CAN DYNAMIC PRICING SAVE RETAILERS FROM THE DISCOUNTING DRUG?

SPECIAL
DISCOUNTS

PROMOTION

%

VOUCHERS

SEASONS
SALE
OFFERS
50%
BIG BANG
SALE
FLAT SALE
PERCENTAGE
DISCOUNTS
PRESENTS
%
OFFER
STORES
VOUCHERS
COUPONS
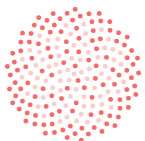
INTRODUCTION

Game changing shifts are redefining the pricing paradigm at retailers worldwide.

Shoppers can compare prices of countless products from their phones in minutes. And the dominance of Amazon's proprietary — and monopolistic — pricing algorithms has changed the playing field for good.

Indeed, the retail market has been shaken by the born-in-the-web, dynamic pricing acumen of e-commerce sites that can change prices over two million times daily.

It's all flooded the sector with exponentially more price changes coming from digital channels, throwing merchants and brands for a loop.

Retailers are struggling to keep pace. And many are hitting the promotional panic button in ways that both train the consumer to hunt for the lowest price, while eroding their brand equity and their bottom line. But is this the right strategy?

Incompetitors' Competitive Edge

Enter Intelligence Node, a pricing solution for a radically changed retail landscape.

The dynamic pricing tools from the technology product and service provider leverage sophisticated analytics based on a blend of consumer insights, sales data and competitor benchmarking, nimbly adjusting retail prices for maximum profitability in real time.

Intelligence Node gathers data through artificial intelligence and machine learning algorithms to help retailers and brands derive logical, viable — and actionable — business insights. Its Incompetitor flagship product mines a massive trove of data globally across one billion-plus unique products, more than 1,100 categories, and over 130,000 brands, making Intelligence Node the world's largest product database — which sets it apart from competing price-optimization solutions on the market. And it offers this unmatched data on a single platform, and a single dashboard.

> **1 Billion+**
> Unique Products

> **130,000**
> Brands

> **1,100+**
> Categories

> **1 Petabyte**
> Data every month

> **29** Languages
> and Countires

> **34,000** Pricing
> opportunities every
> minute

The tool optimizes prices in three critical ways: By crawling online competitor feeds and recommending a smart price; combining internal e-commerce data (historical sell throughs and inventory positions) to recommend a smart price; and by scanning in-store point-of-sale data to provide an optimal price for a SKU.

The data gathered is more competitive and precise as compared to other platforms. That's because Intelligence Node is designed to optimize and grow a retailer/brand's assortment with in-depth insight into product and category-level demand, along with relative competitive positioning.

The Pricing Challenge

During the recent holiday selling season in the U.S., steep promotions and pricing missteps drained sales and profit margins across retail sectors: from the rampant, high-low promotions at department stores to the everyday low prices at mass merchants that were too high.

But it's not the pricing ploys, per se, that are the problem. For retailers, the reliance on manual, intuition-based pricing methods that lack meaningful data insights doesn't cut it in today's fiercely competitive landscape, where dynamic pricing is king.

Culling from real-time, comprehensive data feeds, Intelligence Node's insights into the U.S. retail ecosystem revealed that it takes Amazon two minutes to make a price change, compared with 43,000 minutes, or just under a month, for a U.S. ecommerce site. And the U.S. offline market averages a staggering 270 days to make the change — so there's little wonder why some brands are losing out on sales.

PRICE MANAGEMENT

2 minutes
for Amazon

43,000 minutes
U.S. e-commerce sites

270 days
U.S. offline market

The influx of pricing changes flooding the $1.9 trillion global ecommerce market has forced merchants and brands to rethink their pricing strategies on the fly, and swiftly up their game to compete. (1)

Retailers and brands are now fighting back with price-optimization engines that empower them to execute dynamic pricing strategies to level the playing field.

Coming into its own this year, dynamic pricing empowers businesses to reprice thousands of items via algorithms based on consumer demand, buying behavior, competitors' pricing, and other external factors in the market.

The 'Exact Match' Advantage

These days, the path to purchase increasingly starts on a mobile device.
Consumers are now armed with an ever-present tool to guide them to the best deals: Their smartphone. They're able to price compare hundreds of products, hunting down hot deals and spotting rip-offs in minutes.

As a growing number of consumers check prices on their smartphones and are also placing orders on them, mobile's surging influence on shopping behavior has made competitive price tracking more critical than ever for retailers across the globe.

And when it comes to pricing accuracy, the inability by brands and retailers to find products exactly and similarly matching their own items is their single biggest pricing problem, Intelligence Node's market insights revealed.

It's what got GameStop, for one, into trouble this past holiday selling season.

Comp-store sales sank 18.7% at the U.S. gaming retailer. While the drop partly reflected overall weak category demand, the chain's woes were also self-inflicted, "as GameStop chose not to match hardware and software promotions from mass merchants," according to a research note from investment firm Telsey Advisory Group.

GameStop might have benefited from Incompetitor's Exact Match feature.

Exact Match provides the data to compare merchandise and prices across more than a billion products, brands and categories globally, capturing an unrivaled breath and depth of price transparency on the market players that matter most to a retailer or brand.

The 'Exact Match' Advantage

The tool leverages patent pending sophisticated data science and machine learning algorithms to track SKUs and compare products at an attribute level such as material and color via image processing technologies, to deliver close to 99% exact and similar matches.

For the holiday 2016 holiday season, Intelligence Node generated a report reviewing the merchandise assortment and pricing trends of the leading gaming consoles — PlayStation 4, Nintendo Wii U, and X Box One S — at major U.S. retailers Wal-Mart, Amazon, Target, Jet.com and Sears. The report captured key data such as the most-stocked brand; price comparisons for the most popular consoles on the market; and gifting trends, leveraging proprietary insights from its Incompetitor tool.

What sets the tool apart from other price optimization technologies is its ability to find both identical and comparable SKUs of any brand or private-label line with Intelligence Node's proprietary "similarity" feature, which is customizable at each brand/retailer level.

Exact Match is also designed to stay competitive amid Amazon's dynamic pricing prowess and a shopper landscape where consumers conduct price checks on their phone.

What's more, the tool enables retailers and brands to harness pricing intelligence to capitalize on selling trends.
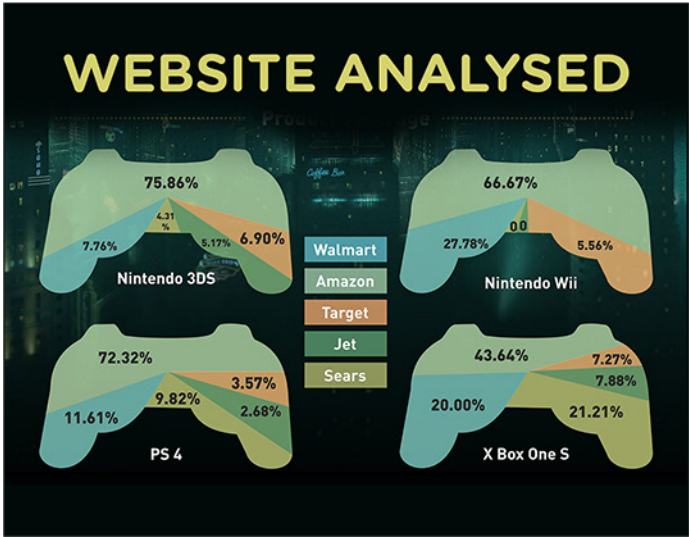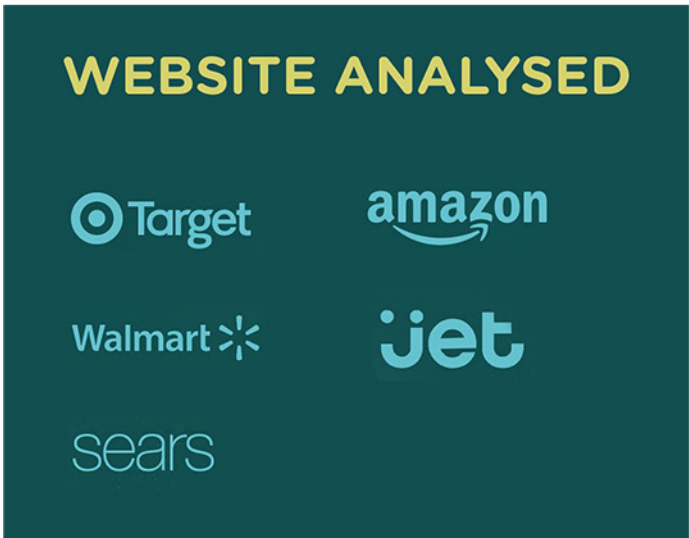
Let's say Hershey's, for example, set out to maximize sales of its chocolate syrup heading into the fourth of July weekend, when U.S. ice cream purchases spike.

Hershey's might find that its syrup sales were flat on July 3 at Wal-Mart, Target and Amazon.

Incompetitor's [OR SHOULD THIS BE EXACT MATCH?] competitive benchmarking capabilities might reveal that a similar matching product, Nestlé's Nesquik chocolate syrup, Hershey's chief rival, was selling for 5% less. Hershey could then tap Incompetitor to automate a price change, undercutting Nesquik by 8%.

GAMING CONSOLES

HOLIDAY SEASON REPORT, 2016

WEBSITE ANALYSED

Target
amazon
Walmart
jet
sears

PRODUCT ANALYSED

WEBSITE ANALYSED

Nintendo 3DS — 75.86%, 4.31%, 7.76%, 5.17%, 6.90%

Nintendo Wii — 66.67%, 0.0, 27.78%, 5.56%

PS 4 — 72.32%, 3.57%, 9.82%, 11.61%, 2.68%

X Box One S — 43.64%, 7.27%, 7.88%, 20.00%, 21.21%

Walmart
Amazon
Target
Jet
Sears

AVG PRICE

Nintendo 3DS
Nintendo Wii
PS 4
X Box One S

Walmart   Amazon   Target   Jet   Sears

SEE FULL INFOGRAPHIC

Maximizing Optimal Pricing Thresholds

Incompetitor enables retailers and brands to identify the best price per SKU to maximize revenue, measure the impact of mispriced products, identify underpriced goods, and capitalize on hot-selling items with an effective price increase. And Intelligence Node's product suite can automate pricing decisions and execute price updates based on simple rules controlled and set directly by the client. Even when setting market based pricing rules, Intelligence Node helps its clients establish pricing thresholds for maximum margin-to-sales price, rather than purely discounting or promoting by cheapest-in-the-market pricing intelligence

One of Incompetitior's unique features is tracking the visibility of a product on a particular ecommerce page — how an item ranks on a merchant's product category page, be it top, middle or bottom of the page — at retailers across the globe. (Favorable positions, such as the top of a web site page, typically reflect high-demand products.)
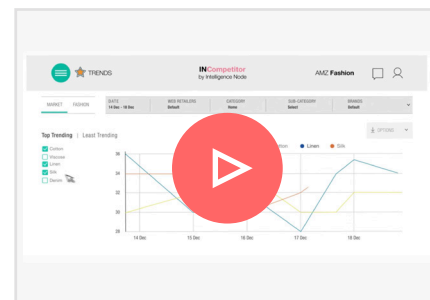
This coupled with differential pricing across different retailers, current stock status (variant/size level availability), and current price and promotion, helps clients pick a 360-degree optimized price, rather than a cheapest-on-the-market recommendation.

Further, if certain products start selling out, the Inoptimizer feature can trigger automated price increases in real time while ensuring that products are restocked, and unlocking the optimal price — and profit margin potential — of an item.

But the proof is in the return on investment: By automating pricing decisions and identifying optimal pricing thresholds for its retail and brand clients, Intelligence Node has tracked a sales increase nearing 17%, and an 8.7% rise in operating profits from effectively increasing the price of a product by 1%, for example.

'Smart' Discounting Via Basket-Level Pricing

Basket-based promotional pricing incentivizes online shoppers to buy above and beyond their original intent via personalized offers that can also boost consumer loyalty.

While product bundling is limited to a fixed set of products, basket-based pricing is designed to generate sales across merchandise categories.

Perhaps an apparel retailer has decided that a basket-level discount will be fixed at 10%.

Returning online shopper Marc places a $200 pair of Diesel jeans in his virtual shopping cart for purchase, while adding a Super-Dry T-shirt to a wish list.

Upon checkout, Intelligence Node's shopper customized, basket-based algorithm can generate a pop up message such as, "Hey Marc! How about a discount on the Super-Dry T-shirt you've got on your wish list? We'll knock off 50% if you want to but it now. The T-shirt costs $50, but can be yours for just $25. Should we add it to your basket?"

The algorithm smartly assigns a 50% discount to the T-shirt since the retailer had preset the basket-level discount limit to 10%.

The benefit of basket-based pricing is its ability to intelligently unlock product recommendations and discounts that reflect a shopper's idiosyncratic purchasing and browsing history; woo consumers to purchase more; and add personalization — and the unexpected — to the shopping experience.

What's more, basket-based pricing can be customized to help move underperforming categories and items, as a retailer/brand can recommend and apply discounts to sales laggards to nudge inventory turns. Also, high-margin items can be promoted via basket-based pricing for top and bottom-line gains.

The 'Dynamic' Solution To The Discounting Drug

Retailers have become addicted to hitting the markdown panic button, and the habit is costing them dearly.

The promotional push is particularly pronounced in the fashion category, pummeling profit margins in some instances.

While retailers have the leeway to discount merchandise by up to 30% and still break even, "at 51% to 60% off, the model breaks completely. It's all sold at a loss," and 25% of fashion merchants will slash that high, according to a benchmark pricing study by RSR Research. (2)

Tapping Intelligence Node to direct its pricing strategy, Map eMall, the Indonesian retailer with over 1,900 stores, has taken steps to avoid that fate.

It set out to transform from a brick-and-mortar business with department stores like Marks & Spencer to specialty retailers like Nike into a profitable omnichannel retailer. The challenge was doing so amid a pricing war in the region between pure play online retailers.

Intelligence Node picked Mango, among Map eMall's top-selling brands, and compared a set of the fast-fashion retailer's SKUs with competitive product in Indonesia.

It applied Incompetitor's patent pending, visibility co-efficient feature, which tracks where each SKU sits on the sort algorithm of an e-commerce site as well as product movements, assigning each SKU a visibility ranking.

The data dive revealed that many of Mango's SKUs weren't selling at an optimal price — but not all of them were candidates for a price change.

The 'Dynamic' Solution To The Discounting Drug

That's because although the shopper demographics for the brands matched, the buying patterns of consumers were starkly different on a marketplace website like Amazon or eBay versus a retailer's online site, such as Mango.com.

Intelligence Node then leveraged its advanced attribute matching and image processing algorithms, for one, to standardize and categorize the SKUs, guaranteeing the client a match rate of close to 99%.

It was a massive task, as there can be as many as 2,700 variations of the color beige, and a T-shirt might be labeled as a T-shirt on one site and "Polo" on another.

As a result of the data analysis, Map eMall was able to understand the optimum selling price, the right assortment mix, and track what its competitors are doing to wring the best results out of the business, Amit Keswani, vice president of the retailer, said in a video testimonial.

And as merchants spread their wings overseas, that ability is all the more critical to conducting business in a global marketplace.

"Borders are going to come down."

- Amit Keswani
VP, Mitra Adiperkasa(MAP)

LINK TO TESTIMONIAL

An International Pricing Solution

There's no question that the Internet has propelled a growing international retail market, as consumers can now shop overseas stores without getting on a flight from their desktops, tablets and smartphones. So enabling global shopping is increasingly critical.

Incompetitor is designed to compare competitors' prices and convert them to a single base currency by crawling over one billion unique SKUs across 29 different languages — including niche languages such as Arabic, Portuguese, and Bahasa — that account for 96% of the world's GDP.


These days, business intelligence is invaluable when it comes to navigating the retail sector. Success for retailers and suppliers is closely tied to unearthing relevant data points.

Intelligence Node offers just that, on a single platform and a single dashboard filled with the data retailers and brands need to make informed decisions, whether they're revamping their pricing strategies or launching a line of products to uncork new revenue streams.

SOURCES

"Worldwide Retail Ecommerce Sales Will Reach $1.915 Trillion This Year," eMarketer

"Pricing 2016: Life Becomes Unmanageable," RSR Research
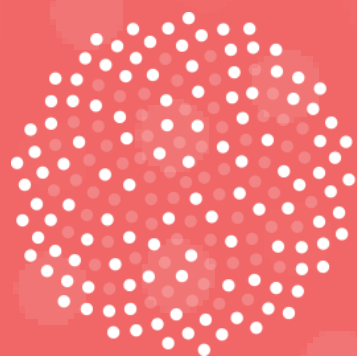
Intelligence Node

Automate your pricing strategy, and free up your time to stay ahead in real-time. Use Incompetitor, our easy competitor benchmarking tool.

Get a real-time picture of your competitor's pricing and positioning data.

All you need to do is just enter your website, product category, top competitors and Incompetitor does the rest.

Click here

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