

Pricing Strategy

Price Models Enable CPG company to achieve right relative price across SKUs

SUMMARY

Client

A leading CPG company*

Challenge

Client wanted to formulate the right pricing strategy for the assortment of SKUs across 8 product categories

Solution

Fractal's advanced Price modeling techniques

Result

- Identified relative price and market share curves
- Enabled design of pricing strategies that optimized profitability combined with market share goals

* This case study is based on a Fractal client that has requested anonymity

The Solution

Our goal was to assess and quantify the impact of pricing on market share of different SKUs. We deployed a range of econometric modeling techniques to model the impact of relative price on market shares.

To do the above analysis we had weekly point of sale (POS) data by SKUs volume offtakes, price and promotions.

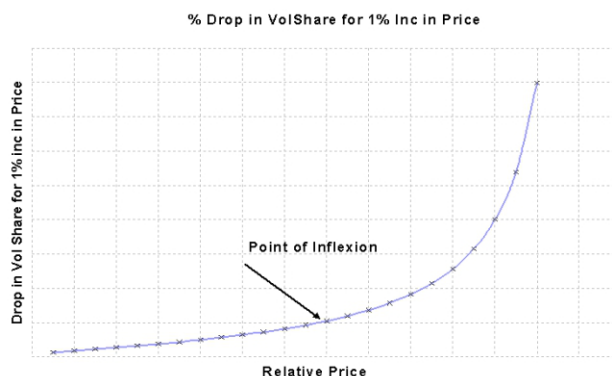
As a starting step we identified reference SKUs in each category. Reference SKUs were defined as SKUs that drove the most volume within a category and were most likely to be used for price comparison. We then computed relative prices for different SKUs in comparison to the reference SKU.

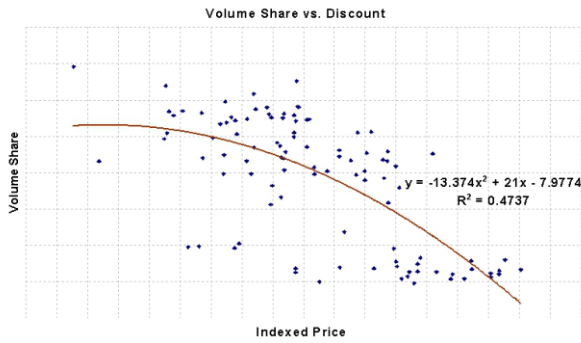
We modeled volume and market share of different large SKUs as a function of relative price. We used various regression techniques that accounted not only for the linear impacts but also for the structural breaks in pricing and thresholds. Based on multiple iterations we were able to identify the right functional relationship between price and market share.

The Business challenge

Our client, a large CPG company, launched large sized SKUs to complement its current SKUs. The large SKUs had not attained the targeted market share and the client felt that this could be achieved by arriving at the right relative price compared to the standard SKUs.

The company invited us to work with them on arriving at the right pricing strategy for the assortment of SKUs across eight product categories.





■ Result

Based on our study the client was able to establish the right level of unit price discount that they needed to offer on the large SKUs to incentivise the consumers to move from regular SKUs to large SKUs. The client implemented the results in market and was successful in attaining market shares for large SKUs in line with its strategy.

➤ About Fractal

Fractal is a leading provider of customer analytics to consumer banks, credit card issuers, CPG companies and telecom companies.

Fractal's analytical solutions have helped companies across the globe enhance profitability by powering their customer management efforts with scientific decision making.



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