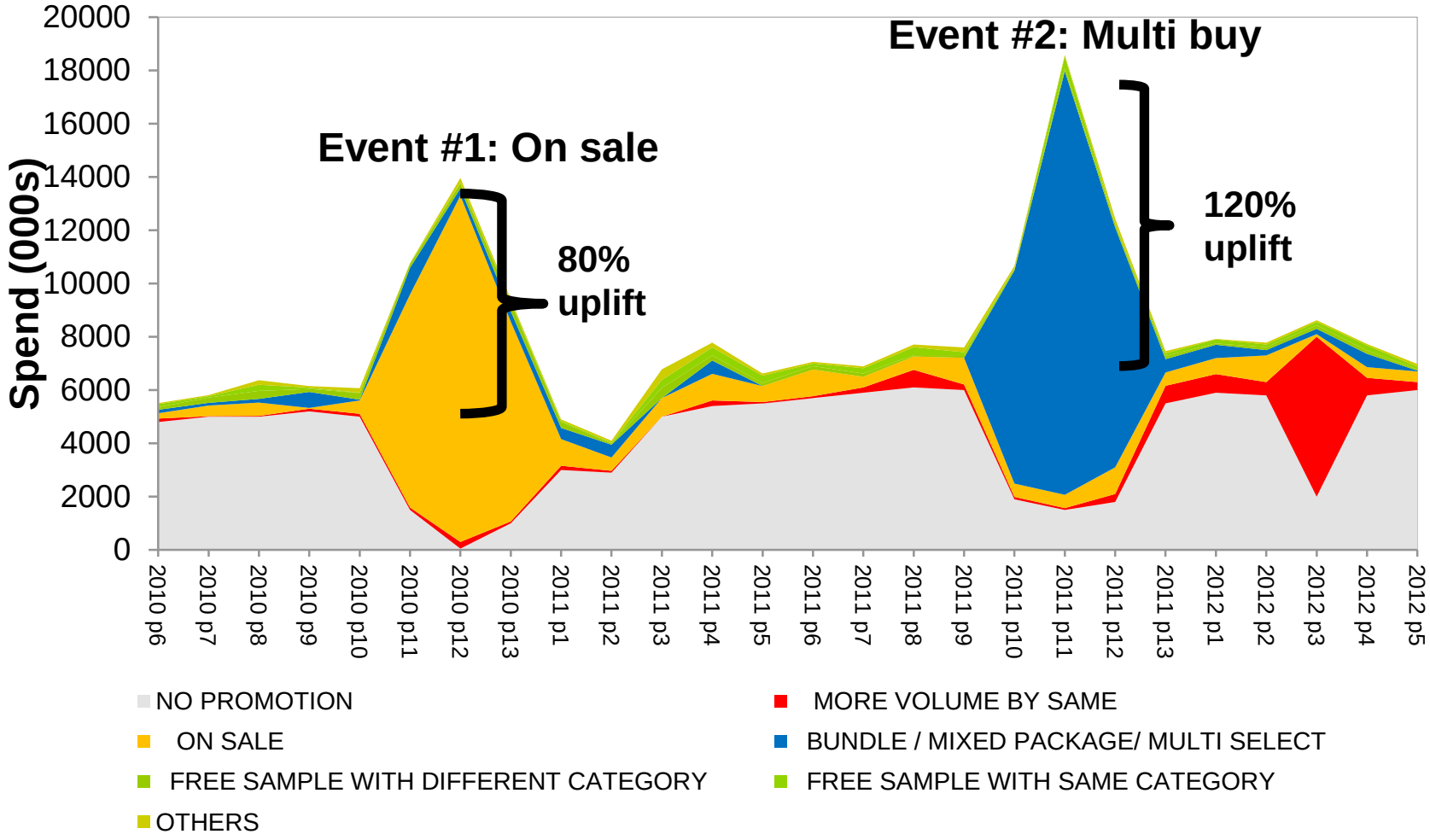
BRAND EXAMPLE - TWO MAJOR EVENTS WITH GOOD UPLIFT. BUT WHERE DID THE UPLIFT COME FROM? IS IT TRULY A BENEFIT?



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Three ways promotion deals might benefit the brand:

Incremental "New" Buyers

Generate Trips to category that would never have been made?

Incremental "Switch" Buyers

Encourage shoppers to switch from a rival brand

Current Buyers

Encourage shoppers who were going to purchase the brand to buy more and consume more?

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Two ways promotion deals might hurt the brand:

Subsidized / Cannibalized-
Current brand buyers.
The purchase would have occurred any way (same sku or different sku) and no change to consumption.
Value given away

Displaced –
Purchases simply bought forward or delayed

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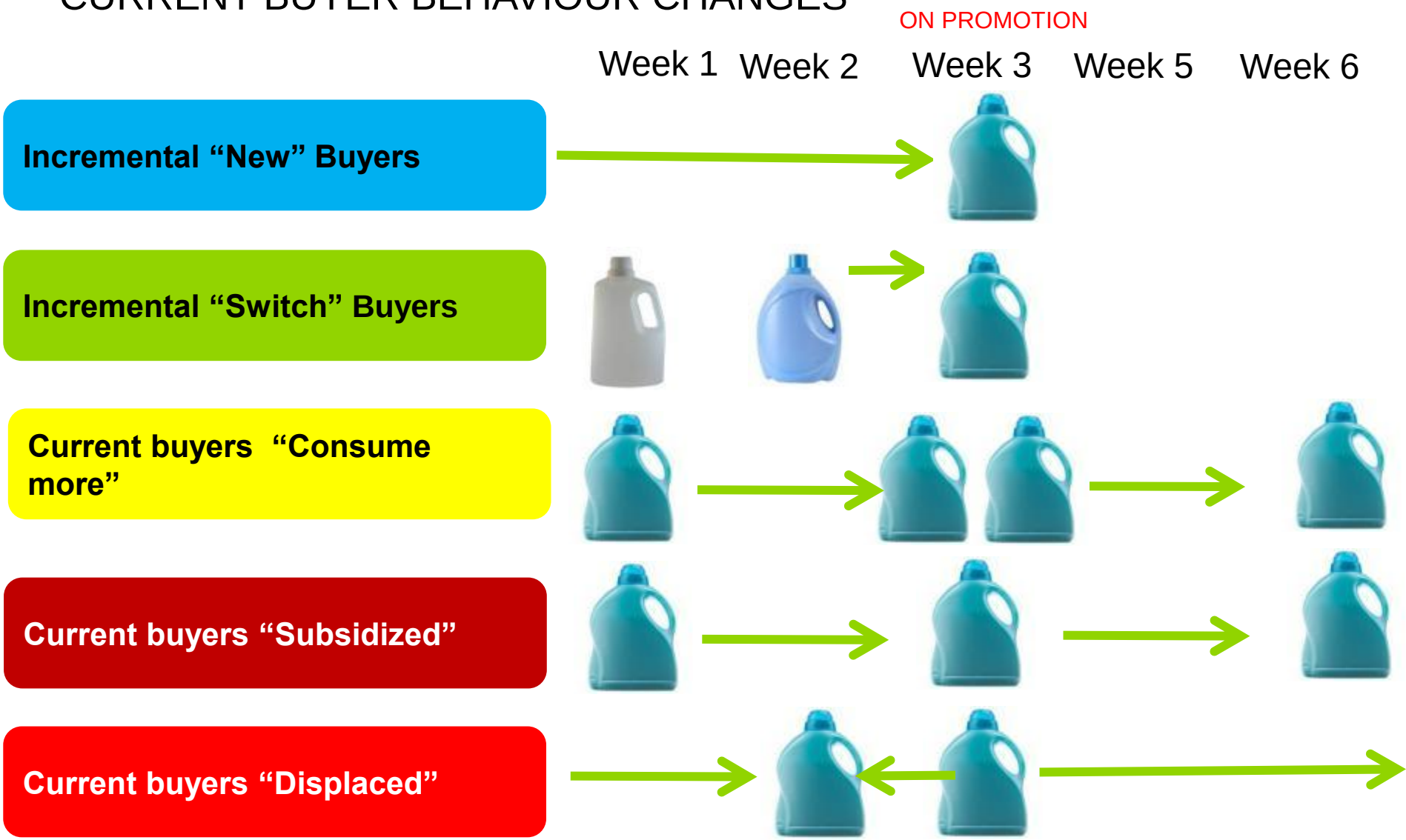
PROMOTIONAL SOURCE OF VOLUME – SHOWING BREAK OUT OF CURRENT BUYER BEHAVIOUR CHANGES



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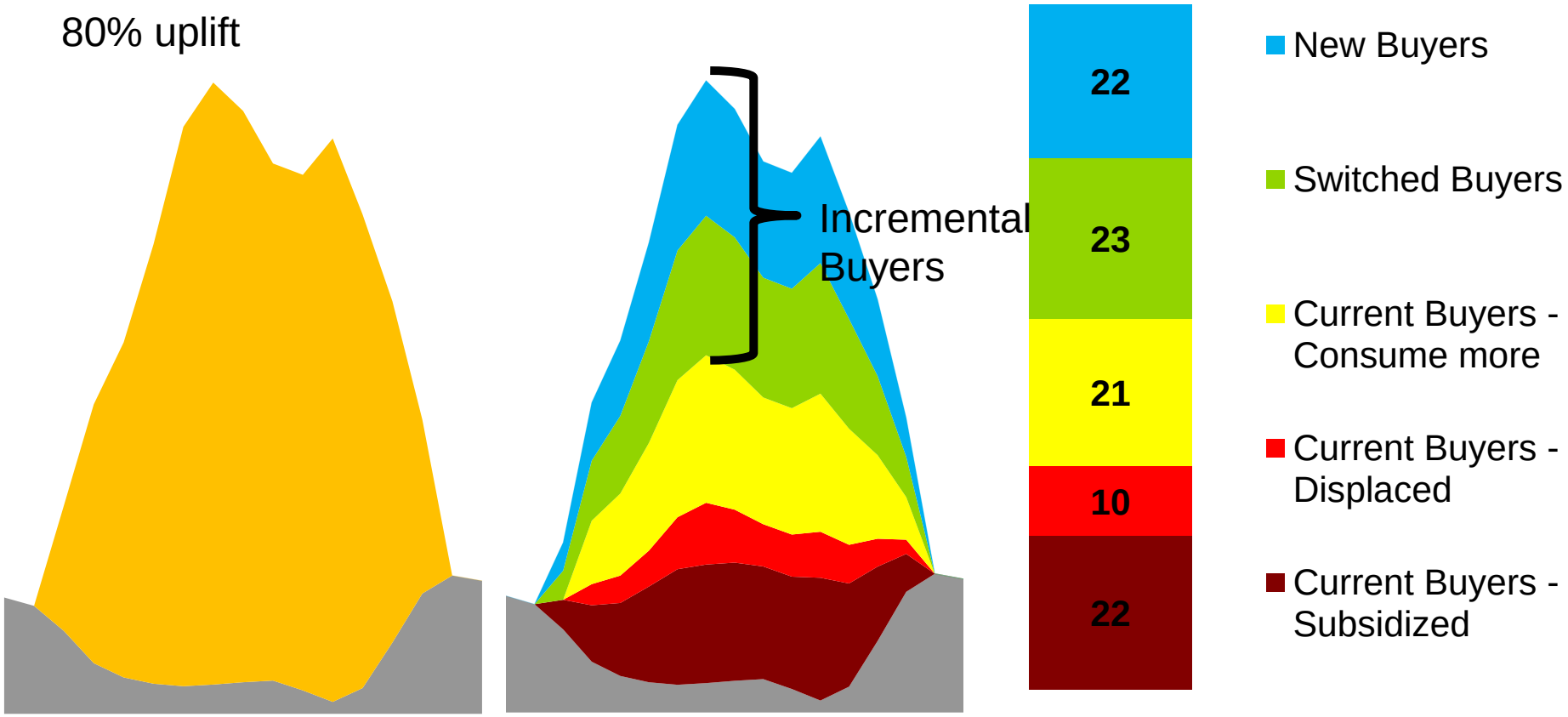
EVENT #1 SOURCE OF VOLUME SHOWS WHERE THE UPLIFT HAS COME FROM AND HOW MUCH IS INCREMENTAL, BUT ALSO HOW CURRENT BUYERS HAVE BEEN IMPACTED BY THE PROMOTION.

Event #1: On sale – 80% uplift



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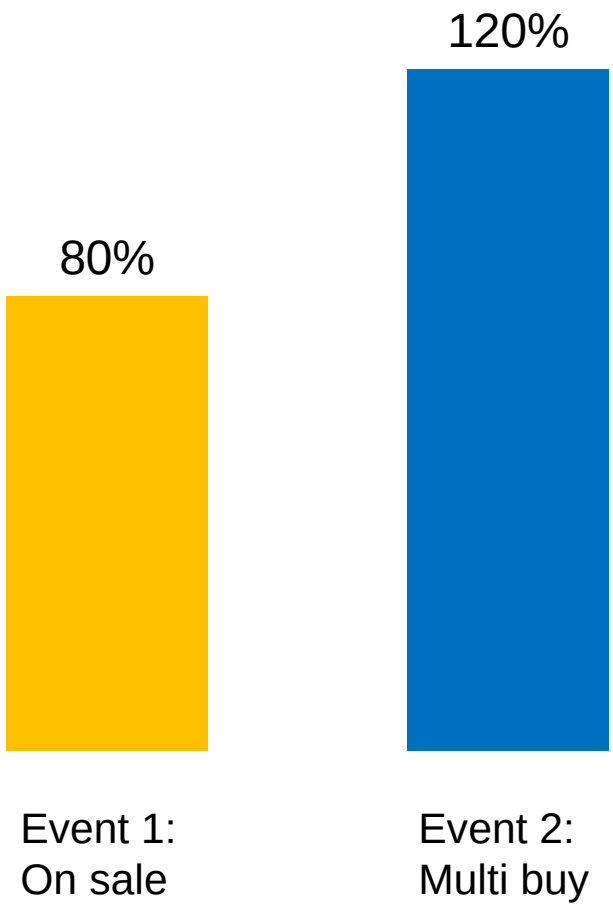
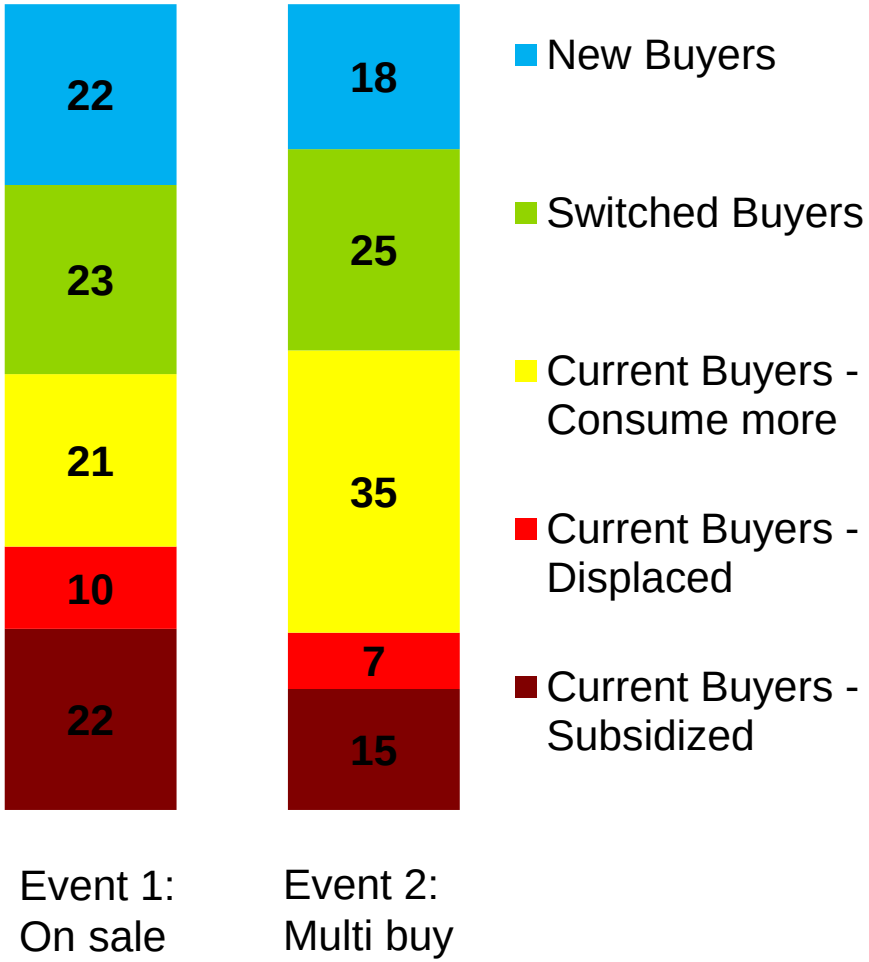
INVESTIGATING THE PERFORMANCE OF BRAND PROMOTIONS – UPLIFT % AND CONTRASTING WITH THE BUYER TYPES ATTRACTED.

UPLIFT EFFECT



SOURCE OF VOLUME PROFILE



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Step 5 – Brand Trial promotions

Winning new brand buyers and retaining them.

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An example of the largest brand in the market. And 3 out of 4 buyers in the category don't buy it. Spot the opportunity!

BASE: ONE YEAR

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What drives the trial?

Trial Day

Brand re-included into repertoire

Previous 2 years prior to trial date

Did they buy the brand previously? **No**

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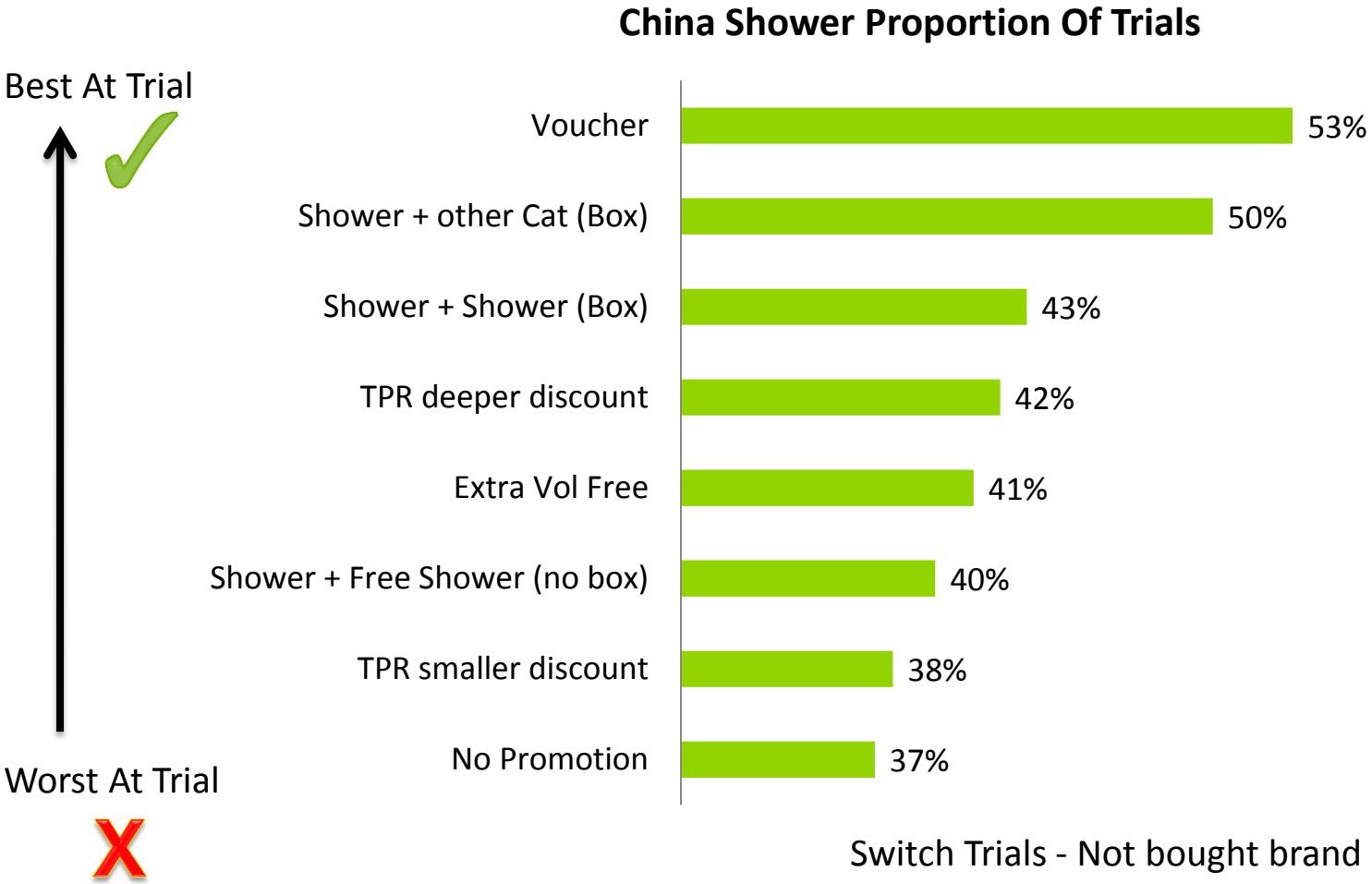
Which mechanics work best to bring in new buyers?

– Vouchers and box sets helping win new buyers. But it is not the same story for different price tiers.



Switch Trials - Not bought brand in previous 2 years
Mechanic within brand share size.

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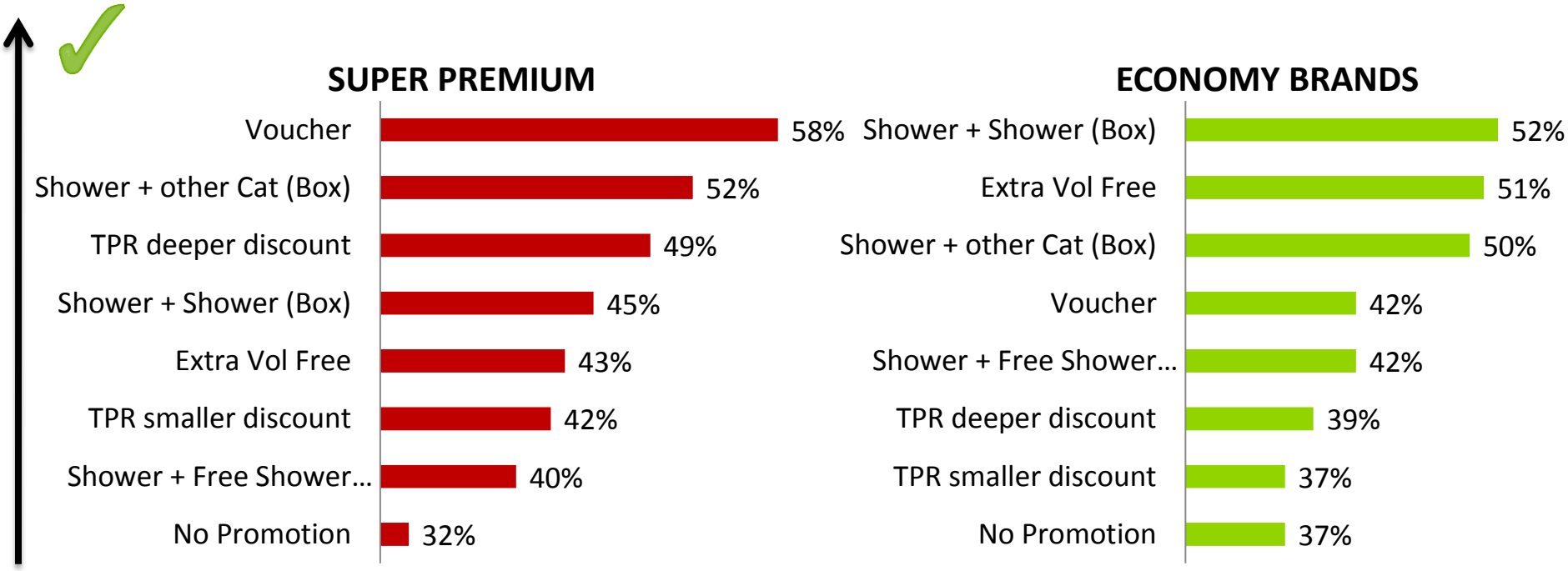
Which mechanics work best to bring in new buyers?

- Driving trial in super premium needs different promotion mechanics.
- Vouchers and Box sets with another category work well for Super premium.
- Economy brands see value twin packs and extra volume as more effective.

Best At Trial



Worst At Trial

Switch Trials - Not bought brand in previous 2 years
Mechanic within brand share size.

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