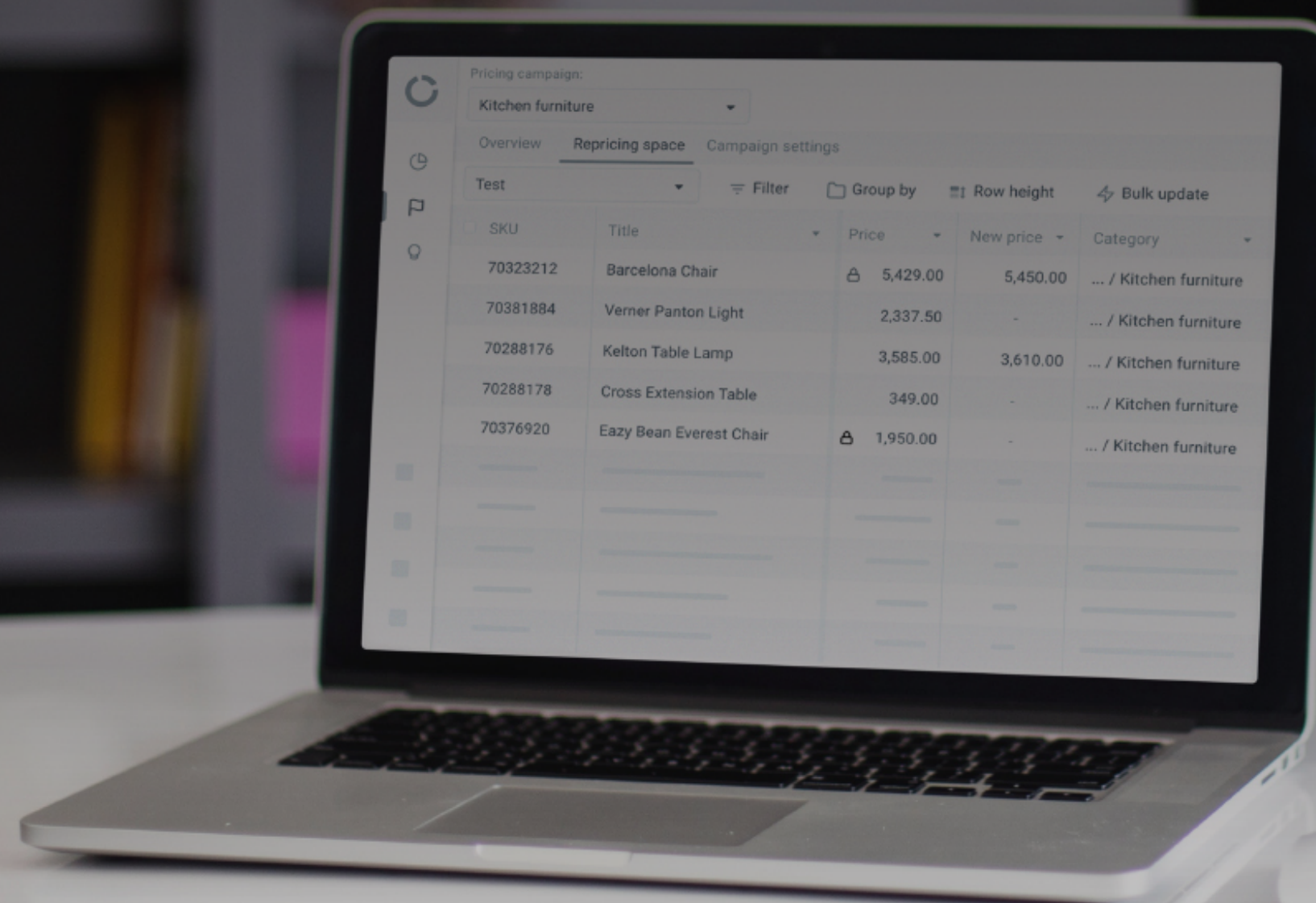


# How to increase revenue and keep the profit margin

using Price Optimization software



Pricing campaign: Kitchen furniture

Overview Repricing space Campaign settings

Test Filter Group by Row height Bulk update

SKU	Title	Price	New price	Category
70323212	Barcelona Chair	5,429.00	5,450.00	... / Kitchen furniture
70381884	Verner Pantan Light	2,337.50	-	... / Kitchen furniture
70288176	Kelton Table Lamp	3,585.00	3,610.00	... / Kitchen furniture
70288178	Cross Extension Table	349.00	-	... / Kitchen furniture
70376920	Eazy Bean Everest Chair	1,950.00	-	... / Kitchen furniture



# Situation:

The Category Managers Team must complete their quarterly KPIs. The most correct and valid way to do this is to try to increase revenue without losing the marginality. At the same time, the team needs to comply with several business constraints, namely:

- The existence of a minimum and maximum allowable percentage in price changes for each product
- Repricing should be carried out for the maximum quantity of products
- Certain groups of products are locked for repricing
- Costs and Minimum Advertised Price influence

Our team can use one of the two available solutions — use the traditional approach or try the AI-based Price Optimization from Competera. In doing so

### **Traditional Approach**

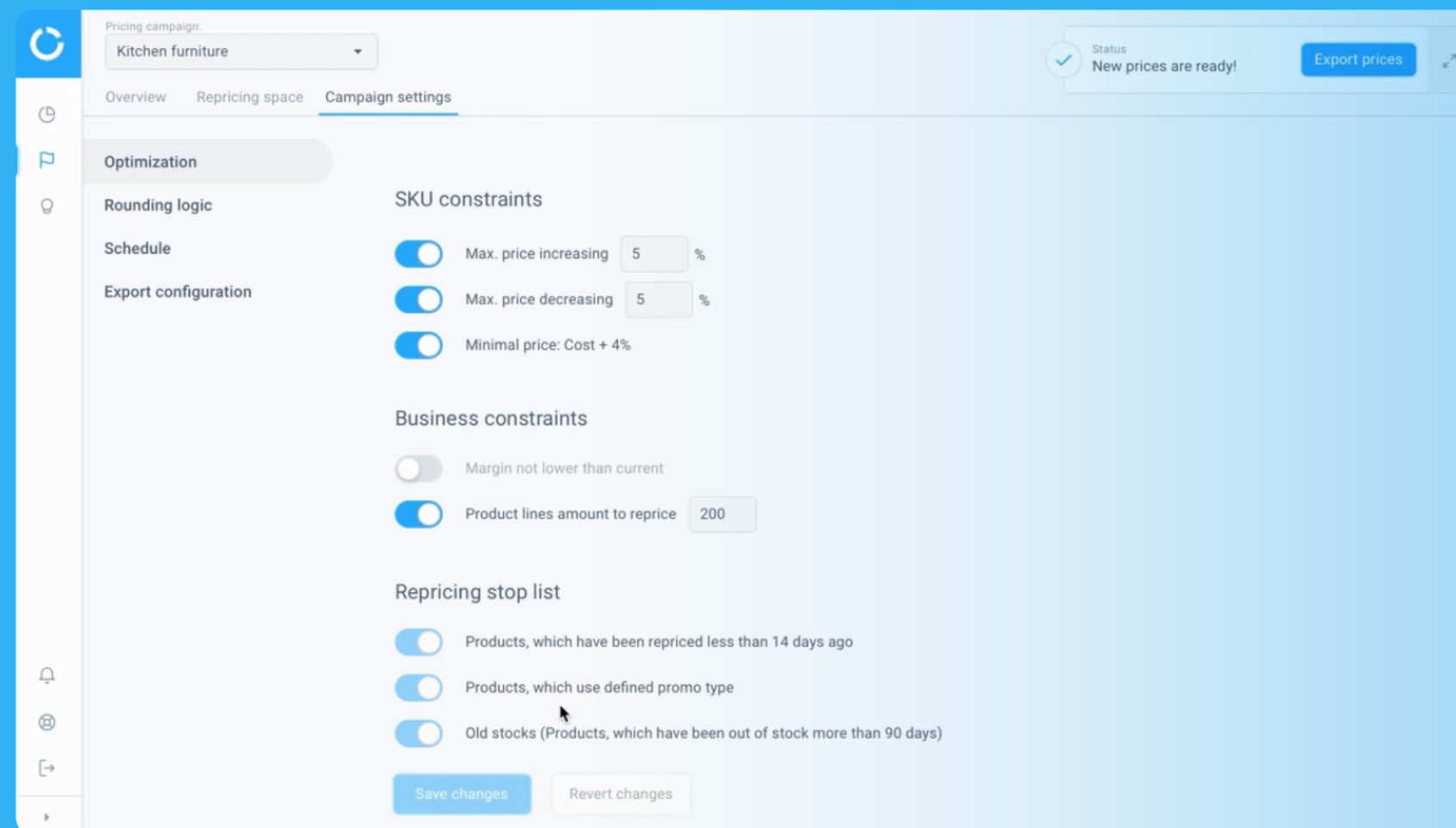
- Make SKUs analysis
- Start deep promo within each or several product categories
- Lack of knowledge if increased sales will offset the profit margin decrease

### **Competera Approach**

- Using of Machine Learning & heavy math
- The comprehensive portfolio analysis
- Raise prices for tolerant to increase SKUs
- Markdown prices for tolerant to decrease SKUs

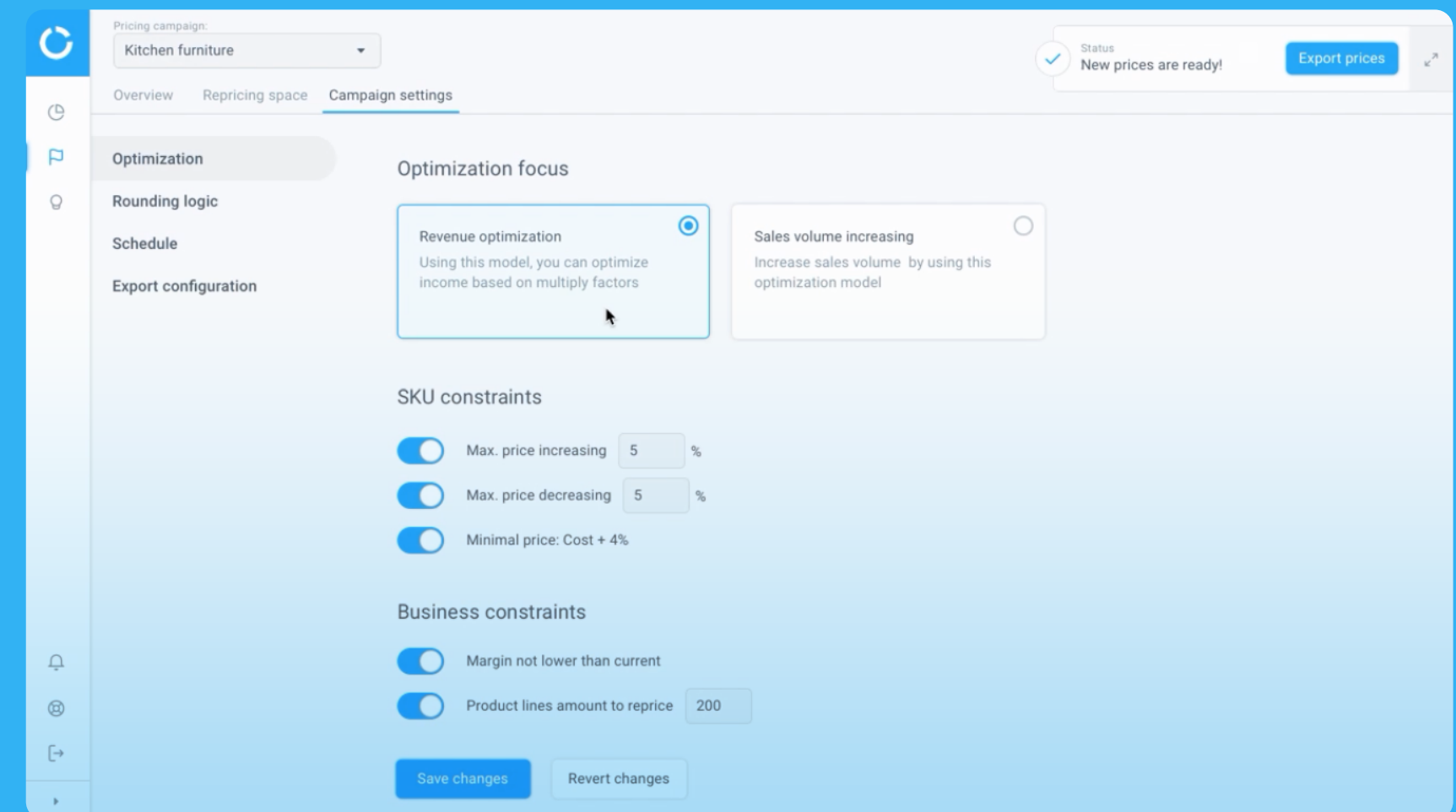
# How It Works

1



By selecting a pricing campaign for a specific product category and going to the “Campaign settings” section, you can set all necessary business restrictions.

2



By switching between Competera’s models, you can set Optimization focus. For this case, we use the Revenue optimization model.

# 3

Pricing campaign: Kitchen furniture

Status: Optimization settings were updated

Overview Repricing space Campaign settings

Test Filter Group by Row height Bulk update Table settings

SKU	Title	Price	New price	Difference	Pricing type	Category	Brand	Last price change	Stock
70323212	Barcelona Chair	5,429.00			-	... / Kitchen furniture	Ikea	18/02/2019	12
70381884	Broken Stripe Rug	2,337.50			-	... / Kitchen furniture	Ikea	07/03/2019	35
70288176	Nathan Yong Bookshelf	3,585.00			-	... / Kitchen furniture	White&black	18/02/2019	43
70288178	Entu Side Table	349.00			-	... / Kitchen furniture	White&black	18/02/2019	93
70376920	Verner Panton Light	1,950.00			-	... / Kitchen furniture	Ebra	24/02/2019	90
70422294	Cross Extension Table	382.25			-	... / Kitchen furniture	Raker	18/02/2019	38
70370722	Kaiser-idell™ Luxus Table L...	4,350.00			-	... / Kitchen furniture	Ebra	18/02/2019	71
70371652	Soft Dog Pendant	249.00			-	... / Kitchen furniture	Raker	18/02/2019	46
70424412	Visu Chair	864.00			-	... / Kitchen furniture	Christoll	18/02/2019	28
70209806	Kelton Table Lamp	3,304.80			-	... / Kitchen furniture	Pooliform	07/03/2019	9
70209806	Byam Rug	295.00			-	... / Kitchen furniture	Raker	18/02/2019	47
74948932	Broken Stripe Rug	1,575.00			-	... / Kitchen furniture	Raker	24/02/2019	50
73467812	Sapien Bookcase	2,337.50			-	... / Kitchen furniture	Doca do Coco	18/02/2019	0
74098611	Grissini Bench	1,300.50			-	... / Kitchen furniture	Doca do Coco	18/02/2019	0
76789103	Eazy Bean Everest Chair	218.00			-	... / Kitchen furniture	Raker	18/02/2019	70

Products: 1197

At the “Repricing space” section, you can lock the repricing for products by clicking on the Price field, opposite the selected product.

# 4

Pricing campaign: Kitchen furniture

Status: Optimization settings were updated

Overview Repricing space Campaign settings

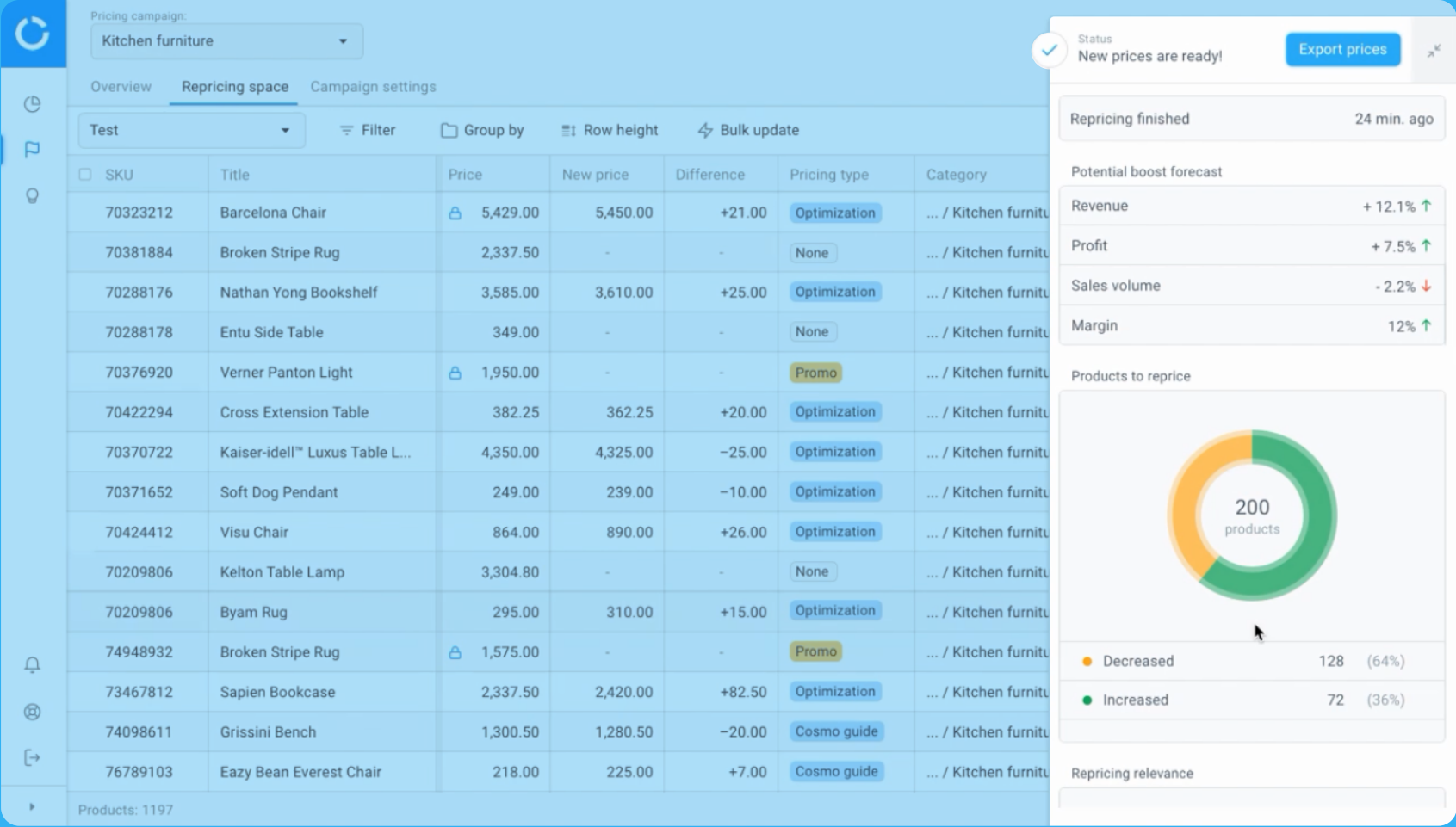
Test Filter Group by Row height Bulk update Table settings

SKU	Title	Brand	Last price change	Stock	MAP	Tags	Minimal margin	Promo mechanics
70323212	Barcelona Chair	furniture Ikea	18/02/2019	12			2.5%	
70381884	Broken Stripe Rug	furniture Ikea	07/03/2019	35	2,220.00		2.5%	-
70288176	Nathan Yong Bookshelf	furniture White&black	18/02/2019	43	3,400.00		2.5%	
70288178	Entu Side Table	furniture White&black	18/02/2019	93	349.00	KVI	0.3%	
70376920	Verner Panton Light	furniture Ebra	24/02/2019	90				Discount
70422294	Cross Extension Table	furniture Raker	18/02/2019	38	350.00		1.4%	
70370722	Kaiser-idell™ Luxus Table L...	furniture Ebra	18/02/2019	71	4,325.00	New	3%	
70371652	Soft Dog Pendant	furniture Raker	18/02/2019	46			3%	
70424412	Visu Chair	furniture Christoll	18/02/2019	28				
70209806	Kelton Table Lamp	furniture Pooliform	07/03/2019	9	3,290.00	NewProduct	5%	-
70209806	Byam Rug	furniture Raker	18/02/2019	47	290.00		2.3%	
74948932	Broken Stripe Rug	furniture Raker	24/02/2019	50			2.2%	1+1=3
73467812	Sapien Bookcase	furniture Doca do Coco	18/02/2019	0			2.3%	
74098611	Grissini Bench	furniture Doca do Coco	18/02/2019	0	1,250.00			
76789103	Eazy Bean Everest Chair	furniture Raker	18/02/2019	70				

Products: 1197

Here you can enter additional values (i.e., MAP, Cost, etc.) which the model should take into account as well.

5



Review the revenue & profit margins which new prices would generate, save the changes, and Competera will do the rest.

# Conclusion

As practice shows, the Category Manager would inevitably face a number of difficulties using the traditional approach. It is likely that they would have increased their performance, but still failed to achieve their goals. Firstly, there would be sale cannibalization. Secondly, customers are used to regular deep discounts, so the promo might not affect the desired results and, in the long term, would be playing against the team of category managers. Last but not least, with increasing demand for only specific products, total portfolio profit margin would decrease.

**Thanks to the Competera algorithms, the manager can adjust the optimal balance of sales rate and profit margin, they get the best volume on the deal, and finally, increase total portfolio profit margin. Thus, they fulfill their primary goal.**



Competera is a comprehensive pricing platform offering retailers two products: high-quality Competitive Data and Price Optimization. We can help increase your revenue, stay competitive, and grow within the retail industry.



Discover how Competera can improve your pricing strategy. Contact us:



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