

**Optimal prices
for every products.**

**How to win the online
pricing battle?**

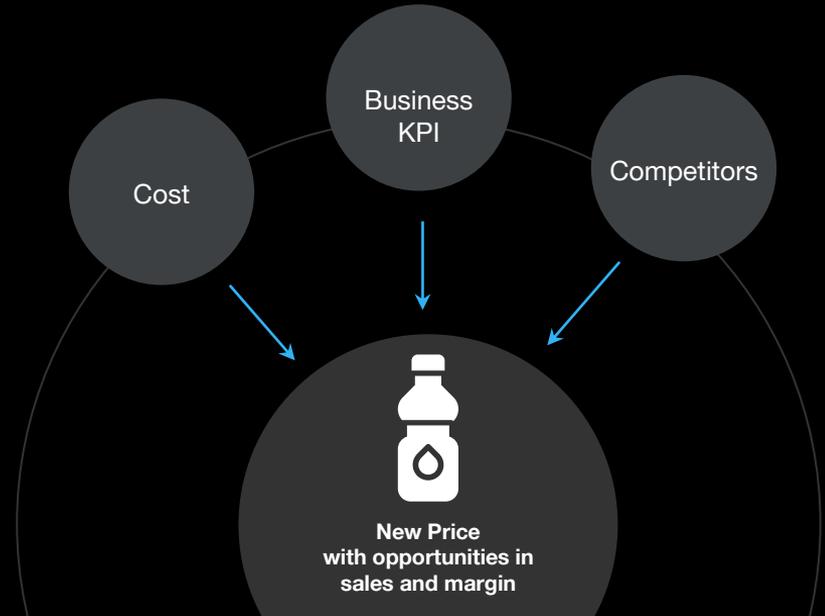
Dr Maciej Kraus



Retailers are Currently using **Reactive & Limited Pricing**

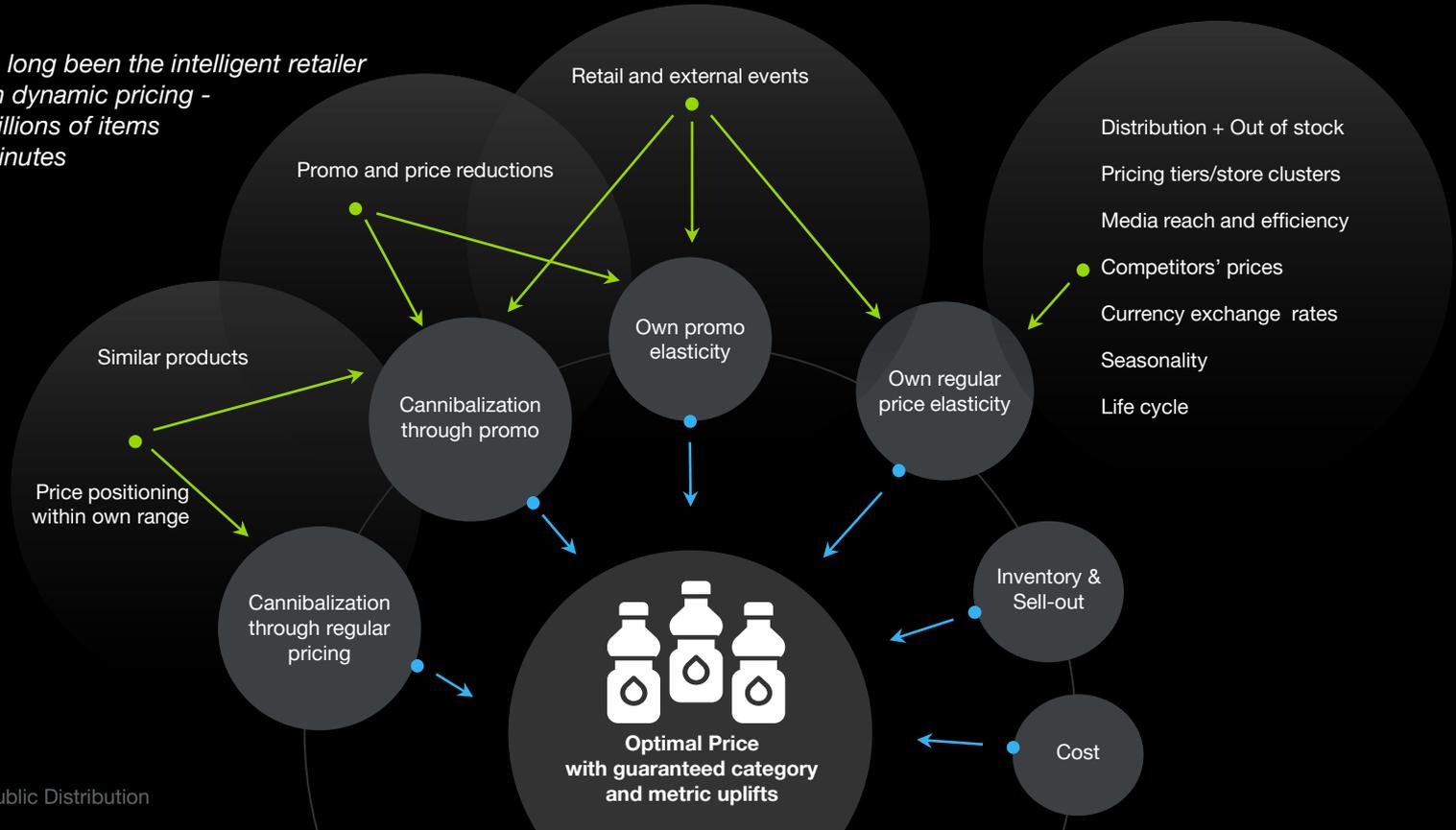


Merchants & pricing managers consider only 3 pricing factors, applying manual or semi-automated outdated pricing logic



Competera Calculates 20+ Factors for Real Time Repricing

Amazon has long been the intelligent retailer by leading in dynamic pricing - repricing millions of items every few minutes



Issues Competera can tackle

#1

Up to 60% of deals are inefficient at category level

#2

Challenged to classify products into meaningful KVIs, margin builders, etc

#3

Experiencing challenges to identify true competitors and optimal price index



Typical scenario

A large pack is discounted almost to the price point of a much smaller pack

Result

The profitability of the range is damaged as the sales get skewed towards larger/less profitable packs
Sales of a high-margin smaller pack are undermined



Optimal scenario

Build the optimal pack prices curve

Result

Both packs sizes contribute to revenue and gross profit growth



Typical scenario

Prices on profitable SKUs get decreased unreasonably

Result

The boost in rate of sales is not enough to compensate the profit margin decline



Optimal scenario

Differentiated price decreases based on the regular price elasticity

Result

The revenue is growing as expected

Total category gross profit margin is protected



Typical scenario

One-off 5% price increase for all products in the range

Result

The price increase impacts the rate of sales of some top-sellers, affecting the whole category's revenue

Price perception is damaged



Optimal scenario

Differentiated price increases based on the regular price elasticity

Result

Total category revenue and gross profit margin are protected

The price increases go unnoticed to the shoppers



Typical scenario

'Blanket' markdowns across the range

Result

'Blanket' markdowns dilute gross profit margin

Missed revenue as customers would have bought items anyway at higher prices



Situation #4

**Sell out the stocks
before new season**



Optimal scenario

Apply differentiated discounts taking into account individual product price elasticities and cross-product impacts

Result

Achieving the highest possible marginality

At the same time, the revenue is at its maximum

First AI Pricing **Retailers and Brands Trust**

Competera crafts **prices** using a unique two-level neural network with a short term prediction accuracy 98%, what learns and adopt on each repricing cycle

Model 1 - Learn & investigate 20 key factors impacting sales

21% - promo attractiveness

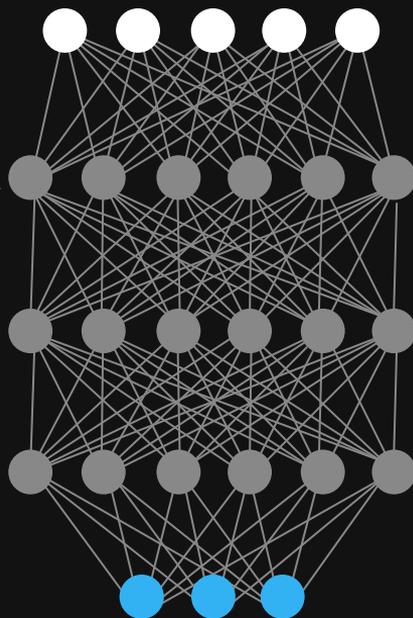
17% - regular prices

18% - positioning against competitors

16% - relative price positioning within a category

28% - other factors

% of Impact to the sales



Model 2 - Using this learning to find correct price combinations

Optimal price

SKU1 74.59 > 79.39

SKU2 122.39 > 119.89

Solution test via backcasting

Problem: Retailer's business seasonality made it impossible to conduct a traditional A/B test.

Solution: Using **backcasting** to check the accuracy of the algorithms.

Forecast accuracy

PoC Stage

Sales items
Prediction

96% accuracy

Revenue Prediction

99.6% accuracy

Rollout Stage

● Real ● Predicted



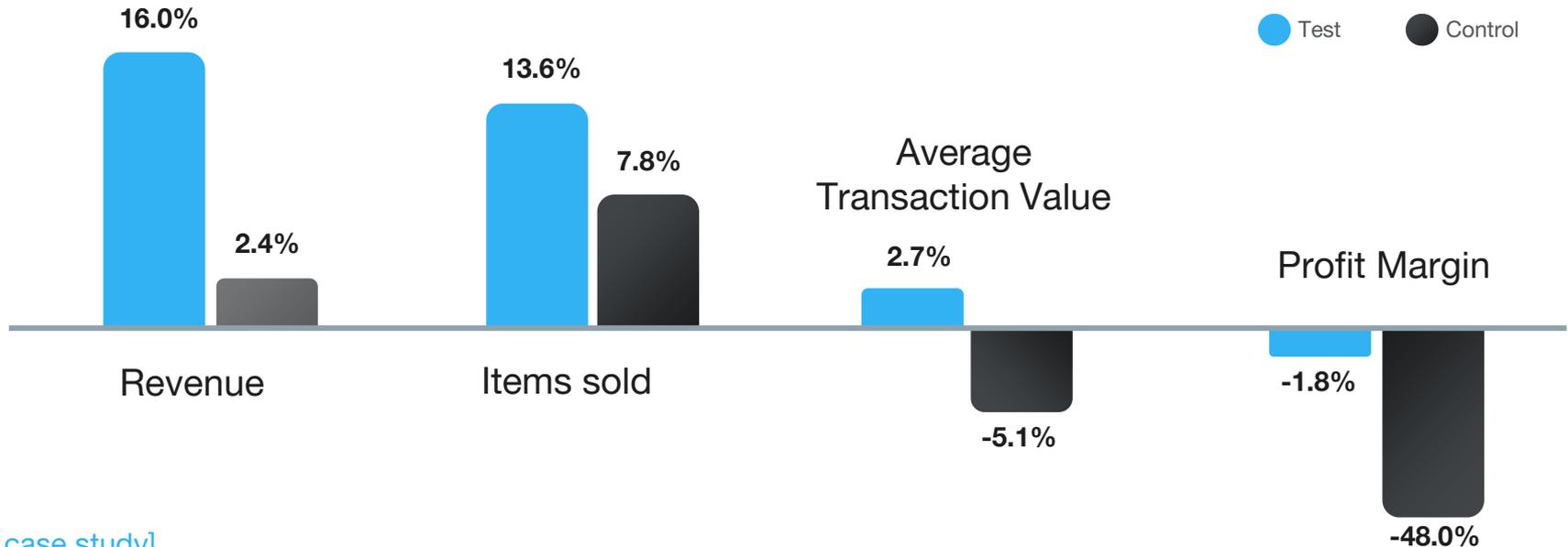


Consumer electronics

Consumer electronics retailer \$400M in revenue, 117 stores.

Test & Control group: 1 product category 10 stores vs. 10 stores.

Target: increase revenue and protect gross profit.



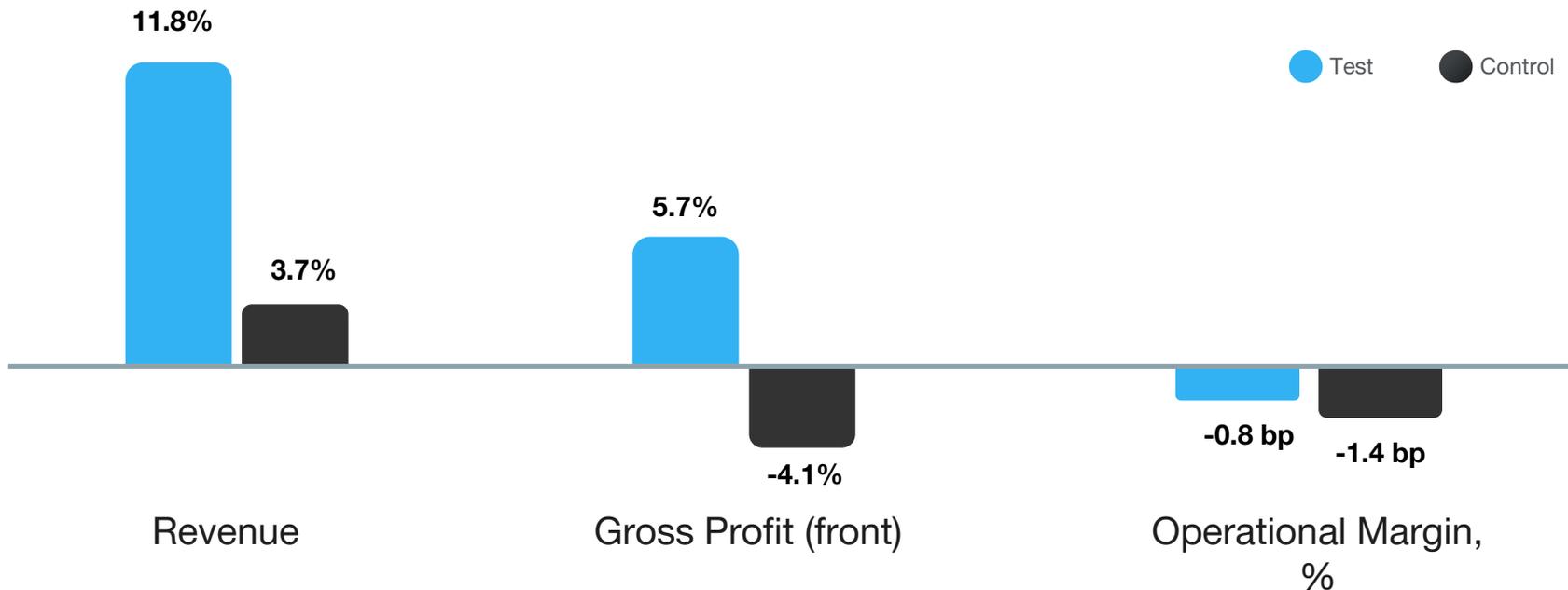


FMCG retailer

\$200M in revenue, 104 stores with 41 pricing zones.

Market test: 1 category vs 1 category within 104 stores, 41 pricing lists managed.

Target: maximize gross profit while protecting revenue. [\[Case study\]](#)



Build your pricing muscle.

It's a journey.

