How to increase revenue and keep the profit margin using Price Optimization software

0	Pricing campaign								
0	Kitchen furniture 👻								
G	Overview F	Repricing space							
P	Test		⇒ Filter						
	SKU	Title		Prie	ce -	New price -			
0	70323212	Barcelona Ci	hair	8	5,429.00	5,450.00			
	70381884	Verner Panto	n Light		2,337.50				
	70288176	Kelton Table	Lamp		3,585.00	3,610.00			
	70288178	Cross Extensi	ion Table		349.00				
	70376920	Eazy Bean Eve	erest Chair	٨	1,950.00				

4 Bulk update

Category

... / Kitchen furnitur

... / Kitchen furnitur

.... / Kitchen furniture

.. / Kitchen furniture

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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

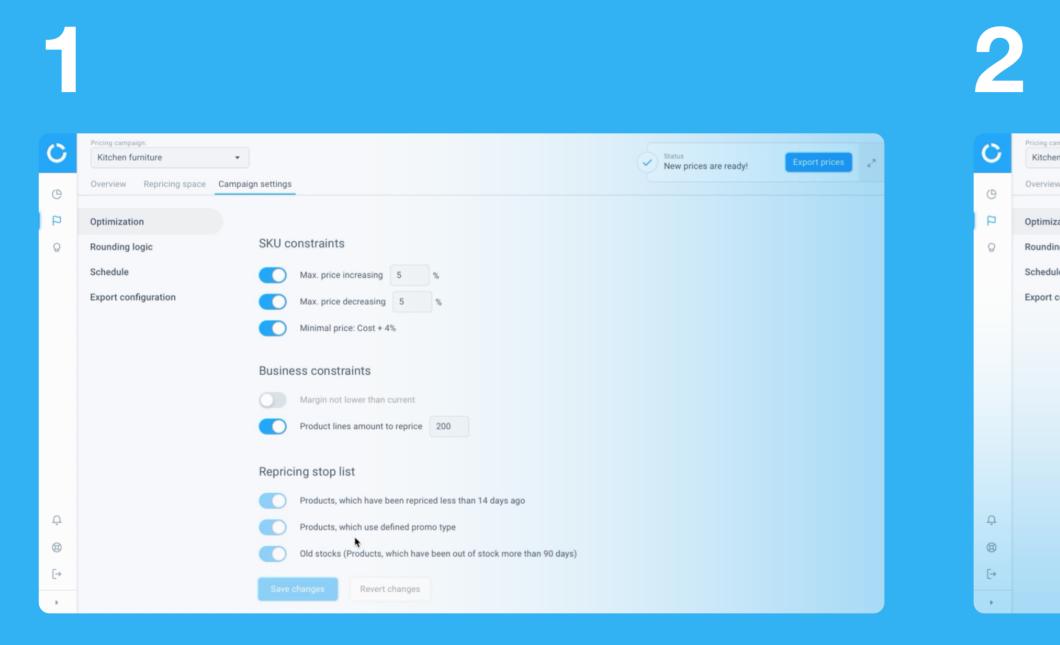


Competera

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



By selecting a pricing campaign for a specific product category and going to the "Campaign settings" section, you can set all necessary business restrictions. By switching between Competera's models, you can set Optimization focus. For this case, we use the Revenue optimization model.



aign:								
furniture	*				6	Status New prices are ready!	Export prices	к ⁷¹
Repricing space	Campaign s	settings				New prices are ready!		
ion	c	Optimization foc	us					
logic nfiguration		Revenue optimizatio Using this model, yo income based on mi	u can optimize	Sales volume increasing Increase sales volume by using this optimization model	0			
	S	SKU constraints						
		Max. price in	creasing 5 %					
		Max. price de	ecreasing 5 %					
	•	Minimal price	e: Cost + 4%					
	B	Business constra	iints					
		Margin not lo	ower than current					
		Product lines	amount to reprice 20	0				
		Save changes	Revert changes					

Pricing campaign: Kitchen furnit	ure 👻						Status Optimization settings were	e updated	
Overview R	epricing space Campaign settin	gs							
Test	▼ ∓ Filter	🗀 Group by	≣‡ Row height	t 47 Bulk up	date			Table setting	ngs
SKU	Title	Price	New price	Difference	Pricing type	Category	Brand	Last price change	
70323212	Barcelona Chair	5,429.00				/ Kitchen furniture	Ikea	18/02/2019	
70381884	Broken Stripe Rug	2,337.50				/ Kitchen furniture	Ikea	07/03/2019	
70288176	Nathan Yong Bookshelf	3,585.00				/ Kitchen furniture	White&black	18/02/2019	
70288178	Entu Side Table	349.00				/ Kitchen furniture	White&black	18/02/2019	
70376920	Verner Panton Light	合 1,950.00				/ Kitchen furniture	Ebra	24/02/2019	
70422294	Cross Extension Table	382.25				/ Kitchen furniture	Raker	18/02/2019	
70370722	Kaiser-idell [™] Luxus Table L	4,350.00			-	/ Kitchen furniture	Ebra	18/02/2019	
70371652	Soft Dog Pendant	249.00			-	/ Kitchen furniture	Raker	18/02/2019	
70424412	Visu Chair	864.00				/ Kitchen furniture	Christoll	18/02/2019	
70209806	Kelton Table Lamp	3,304.80				/ Kitchen furniture	Pooliform	07/03/2019	
70209806	Byam Rug	295.00				/ Kitchen furniture	Raker	18/02/2019	
74948932	Broken Stripe Rug	▲ 1,575.00				/ Kitchen furniture	Raker	24/02/2019	
73467812	Sapien Bookcase	2,337.50			-	/ Kitchen furniture	Doca do Coco	18/02/2019	
74098611	Grissini Bench	1,300.50			-	/ Kitchen furniture	Doca do Coco	18/02/2019	
76789103	Eazy Bean Everest Chair	218.00				/ Kitchen furniture	Raker	18/02/2019	

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

C	Pricing cam Kitchen
e	Overview
	Test
	SKU
0	703232
	703818
	702881
	702881
	703769
	704222
	703707
	703716
	704244
	702098
	702098
ņ	749489
0	734678
〔→	740986
	767891
•	Products: 11

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



paign: furniture	•					o	Status Optimization s	ettings were update	4 27
Repr	icing space Campaign settings					2	opumizations	ettings were update	
	▼ 〒 Filter	Group by	≣I Row height	4 Bulk update]) Table settings
	Title		Brand	Last price change	Stock	MAP	Tags	Minimal margin	Promo mechanics
212	Barcelona Chair	furniture	Ikea	18/02/2019	12			2.5%	
84	Broken Stripe Rug	furniture	Ikea	07/03/2019	35	2,220.00		2.5%	
76	Nathan Yong Bookshelf	furniture	White&black	18/02/2019	43	3,400.00		2.5%	
78	Entu Side Table	n furniture	White&black	18/02/2019	93	349.00	KVI	0.3%	
20	Verner Panton Light	furniture	Ebra	24/02/2019	90				Discount
94	Cross Extension Table	furniture	Raker	18/02/2019	38	350.00		1.4%	
22	Kaiser-idell™ Luxus Table L	furniture	Ebra	18/02/2019	71	4,325.00	New	3%	
52	Soft Dog Pendant	furniture	Raker	18/02/2019	46			3%	
12	Visu Chair	furniture	Christoll	18/02/2019	28				
306	Kelton Table Lamp	furniture	Pooliform	07/03/2019	9	3,290.00	NewProduct	5%	
306	Byam Rug	furniture	Raker	18/02/2019	47	290.00		2.3%	
32	Broken Stripe Rug	furniture	Raker	24/02/2019	50			2.2%	1+1=3
312	Sapien Bookcase	n furniture	Doca do Coco	18/02/2019	0			2.3%	
511	Grissini Bench	furniture	Doca do Coco	18/02/2019	0	1,250.00			
03	Eazy Bean Everest Chair	furniture	Raker	18/02/2019	70				
197									

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C	Pricing campaign: Kitchen furnitur	e •					
Ċ	Overview Rep	ricing space Campaign settings	3				
	Test	▼ 〒 Filter	🗀 Group by	≣: Row height	4 Bulk upd	ate	
	SKU	Title	Price	New price	Difference	Pricing type	Cate
Q	70323212	Barcelona Chair	合 5,429.00	5,450.00	+21.00	Optimization	/ K
	70381884	Broken Stripe Rug	2,337.50	-		None	/ K
	70288176	Nathan Yong Bookshelf	3,585.00	3,610.00	+25.00	Optimization	/ K
	70288178	Entu Side Table	349.00	-	-	None	/ K
	70376920	Verner Panton Light	<mark>合</mark> 1,950.00	-		Promo	/ H
	70422294	Cross Extension Table	382.25	362.25	+20.00	Optimization	/ k
	70370722	Kaiser-idell [™] Luxus Table L	4,350.00	4,325.00	-25.00	Optimization	/ k
	70371652	Soft Dog Pendant	249.00	239.00	-10.00	Optimization	/ k
	70424412	Visu Chair	864.00	890.00	+26.00	Optimization	/ k
	70209806	Kelton Table Lamp	3,304.80			None	/ F
	70209806	Byam Rug	295.00	310.00	+15.00	Optimization	/ k
ņ	74948932	Broken Stripe Rug	合 1,575.00			Promo	/ k
	73467812	Sapien Bookcase	2,337.50	2,420.00	+82.50	Optimization	/ K
0	74098611	Grissini Bench	1,300.50	1,280.50	-20.00	Cosmo guide	/ K
[→	76789103	Eazy Bean Everest Chair	218.00	225.00	+7.00	Cosmo guide	/ K
	Products: 1197						

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



e	Status New prices are ready!	Export price	s a ^k
	Repricing finished	24 r	nin. ago
ry	Potential boost forecast		
chen furnitu	Revenue	+ 1	2.1% 1
chen furnitu	Profit	+	7.5% 🕇
chen furnitu	Sales volume		2.2% 🕹
chen furnitu	Margin		12% 🕇
chen furnitu	Products to reprice		
chen furnitu			
chen furnitu			
chen furnitu	200		
chen furnitu	produ		
chen furnitu			
chen furnitu			
chen furnitu	 Decreased 	128 (6	4%)
chen furnitu	Increased	72 (3	6%)
chen furnitu			
chen furnitu	Repricing relevance		

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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