Pricing study from ScanmarQED

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Marketing.Illuminated

What is included in this document?

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1. Types of Pricing Studies on offer

Basic

Extended

Investment Required:
€5,000 per category + € 300 per retailer / brand

What type of business questions can this study answer?

Description of your current segment/brand price architecture (pricing structure, positioning, segmentation)	What is the long-term pricing strategy for your brand, by channel?	What is the price gap versus the competitors?
When competitors change price, should you follow?	What is your brand / SKU price elasticity?	Which SKUs are more sensitive to price change?

Turnaround time: <2 weeks

Investment Required:
€7,500 per category + €1.200 per retailer / brand

What type of business questions can this study answer?

All questions from the Basic Study

+

What is the impact of increasing price by 5% or 10% etc.?	Which brands do you lose your volume to when pricing up?	What is the level of cannibalization between items within your portfolio?

Turnaround time: 2 - 4 weeks

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2. Types of questions will you get answered with our studies

Basic Study

What is my current segment / brand price architecture?

What is the long-term pricing strategy for my brand, by channel?

What is the price gap versus my competitors?

When competitors change price, should I follow?

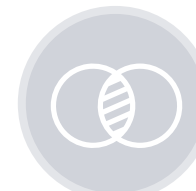What is my brand / SKU price elasticity?

Which SKUs are more sensitive to price change?

What is the impact of increasing price by 5% or 10% etc.?

Which brands do I lose my volume to when pricing up?

What is the level of cannibalization between items within my portfolio?

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2. Types of questions will you get answered with our studies

Extended Study

What is my current segment / brand price architecture?

What is the long-term pricing strategy for my brand, by channel?

What is the price gap versus my competitors?

When competitors change price, should I follow?

What is my brand / SKU price elasticity?

Which SKUs are more sensitive to price change?

What is the impact of increasing price by 5% or 10% etc.?

Which brands do I lose my volume to when pricing up?

What is the level of cannibalization between items within my portfolio?

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Price Segmentation Sample Deliverables (1/3)

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Price Elasticities Sample Deliverables (2/3)

Price Elasticities – How is the volume and price relation?

Overview
Compare all weeks to find the price elasticity of a product

What kind of information can you find here?
- Select the retailer you want to analyze
- Choose the segment you want to analyze
- Select your product (total brand, SKU, etc.)
- Select the week range you want to analyze
- Select the elasticity method (E.g., polynomial curve)
- Get the price elasticity by looking at the curve in the chart and its related formula.

How to look for the information
Check if the SKUs are close to the line or check the r² to see if there is a good elasticity model for this product.

Tips
Find good price points to run promotions, or if you can optimize your current price.

Price Elasticities – What are the competing products? - correlation

Overview
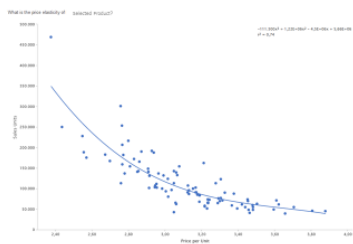Compare correlations between the SKUs in a segment to determine the real competing products

What kind of information can you find here?
- Select the retailer you want to analyze
- Choose the segment you want to analyze
- Select your product lists (brands, SKUs, etc.)
- Select the week range you want to analyze

How to look for the information
Get the correlation results from the table between two products (note, the product with itself always returns 1 in the diagonal.

Tips
Close to -1 shows a big competitive product, where the volume of the competitor negatively influences our volume.

Price Elasticities – What are the competing products? – cross elasticities

Overview
Compare elasticities between the SKUs in a segment to determine the real competing products

What kind of information can you find here?
- Select the retailer you want to analyze
- Choose the segment you want to analyze
- Select your product lists (brands, SKUs, etc.)
- Select the week range you want to analyze

How to look for the information
Get the regression results from the table between two products. The price of the product in the colums is compared to the volume of the product in the rows of the table. In blue you can find the own elasticity in the diagonal.

Tips
Postive results shows a big competitive product, where the price of the product in the column negatively influences the volume of the product in the rows.

Price Elasticities – How is the volume and price relation between two products?

Overview
Compare all weeks to find the price elasticities between two products

What kind of information can you find here?
- Select the retailer you want to analyze
- Choose the segment you want to analyze
- Select two product (brands, SKUs, etc.)
- Select the week range you want to analyze
- Find out the price distance between the selected SKUs in each week
- Select the elasticity method (E.g., polynomial curve)
- Get the price elasticity by looking at the curve in the chart and its related formula.

How to look for the information
Check if the SKUs are close to the line or check the r² to see if there is a good elasticity model between these products.

Tips
Compare how promotional activities influence the shares of the two products. If product A goes in promo, it should take share from product B (and the price distance should change) and other way around.

Price Elasticities – Can we find optimal price points for our product?

Overview
Compare price bands and see how the average volume per week within the price range was.

What kind of information can you find here?
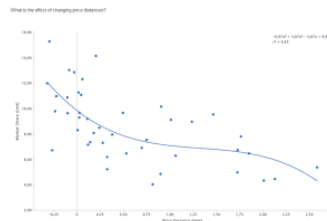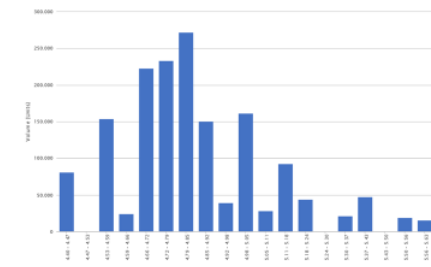- Select the retailer you want to analyze
- Choose the segment you want to analyze
- Select a product (brands, SKUs, etc.)
- Select the week range you want to analyze

How to look for the information
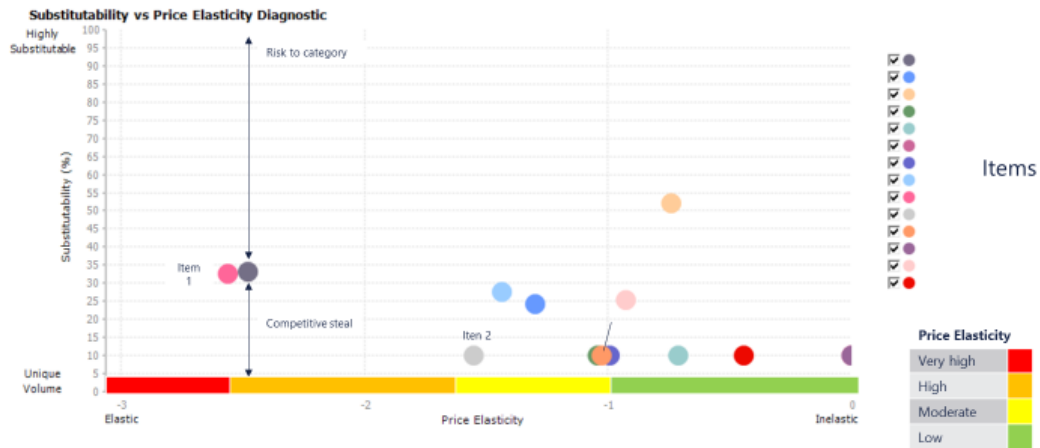The volume is an average volume based on the number of weeks where this price was used.

Tips
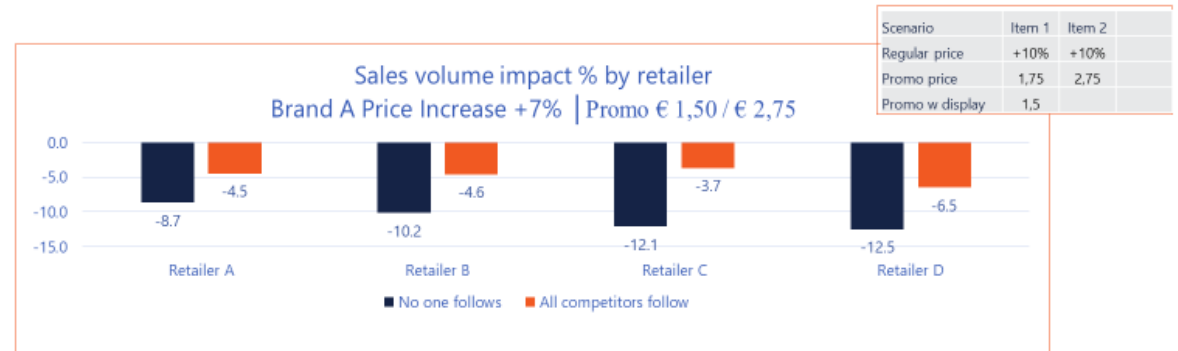Find for big jumps in volume by slight price adjustments.

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Extended Service Sample Deliverables (3/3)

Sample delivery – Extended Service – Substitution insight

Substitutability vs Price Elasticity Diagnostic

Risk to category

Item 1

Competitive steal

Item 2

Items

Price Elasticity

Very high	
High	
Moderate	
Low	

Sample delivery – Extended Service – Wargaming scenarios aaS

Scenario	Item 1	Item 2
Regular price	+10%	+10%
Promo price	1,75	2,75
Promo w display	1,5	

Sales volume impact % by retailer
Brand A Price Increase +7% │ Promo € 1,50 / € 2,75

- No one follows: Retailer A −8.7, Retailer B −10.2, Retailer C −12.1, Retailer D −12.5
- All competitors follow: Retailer A −4.5, Retailer B −4.6, Retailer C −3.7, Retailer D −6.5

■ No one follows   ■ All competitors follow

	Retailer 1		Retailer 2		Retailer 3		Retailer 4	
	Brand A only	All follow	Brand A only	All follow	Brand A only	All follow	Brand A only	All follow
Retailer Volume	-2,7%	-4,1%	-3,3%	-4,0%	-9,8%	-15,9%	-6,87%	-7,5%
Retail Value	-3,1%	-1,0%	-1,0%	2,9%	-6,3%	1,1%	-4,24%	2,2%
Product Margin	-5,4%	-1,1%	-10,1%	-3,0%	-13,3%	-2,7%	-12,8%	-2,7%

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3. Example Deliverable

Real client case - anonymized

The Situation

The Client
The client is a Food & Beverage manufacturer in the CPG sector who sells through supermarkets with no direct-to-consumer business model.

The Challenge
Rising commodity prices were impacting the client's goods production and bottom-line. The client wanted to understand if they could pass on these costs to the Retailers.

Understanding how consumers may react to increasing prices was important in convincing the retail partners.

Project Scope
The scope of the project included
1 country - 2 categories - 4 Retailers

Approach and Methodology

- Data was obtained from the syndicated database and reviewed with the client to determine the appropriate competitive set for our analysis – this removed irrelevant brands and also "long-tail" or "delisted" items from the set

- For each category, we fused the retail data with data related to weather from the Met Office to account for seasonality plus COVID related factors

- Models were built over two time periods – 12 and 24 months. The 12-month models were the better models given they suffered less from COVID related supply issues in the period

- Scenarios from the client were analyzed using our Forecasting capability to determine the likely impact on Brand and Category performance per retailer

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The Output

The output included detailed insights (45 slides) delivered in 3 weeks.

We have summarized the insights by category:

- **Category 1:** There is little substitutability in this category, growth is incremental.

- **Category 2:** Higher elasticities but limited substitutability

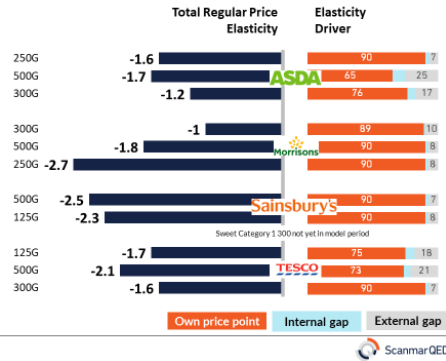- **Conclusion**

- **Scenarios**

Category 1

There is little substitutability in this category, growth is incremental.

Please note: Sample data has been used in these slides

Category 2

Higher elasticities but limited substitutability

Please note: Sample data has been used in these slides

Conclusion

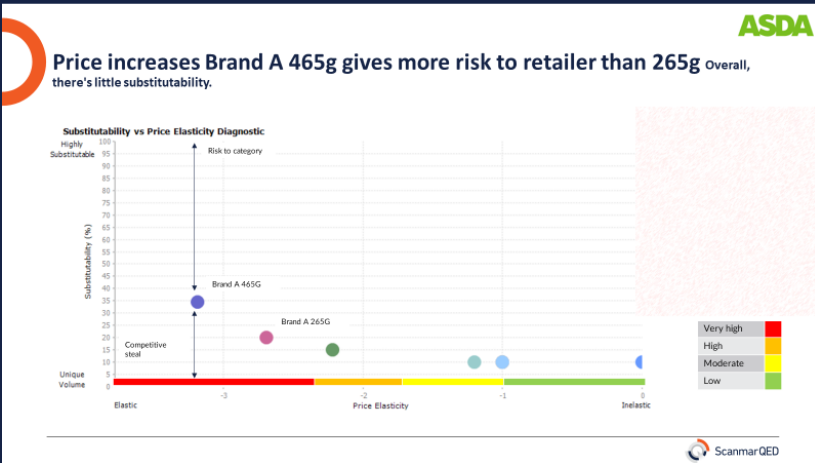In 5 out of 8 category/retailer situation we see increased price elasticities if the model views post covid weeks only. Manufacturer subsequently made scenarios to understand the impact of price changes.

Average _category_ elasticity has increased since the start of COVID with the exception of Morrisons. Evidence suggests over 2/3 of shoppers have become more cost conscious in this period.

Category	ASDA	Morrisons	Sainsbury's	TESCO
Category 1 full period	-0.6	-2.2	-1.7	-1.3
Category 1 last 52 weeks	-1.2 ⬆	-1.3 ⬇	-2.0 ⬆	-1.7 ⬆
Category 2 full period	-0.5	-2.4	-1.0	-1.1
Category 2 last 52 weeks	-1.5 ⬆	-1.4 ⬇	-1.5 ⬆	-1.0

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Scenarios

Understand the business impact of price increases for your portfolio as well as your retail partner under different competitive scenarios.
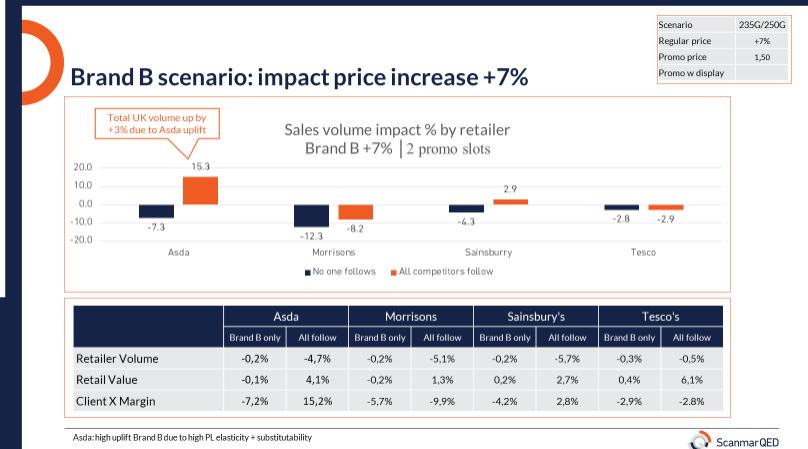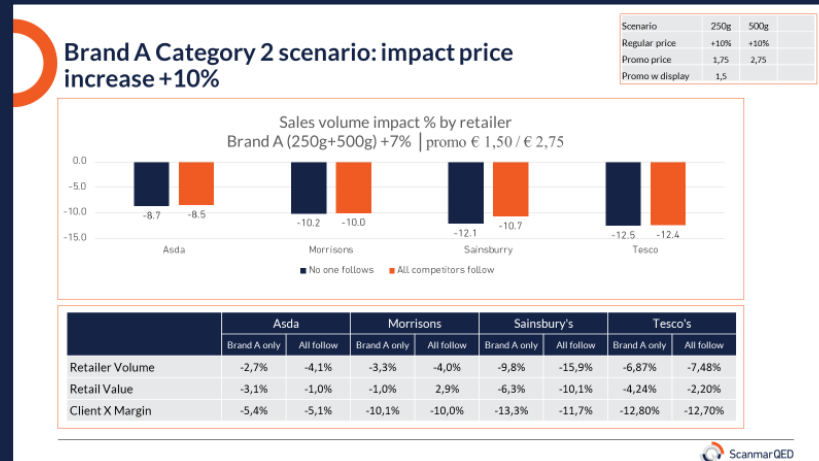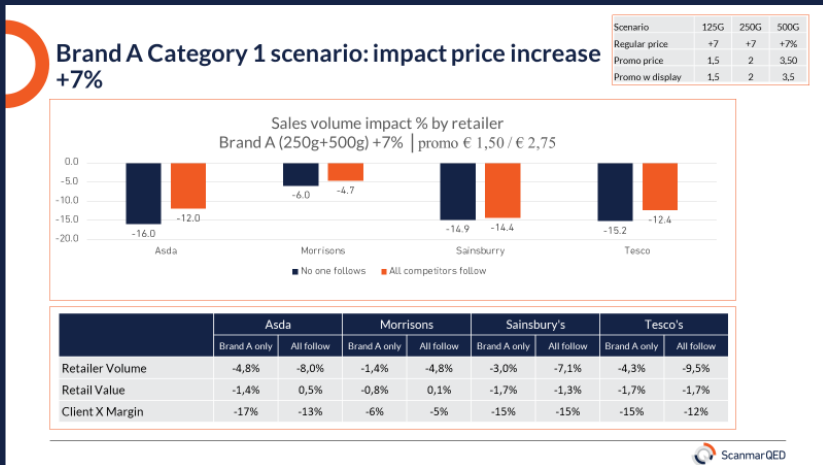
www.scanmarqed.com

About ScanmarQED

We understand that brands face an enormous challenge to be the strongest in their category. Marketers need to be able to make complex decisions quickly and with confidence.

We create powerful software solutions that provide quick and accurate insights into your data and deliver the essential forecasts you need for success. We offer consulting and implementation services in areas such as analytical support and consulting, data management services, and cloud solutions.

To learn more about our solutions contact:

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