



HEALTHY BUSINESS, HEALTHY CUSTOMERS: DROGARIA ARAUJO INNOVATES PRICING TO STAY ON TOP

Esteemed drugstore chain embraces data science to
deliver ROI on the price optimization journey with Revionics

In Minas Gerais, Drogaria Araujo is a name you trust. Over the last century, they have built a reputation of convenience and service, becoming the most recognized drugstore brand in Brazil. As the country's economy dipped, the Araujo team needed to optimize and localize their prices to keep offering the best for their customers. Embracing their natural innovative character, they pursued a science-based solution to help them excel in an uncertain market.



CUSTOMER PROFILE

Drogaria Araujo is a Brazilian drugstore chain with more than 200 stores and the market leader in the state of Minas Gerais

INDUSTRY

Drug Store, Pharmacy

HQ COUNTRY

Minas Gerais

PRODUCTS

Base Price, Promotion

Remaining competitive in an uncertain market

A beloved brand since 1906, Drogaria Araujo is known for being a customer-centric pioneer in the drugstore and pharmacy market. They were the first drugstore in Brazil, the first to offer 24-hour service, and the first to provide home delivery and drive-through services. So, when pressures increased from a slowing economy and rising inflation, the team at Araujo was not going to just sit around to wait and see. Driven by a spirit of innovation, they sought a leading-edge platform to help strengthen their pricing strategy and maintain fair prices for their customers.

In the volatile economic state, it became clear Araujo needed to maximize their competitive pricing image. This required the ability to make frequent price changes as market conditions rapidly evolved, as well as the comprehensive data and analytics to determine the best pricing moves. The Araujo team also saw an opportunity to enhance their sales and consumer price perception with more strategic promotions. To do so, they would need a localized approach to create more relevant promotion offers across their 200 locations.

Overcoming objections with proven performance

While the hunt began for the right solution to suit their goals, the Araujo team faced some internal challenges as well. The company had previously been using an earlier-generation pricing tool that did not provide visibility into its recommendations. There was also some doubt as to whether Araujo had the right internal processes in place to get the full value from price optimization software. They would need a business partner to guide them and their pricing skills in the right direction, not just a tool. Despite

hesitations, the team began to explore the options and found that one solution stood out far above the rest.

“Our rigorous search for a platform to execute customer-centric pricing strategies with precision, zone-based segmentation and a more dynamic approach to price and promotion management led us straight to Revionics.”

– Bruno Araujo, Commercial Director at Drogaria Araujo.

Despite this, full company buy-in was not immediate. It was clear Revionics had the powerful capabilities and technical leadership required to manage market instability and drive competitive pricing. Yet, the Araujo Board of Directors questioned whether the software was overly sophisticated for their current product offerings. They had to find a product that would fit where they currently were on the pricing journey, and be able to handle added complexities as they evolved. However, a preliminary implementation phase quickly assured everyone that Revionics had the flexibility to assist them at this relatively early stage of pricing optimization, as well as the scalability to continue to get them results going forward.

Becoming a market leader in pricing

Drogaria Araujo began with moving its non-medication items, which account for about 50% of its revenues, from the existing system to Revionics. They also enlisted Revionics to complete a Key Value Item (KVI) Analysis, which brought out some surprising insights. “The KVI analysis results ran counter to many of our longtime assumptions about what items matter most to customers,” said Drogaria Araujo Competitive Intelligence Manager Leonardo Lage. “But we



Challenges

Remain competitive and maintain customer loyalty in the midst of an unstable economy



Approach

Utilize data-driven price optimization and zone strategies to make precise and dynamic pricing decisions

did price testing based on one of the top-ranked items, and sure enough, the Revionics analysis proved to be correct. Plus, with the proven elasticity and the recommended price changes, volumes increased significantly and margins began to increase as well."

At this point the Board sought objective confirmation of their price optimization efforts, and thus engaged Accenture to conduct a Price Operating Model Maturity Assessment. The results affirmed their changes; Drogaria Araujo ranked at the "Leading" level, well above the Brazilian national average of "Intermediary." Bolstered by such excellent results, the team forged ahead with more Revionics capabilities.

To become even more competitive on pricing, Araujo shifted to focus on developing a localized price strategy. Relying on Revionics Store Zone Clustering, the pricing team was able to revamp their zone structure for better segmented targeting and to provide more relevant prices for their customers. Establishing these new zones would also be the first step for Araujo towards improving their promotions approach.

Exceeding expected results through innovation

Working with Revionics to strengthen their pricing strategy, Drogaria Araujo has attained considerable and sustainable value at various stages of the journey. "We saw a steady and very noticeable margin inflection point beginning from when we truly began using Revionics in its full capacity," Lage reports.

"Since full implementation and adoption, gross margins have increased significantly, surpassing our company goals and resulting in a higher EBITDA margin for the whole company."

- **Leonardo Lage**, Competitive Intelligence Manager, Drogaria Araujo

Today, Revionics considers Drogaria Araujo to be one of their top innovative users. The company daily consults cost data and maintains frequent pricing adjustments to keep pace with the dynamic Brazilian market. Araujo has also begun the process towards promotions optimization, starting with a Promotion Performance Analysis to gain insights into which offers provide the strongest results for the company. With the support of Revionics, Araujo has accomplished all this with a very lean team, leveraging technology and data-science to provide continuous, high-impact value for the company.



Results

- 45 - 90 day price optimization cycle
- Ranked at the Leading level by Accenture
- Significant margin and revenue increases