

RIS[®]

RETAIL INFO SYSTEMS NEWS
ESSENTIAL INSIGHT FOR RETAILERS

DEENA M. AMATO-McCOY

eBAGS SOARS ABOVE COMPETITION WITH DYNAMIC PRICING

The online luggage retailer can predict what a consumer is willing to pay and adjust pricing in real-time

The rise of the omnichannel business model is putting new emphasis on the role of price transparency. The topic gets even hotter when you are a pure-play retailer competing with online and offline competitors. As a result, eBags, an online retailer of luggage and all things travel, relies on dynamic pricing to “understand what our competitors are doing, and of course, to ensure our prices remain competitive,” says Steve Neptune, senior vice president of financial planning and strategy, eBags, Denver.

Being a pure-play retailer, eBags has advantages that help keep its pricing competitive. The retailer is data-driven by nature, and armed with an increasing amount of customer insight with every transaction is able to truly understand the factors that impact demand, and use this data to improve its competitive pricing strategy.

Where eBags struggled however, was using manual processes to maintain strategic price changes across its wide product array. “We manage a broad assortment and it is impossible to manually ensure that all prices are aligned for all product,” Neptune says.

In addition, the retailer is reliant on fluctuating and easily accessible coupons and found it difficult to remain competitive. “We wanted to pare that back and use more targeted coupons,” Neptune said. “This required that prices not affected by these coupons could stand on their own and still drive demand.”

This became an even bigger issue as eBags tried to keep up with legions of competitors both online and offline. It was this factor that pushed eBags to delve into the streams of big data it historically collected “to more system-

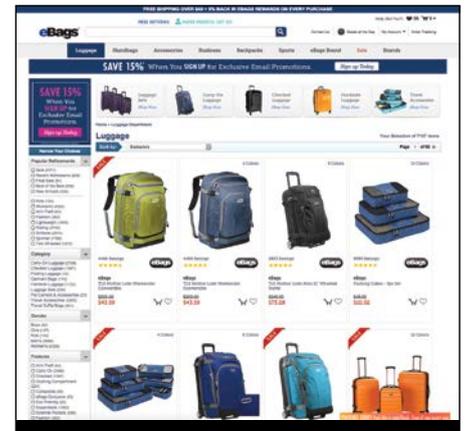
“Reacting to competition today versus last month or last season has made us more competitive and smarter. Instead of pricing with a machete, now we do so with a scalpel,” – said Steve Neptune, Senior Vice President of Financial Planning and Strategy for eBags.

atically ensure that we could optimizing those prices, not just to stay competitive with the marketplace, but to drive sales and the bottom line,” he said.

That meant pursuing what has slowly become an omnichannel standard — dynamic pricing. With a focus on the ability to adjust prices according to business rules, eBags began applying algorithms to predict what a consumer would pay and adjust prices accordingly in real-time.

The company began its dynamic journey in 2012 when it partnered with Revionics to manage base price planning and optimization. By applying the dynamic pricing solution to analyze merchandise available in-house and across competitors as well as items sold exclusively through eBags.com, “we could competitively price merchandise for today’s increasingly informed shopper,” Neptune says.

eBags started slowly, applying dynamic pricing to a few categories, often the least price-sensitive products. As the retailer gained confidence in the solution however, it steadily began applying the solution to a broader portion of its assortment. “Finally, we began to gradually focus less on product category and more on price-sensitive items,” Neptune explains. “We are making smarter pricing decisions and revising conventional wis-



eBags conducts daily price changes and has decreased the time lag between receiving market intelligence and responding with a price change.

dom internally. Left to our own devices for example, our team would probably over-emphasize the impact of a handful or larger competitors and under-emphasize the impact of a broader group of smaller competitors.”

Using a digital dashboard that delivers a higher level of KPIs, eBags can assess benchmarks without suffocating under volumes of data or getting bogged down re-analyzing information, accelerating the pace of price changes. Today, the company typically conducts daily price changes.

“By gathering industry data and customer insights on a daily basis, we understand what competitors are doing across product categories. This enables us to assess what triggers are impacting sales and categories in real-time,” Neptune says. “Reacting to competition today versus last month or last season has made us more competitive and smarter. Instead of pricing with a machete, now we do so with a scalpel.” **RIS**