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Five Price Strategy Best Practices

The Five Best Practices

1. Know Your Brand and Price Accordingly

2. Transparency Required

3. A Portfolio / Balanced Approach Is Critical

4. Technology Is No Longer an Option

5. Be as Dynamic as Possible

Imagine a football team that didn't have an offensive coordinator or call plays. On every snap, every individual player could choose whom to block, where to run and what type of play they thought would help their team the most.

Or picture a Broadway musical where the director didn't assign roles, there were no scripts, and all the actors were told to go out and entertain people.

The scenarios above are a recipe for disastrous football and theater. The same could be said about the many retailers who approach their pricing strategy in a similar way.

Controlling pricing in a decentralized manner prevents the execution of truly powerful pricing strategies that drive real price perception in the market while achieving financial objectives at the enterprise level.

Creating a centralized strategy with strong leadership, adoption and governance is the best way for retailers to price successfully in today's increasingly challenging retail environment.

The absolute best practice for price strategy is to actually have a strategy and not a collection of tactics that don't amount to a greater objective.

Know Your Brand and Price Accordingly

A lot of lower priced discounters and premium retailers know how they want to be positioned and price appropriately for their brands, assortments and shopping experiences. However, there is a lot of space 'in the middle' where retailers large and small struggle to establish a pricing identity. Not everyone can or should compete with Amazon, WalMart and Ali Baba. Similarly, not everybody can price like Nordstrom or Tiffany's.

A Portfolio / Balanced Approach Is Critical

It wouldn't be prudent to put all of one's retirement and investments into one company's stock. Similarly, it wouldn't be prudent to spend one's entire budget in one area and ignore all others. Despite this, many retailers fail to look at the aggregate portfolio of their business when it comes to pricing strategy. In lieu of a centralized, analytical approach to identifying company-wide key value items, many organizations are still allowing merchants to create lists of personally important items using limited or no analytics at all. Category pricing strategy roles (i.e. traffic driver vs. margin enhancer) are often non-existent or designed without a portfolio impact in mind. A collection of tactics at the merchant level, which are not aggregated to a greater strategic objective, that also lack analytics and have no real governance is a recipe for a failed pricing strategy in an increasingly sophisticated retail environment.

> Knowing who you are and having a consistent, centralized pricing message is critical to establishing a true identity in the marketplace, which leads to long-term financial benefits.

Transparency Required

Today's shoppers are savvy, informed, and they vote with their purchases. Having transparency in pricing is critical in an omni-channel world where shoppers have all the information available at their fingertips and are likely to consider a wider range of competitors than ever before. Having a clear pricing message that is consistent with the values of your organization and its shoppers is vital for success in an environment where anybody can purchase from your competitor at any time from the comfort of their own home.

Technology Is No Longer an Option:

Most people are not just aware but comfortable with the fact that the airline, hospitality and ride share industries use advanced pricing algorithms. It is inconceivable for a major retailer in today's world to not use technology to help with replenishment, planogram creation or key HR functions. Despite these facts, there are still some retailers who have not taken the necessary steps to enhance their pricing with advanced analytical platforms.

> The ability of an AI pricing solution to model billions of outcomes based on real consumer insights is simply impossible for a human to replicate

– and yet, there are still retailers who are trying to compete in an AI world with spreadsheets. All the best strategies in the world cannot make up for a technological gap so wide that it will eventually determine tomorrow's survivors and failed banners.

Be as Dynamic as Possible:

A competitive strategy is only as good as its reaction time. If your competitor is shopping you more frequently than you are shopping them, they will win the war on price perception. Unless your organization is shopping every item, every day and reacting accordingly (based on operational constraints and priorities), there is definitely room for improvement. Developing strategies that focus on the most important parts of your portfolio and leveraging the best technologies available to drive dynamic pricing, is essential to survival in today's competitive world.

Your
Data
+
Our
AI
+
Our
People
=
An
Optimized Strategy
for You