Pricing Scenarios

to Outperform Competitors and Negotiate With Suppliers

We've already uncovered scenarios for profits and turnover increasing. In this white paper, we discuss the algorithms that retailers use to outperform their competitors and to negotiate suppliers.

Competitive Pricing Scenarios
- Minimal by Key Competitor
- Cheaper Than a Rival's Promotion
- Below the Competitor's Minimal Price

Pricing Scenarios for Negotiations With Suppliers
- MAP and Minimum Competitors' Prices
- Non-competitive Purchase
- Preferred Purchasing Price

At the end of this white paper, you'll find a list of data that retailer needs to deploy scenarios efficiently; the tools to work with pricing; and useful materials on this topic.

Competitive Pricing Scenarios

Minimal by Key Competitor

> the prices are equal to the key competitor's prices **while** the products of a key competitor are in stock **else** the prices are equal to the next key competitor's prices in a row

The script helps to work effectively with key competitors' prices. The product prices are equally set by one of the key competitors while it has the goods in stock. If the products of this competitor are not available for buying, the prices are set at the level of the second key competitor; when the second competitor is out of stock, prices are adjusted by the third, etc.

Cheaper Than a Rival's Promotion

> the price is set to the minimum level among competitors **while** a competitor with a minimum price doesn't run a promotion **else** decrease the price by N%

The cost of the items is set to the minimum level among competitors. If a rival with a minimum price runs some kind of promotion (free gift, discount, etc.), we decrease the price by N%. With the support of an active advertising campaign, this scenario helps the retailer gain a part of the competitor's audience.

Below the Competitor's Minimal Price

> the price is set to the minimum level among competitors **and** decreased by specific $ or % **while** new price differs from the previous one by less than 25% **else** send deviation alert

In this scenario, the price is set automatically less than the minimum price among competitors. In a case when the new price differs from the previous one by more than 25%, the manager receives alert about deviation. The scenario helps the retailer stay competitive and keep profits if one of the competitors starts aggressively dumping at the same time.

Pricing Scenarios for Negotiations With Suppliers

MAP and Minimum Competitors' Prices

set MAP	**while**	N or more of competitors do not comply with the MAP	**else**	set a minimum competitive price

If the MAP is above the minimum price among competitors, the algorithm suggests setting the MAP for the product. A more detailed repricing algorithm can be set. E. g., if N or more of competitors do not comply with the MAP, the script suggests setting a minimum competitive prices.

Non-competitive Purchase

if	minimum competitor's price is lower than retailer's cost	**then**	send a "non-competitive purchase" alert

Helps to identify unprofitable prices set by suppliers. If the competitor's minimum price is lower than retailer's cost, the retailer receives a "non-competitive purchase" alert. It's a useful alert for supplier's prices negotiation.

Preferred Purchasing Price

collect minimum supplier's prices	**and**	decrease them by 3% (conventional number)	**and**	create a letter with the desired cost prices for sending suppliers

This scenario helps not only to collect non-competitive purchases data (see the previous scenario) but also to obtain the readymade desired purchase prices for sending them to suppliers.

Additional info

Data for working with scripts

In order to effectively work with the pricing scripts, you need high-quality (without errors), relevant (freshly collected at the time of the repricing) and correct data collected on aggregators and on competitors' websites.

So, to work with the scenarios discussed earlier, retailers need the following information:

- Product data: stock availability, price, cost, KVI-positions

Item	Stock attribute	KVI tag	Cost, $
Multicooker Redmond RMC-M92S	in stock	YES	95
LCD TV Samsung UE43KU6000	in stock	NO	700
Notebook Apple MacBook Air 13'	low in stock	YES	925

- Business goals data: minimum markup, planned markup, turnover and margin plan, etc...

Item	Stock attribute	KVI tag	Cost, $	Minimal mark-up, %	Planned mark-up, %	Planned turnover, units	Planned margin, $	Final price, $
Multicooker Redmond RMC-M92S	in stock	YES	95	12	18	150	3000	115
LCD TV Samsung UE43KU6000	in stock	NO	700	3	6	75	3375	745
Notebook Apple MacBook Air 13'	low in stock	YES	925	5	8	120	9000	999

- Competitor's data: prices, stocks, promotions

Item	Stock attribute	KVI tag	Cost, $	Minimal mark-up, %	Planned mark-up, %	Planned turnover, units	Planned margin, $	Final price, $	Competitor 1 price	Competitor 2 price	Competitor 3 price	Promo attribute	Stock attribute
Multicooker Redmond RMC-M92S	in stock	YES	95	12	18	150	3000	115	120	111	115	markdown	in stock
LCD TV Samsung UE43KU6000	in stock	NO	700	3	6	75	3375	745	750	735	720	gift	low in stock
Notebook Apple MacBook Air 13'	low in stock	YES	925	5	8	120	9000	999	995	1019	999	no promo	out of stock

By integrating this data into the scenario and analyzing its performance, you can build a Price Index report to understand how the value of the product affects its sales. It will help you track the effectiveness of your pricing and the impact of competitors even more effectively.

Tools for working with scripts

The simplest tool for working with pricing scenarios is, of course, an Excel spreadsheet. However, since this tool has far [more disadvantages than advantages](#), it's much more efficient to use services specifically created for this purpose.

The Price Management product, as part of the standalone pricing platform, Competera, integrates all of the internal and external data that was received and visualizes them by repricing the goods according to the pre-set rules in the scenarios and notifying managers about the opportunities to optimize pricing as well as the failure of scenarios. For most scenarios, you need to install limiting scenarios that will monitor the correctness of their execution. To calculate the payback rate of such a tool, contact our pricing experts.
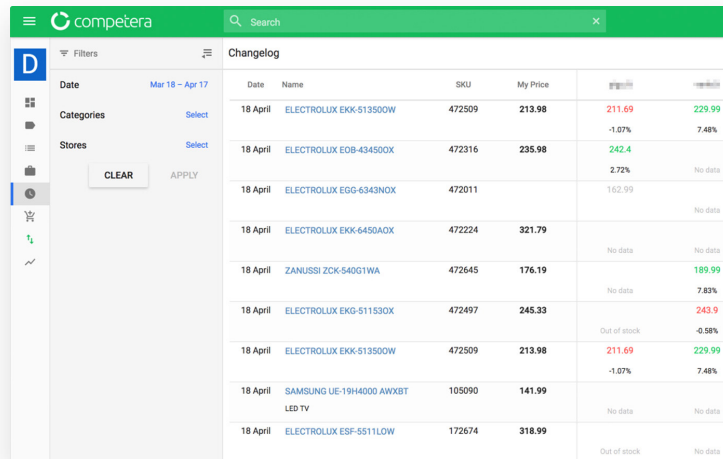
Additional Sources

- [Article](#) and [free online course](#) on Pricing Strategies
- How to collect data: [build or buy pricing solution](#)
- What is [Agile Pricing](#)™
- [How to explain pricing strategies](#) in a way even child will understand
- More scenarios of repricing: [increase turnover](#) and [margin profit](#)

If you want to know which of the above repricing rules will be the most effective for your online store, chat with our pricing expert — he will answer all of your questions.

Competera
Price Management

The right pricing, on the right products, at the right time

One place for the right decisions

Place all pricing data in one interface, adding any new layer of information (such as sales) that you need.

Predict and highlight pricing opportunities

Different product groups are defined, and price adjust recommendations are displayed, providing KPI oriented alerts and hints.

Pricing timeframe pivot

Changing hundreds of prices will take only minutes and 3 clicks. Spend less time on pricing while increasing KPIs.

Details at **competera.net**