Practical pricing insights to gain more margin

and improving your pricing proces

Process Based
Pricing 3.0

Optimise by Projects
Pricing 2.0

Algorithm Based
Pricing 4.0

Volume Driven
Pricing 1.0
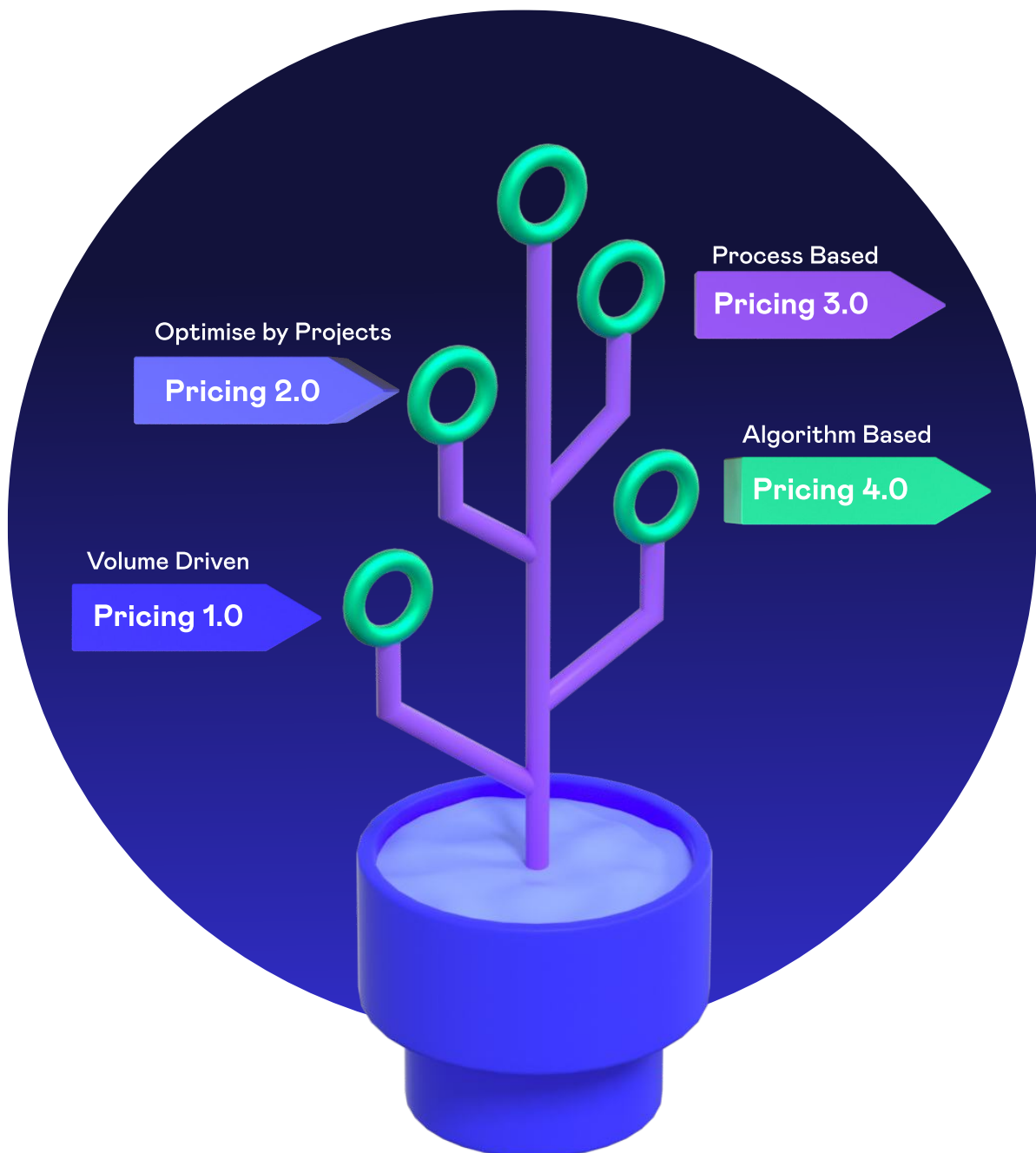
Introduction

Hi there!

If you're involved in pricing decisions at your organisation, you've probably already recognised that the need for smart, data-driven pricing decisions has become more urgent in today's business environment.

However, many companies struggle to prioritise key areas of improvement and lack a structured plan for developing their **pricing maturity**. Our aim is to help these companies reach the next level of pricing maturity on their journey.

This guidebook is packed with knowledge and offers a proven, actionable plan for improving profits through better pricing. It also assists in advancing your organisation along the path of pricing maturity.

How? By identifying your current pricing situation and focusing on steady progress, one area at a time.

Our goal with this pricing guide is to help your organisation stop losing profits due to pricing mistakes, identify clear KPIs to measure your pricing process, prevent profit loss from margin leakage, and emerge stronger!

This pricing guide serves as your roadmap to better pricing and greater profits, with a practical plan that can be implemented today! By using the tips provided here, you can protect your profits and move forward with confidence in your pricing strategy. Let's journey together towards a brighter future in pricing.

Vincent Gelink

CEO, SYMSON

12 "low hanging fruit' Insights & Projects to get to PMII

Start Here!

Our Process

This matrix presents a list of practical pricing topics and insights to be gained. We've dubbed these "low-hanging fruit" because they represent the initial steps to enhance your pricing process, and often you already have the pieces you need.

Onboarding

Through this programme, you gain access to SYMSON's state-of-the-art pricing software and tools. Engage in a brief call with our team of pricing experts and data scientists to grasp how it functions and the type of information you can extract from your datasets.

12 "low hanging fruit'
Insights & Projects
to get to PMII

Find your unique Set of Improvements Projects

With expert assistance from our team, identify the 12 most suitable projects out of the 24 we offer, tailored to your specific business scenario, industry, sales volume/history, and product assortment. Our team will recommend projects that promise the highest efficacy for your unique situation. Based on your priorities, we will craft a blend of projects aimed at addressing margin leakage, price list enhancement, or providing margin insights.

Read on to find out more about each project to understand the kind of deep insights that SYMSON can provide in each area.
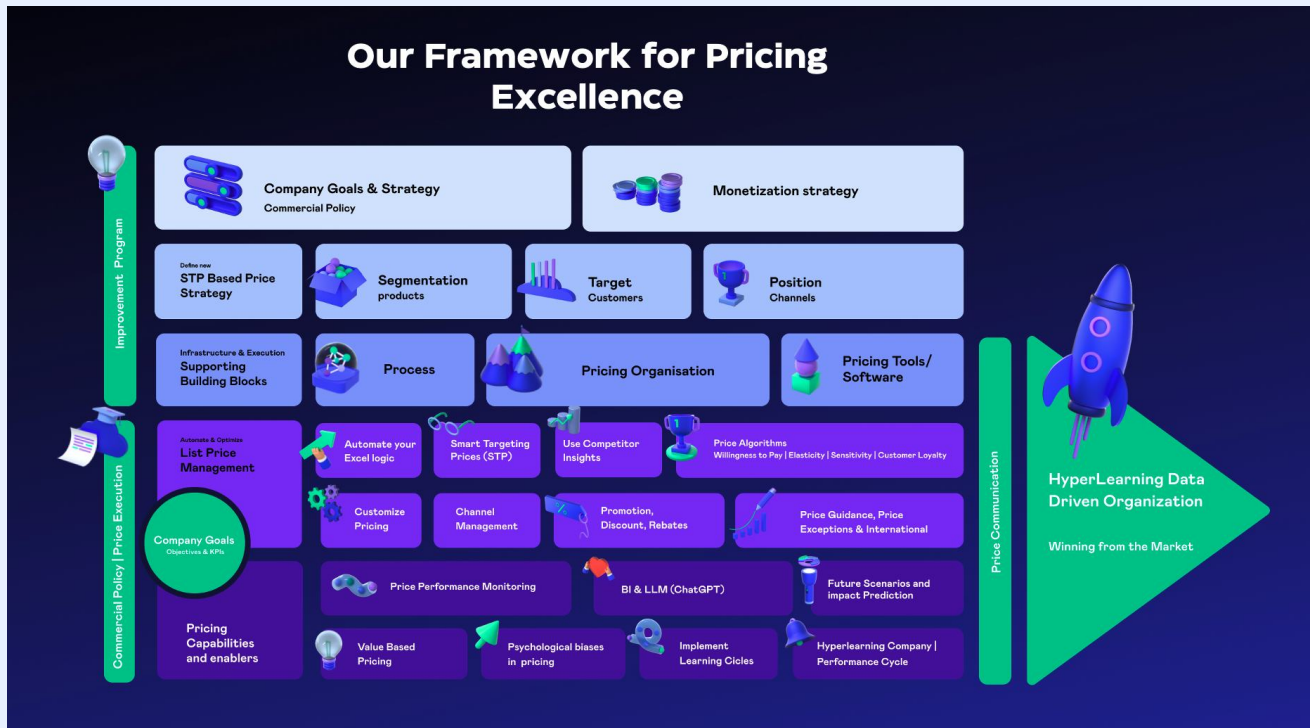
SYMSON Workshop

Get valuable information on pricing from our expert team of pricing analysts and data scientists

Get the Fundamentals of Pricing

Workshop: "Improving the Whole Pricing Framework"

Improvements, of course, do not come from better price setting alone. You must develop and align your capabilities across all pricing-related activities. We illustrate this through our Pricing Excellence Framework.

This workshop consists of explaining the basic principles of each 'topic' mentioned in our Pricing Excellence Framework.

1. Company Goals, Objective & Strategy
   What are your objectives, and how do you plan to monetize your position?

2. Setting up a STP Based Price Strategy
   Defining segmentation for your products and customers, and positioning in your market and sales channels.

3. Supporting Building Blocks.
   Core fundamentals of your pricing excellence, including 'people', 'organization', and the necessary 'tooling'.

Get the Fundamentals of Pricing

4. List Price Management & Price Execution
   Automate your current pricing logic and queries. Utilise competitor insights and advanced, scientifically proven pricing algorithms. Manage channels smartly and activate a price guidance process.

5. Pricing Capabilities and enablers.
   Start leveraging smart insights from:
   - Large Language Models (LLMs)
   - Business Intelligence (BI) Insights
   - Algorithm Insights
   - Run Future Predictive Analysis
   - Initiate Value-Based Pricing Sessions
   - Implement Learning Cycles
   - Understand how to become a Hyperlearning Organisation.

Workshop
This workshop aims to provide you with a foundational understanding of what a pricing strategy entails. After participating, you will have a basic understanding of each part of the framework. It will help you understand the correlation between "Company Objectives" and "Pricing Execution"—and everything in between.

Duration: 3.5 hours, from 09:00 to 12:30

Note: Participating in this workshop will not make you an expert. To become a pricing expert, we highly recommend following the EPP Pricing Knowledge Program.

Join the EPP pricing programme and become a real pricing expert.
See https://www.pricingplatform.com for more information about the EPP academy, courses and training.

Identify your current level of price maturity

Our Price Maturity Growth Plan:

To drive your organisation's growth, SYMSON has designed an acceleration workshop tailored for businesses keen on advancing their pricing strategies. This workshop aims to bolster stakeholder awareness, facilitate the adoption of pricing insights, enhance your knowledge, and ultimately boost your profit margins.
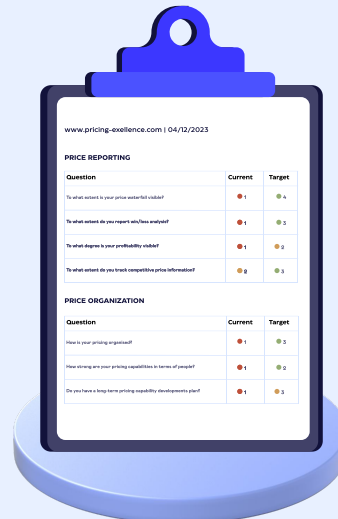
We start with the Pricing Maturity Scan.

Price Maturity Scan

We discover the current state of your pricing process and explain the ins & outs of SYMSON's Pricing Solution
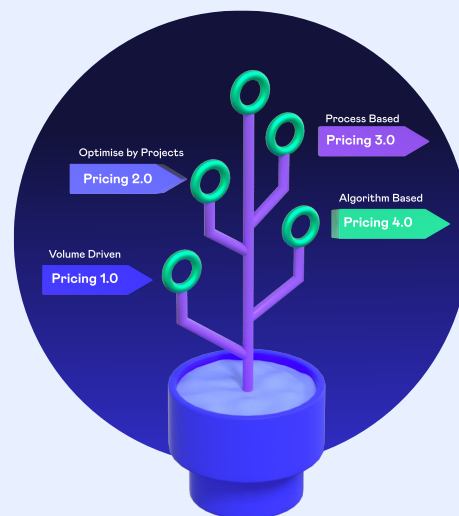
Do Price Maturity Scan

Download example report ⊖→

Your Current State

In this workshop, we:

a Discover the Price Maturity Level of your:
  · Organisation
  · Price Strategy
  · Price Setting & Logic
  · Discount Policy
  · Tools & Reporting

b Give you insights of the 4 Pricing Maturity levels

Download Playbook "Discover the 4 Price Maturity Levels ⊖→

Identify your current level of price maturity

Once you identify your price maturity level (most likely price maturity level 1). SYMSON can help you create a roadmap to improve your pricing process and get to the next level.

Price List Management	Transactional Control	Full Value Capturing	Pricing Science
You are volume driven. - - - - - - - - - - - - - - - - - Price Logic in Excel No Pricing Manager as Role Price List Management logic • STP basic • No KVI, Attributes used Pricing Lists > 10 Level of Insights • Via ERP reporting How find Optimal Price • Not using Price Elasticity • No Value Mapping	**Improvement projects for margins in place** - - - - - - - - - - - - - - - - - Price Logic in Excel Pricing Manager or Role exists Optimal Prices are set via STP, aligned to Goals All vital Pricing Insights via BI are available Pricing Corridors for Sales in place Price Lists < 10 Starting with Price Elasticity for Optimal Price	**You installed value based strategy and pricing** - - - - - - - - - - - - - - - - - Price Automatisation & Strategy via Tooling Pricing Algorithm are used to discover Optimal Price • Price Sensitivity • Price Elasticity • Customer Algorithm Optimisation as a Process of a Learning Organisation. Pricing & Discount is fully aligned with R&D, Finance, Sales and Marketing and reports directly to CEO. TVO replaces TCO.	**You develop new disruptive profit models.** - - - - - - - - - - - - - - - - - Hyperlearning Organisation You optimise prices in real-time with advanced algorithms (machine learning). You develop disruptive pricing models. You are able to find and add new price drivers to Price Algorithms as parts of your Pricing Process.

Pricing 1.0 ➤ **Pricing 2.0** ➤ **Pricing 3.0** ➤ **Pricing 4.0** ➤

STP Price List Improvement

What is it?
Segmentation, targeting, and positioning, commonly known as STP is actually a marketing concept. It is an approach centered around consumers. This STP pricing model uses the same concepts but applied to the world of pricing and aids in the delivery of tailored pricing processes to ensure greater margins and revenue.

Segmentation:
Segmentation refers to the process of dividing your audience into smaller groups based on certain characteristics

Targeting:
Targeting refers to differentiating your price logic based upon the segmentation of your customers. For example constructors may have different pricing logic and strategies for different sectors depending on their offerings for that particular industry.

Positioning:
This involves understanding your position in the supply chain. i.e, whether you are manufacturing, distributing, in wholesale or in retail selling to the end customer, it's important to know how your position in this chain can affect your business. For instance, is it appropriate for you to be a price leader in certain sectors or is it more beneficial to follow prices set by the market? What are additional costs like shipping or platform fees to consider when setting prices so you can account for margin

What your current situation is, and why it's not optimal.

Segmentation:
Your current product portfolio is probably classified based on categories, brands or by country of sale. And prices are decided accordingly. This broad level of categorisation doesn't give us much insight into the product and customer buying behaviour. There are many other ways to categorise your products. For example, one could use the price sensitivity of the product to create their price logic. They could also use an elasticity analysis to understand if their product is a Key Value Item or not and price accordingly. A product that is newly introduced to the market must be priced differently than one that is late into its lifecycle.

STP Price List Improvement

Targeting:

Having clear targeting can help you narrow down on the right price for each customer (group). For example, if you sell toothbrushes. Your price proposal for the same category of product can be differentiated based on a customer group For eg-The same toothbrush that can be sold in volume for a hotel industry can be priced lower. However if you were asked to develop a toothbrush for use on a space craft, even if the product is not that much different, you can ask for a higher price based on the context it's used in. We can see that willingness to pay varies across different sectors

Positioning:

Knowing where in the supply chain you are allows you to plan your price logic more accurately for your organisation. For example, the price for an end customer in a B2B channel will be different than the price that a dealer or wholesaler pays for the same product. This price that the end customer pays also determines the mark-up that channel partners in between the manufacturer and the end-customer can put on their prices.
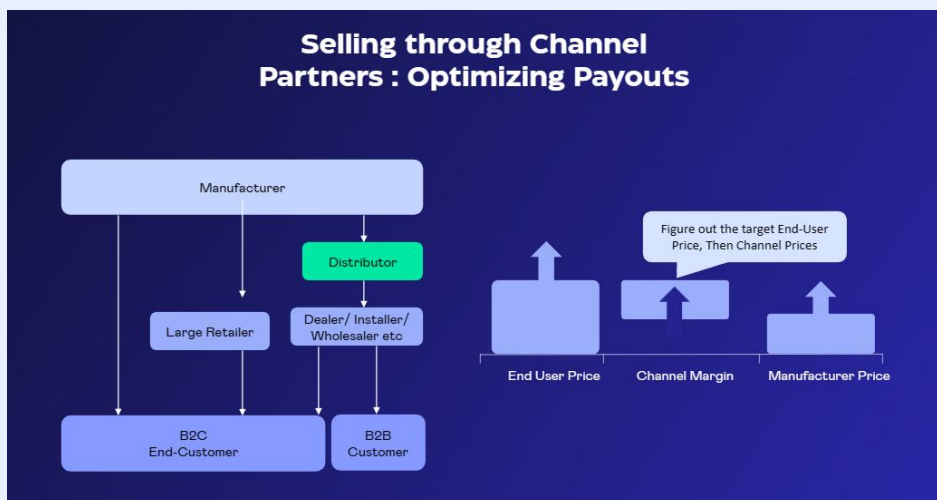
STP Workshop with SYMSON

This project is a workshop that will help you

- Understand how to formulate a more intelligent pricing strategy
- Get more margin by classifying your products and customers more accurately
- Identify what price strategies should you apply to each category

The workshop is a great place to start to dip your toes in so to speak! Get a taste of working with us and the value we can provide. At the same time, get an overview of your current pricing process and simple upgrades you can make
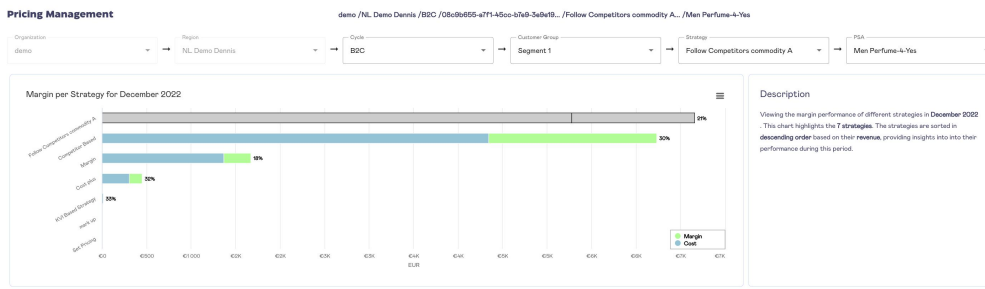
Margin insights

Get key insights into areas of margin improvement and maintenance by analysing different datasets like our product mix, your customer lists and categories, price elasticity, and your order lines

Product margin Leakages (1/2)

Product characteristics driving Margin

What is your current situation or Why do you have a problem / Not optimal?

It's likely that you don't have your sales data organised enough to have visiblity of your margin specifically for each product and which of them in your assortment are margin leakers.

What is it?

Margin leakage analysis refers to the process of identifying, analyzing, and mitigating factors that contribute to the erosion or reduction of profit margins within a business. Within this chapter the scope of margin leakages is pricing inefficiencies. We pinpoint the areas of profit erosion and show with our margin dashboard which products are priced according to the target margin and which not. Which products need more attention than others? The margin dashboard gives you a quick overview on which areas quick gains can be realised. In this project we help you monetize this margin/ profitability dashboard.

Why is it beneficial?

We pinpoint the areas of profit erosion and show with our margin dashboard which products are priced according to the target margin and which are not. Which products need more attention than others? The margin dashboard gives you a quick overview on which areas quick gains can be realised. In this project we help you monetise this margin/ profitability dashboard.

Product margin Leakeges (2/2)

How is the Symson Platform helping you with this?

The Symson Platform is offering insights per dimension. Depending on the set-up this can be per country, region, customer segment, customer group.
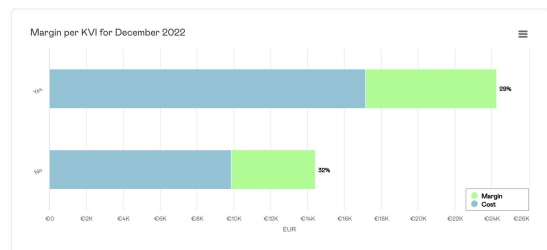
Margin insights on Product Attributes

These analyses reveal how different characteristics of a product affect its profitability. Based upon product attributes such the brand, lifecycle stage, performance, key value items, price sensitiveness insights can be given to understand which attributes contribute positively or negatively to the margin, helping them make informed decisions
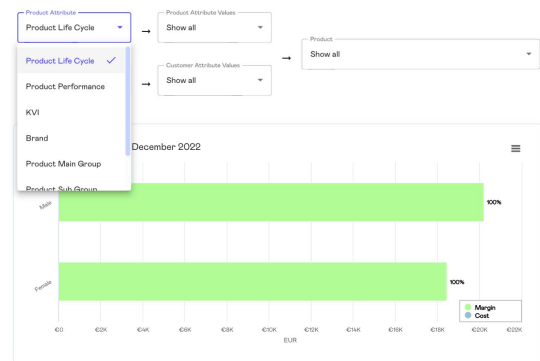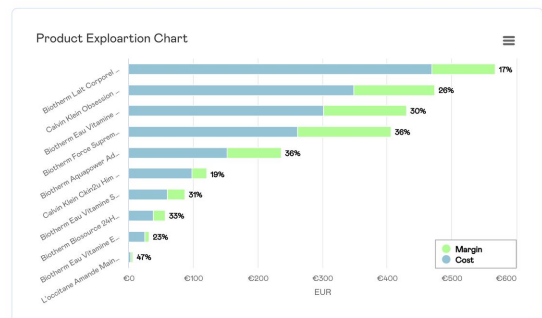

- **KVI- Products Margin Insights**
  By analysing the price elasticity of KVI, SYMSON helps identify the optimal pricing strategy that maximises margin while maintaining or enhancing customer perception of value

- **Brand Margin Insights**
  Understand which brands contribute the most to profitability, which are underperforming, and how brand perception influences pricing power and margin.
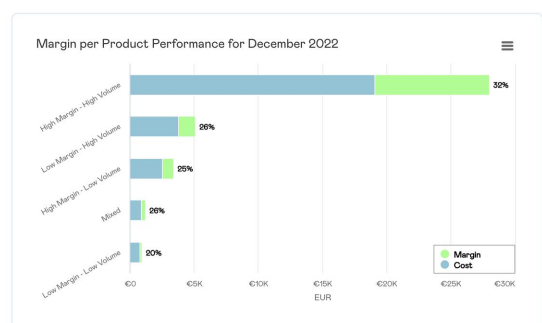
- **Product Life Cycle Margin Insights**
  Determine when to adjust prices to maximise margins in the maturity stage or manage inventory and discounts in the decline stage.

- **Product Performance Margin Insights**
  Identify high performers that drive profitability and under performers that may drag on margins. It enables pricing optimisation strategies based on performance, helping businesses prioritise resources and make strategic decisions about the product mix.

- **ABC Products Margin Insights**
  Understand how each type of product line contributes margin to the bottom line.

13

What is Customer Margin Leakage?

Customer Margin Leakage is a phenomenon in B2B wholesale and distribution where there is a loss of potential profit due to discrepancies between the prices customers are willing to pay and the prices they are charged.
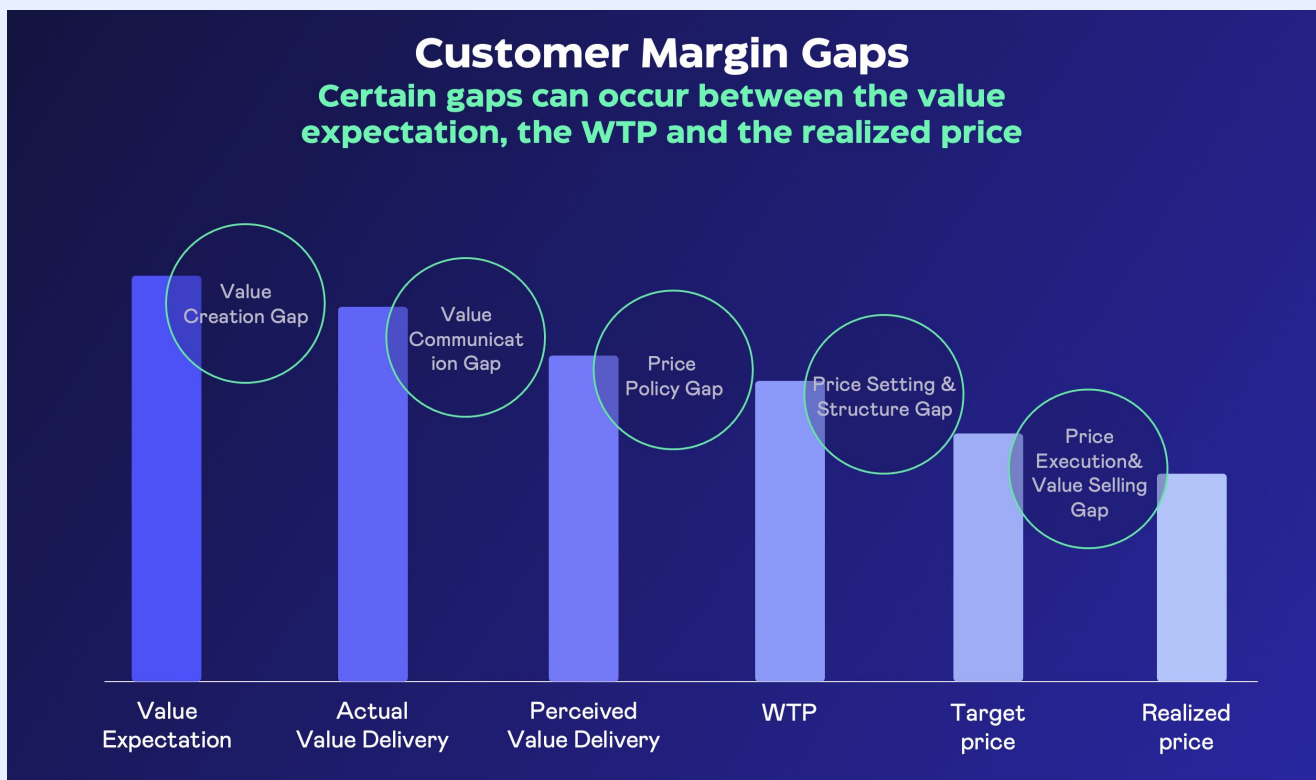
This leakage typically occurs when the actual price paid by customers does not match their willingness to pay (WTP), resulting in a gap from the optimal price that a business could potentially achieve. This gap directly impacts the profitability of a company, as it fails to capitalize fully on the value perceived by its customers.

What is your current situation and why is this not optimal?

Your customers may not always be paying the optimal price. We will conclude with a straightforward solution, but let's first delve into some background information to understand how this gap is created.

Understanding Value Price Gaps

In the landscape of customer pricing, several gaps can emerge between a company's intentions and the customer's perceptions and actions. These gaps can impact revenue and profitability.

Customer Margin Gaps
Certain gaps can occur between the value expectation, the WTP and the realized price

- Value Creation Gap
- Value Communication Gap
- Price Policy Gap
- Price Setting & Structure Gap
- Price Execution& Value Selling Gap

Value Expectation · Actual Value Delivery · Perceived Value Delivery · WTP · Target price · Realized price

1. **Value Creation Gap**:

   This occurs when there's a discrepancy between the value a company believes it is delivering and the actual value received by the customer. Companies may overestimate the value they provide, leading to customer disappointment.

2. **Value Communication Gap:**

   This gap arises when the value that a company delivers is not effectively communicated to the customer. Clear and convincing communication by marketing and sales is crucial to bridge this gap. Enhanced reporting tools and value mapping can assist pricing managers in supporting sales efforts with accurate data and insights

3. **Price Policy Gap**:

   Sometimes a product may offer features or value additions that the customer does not consider worth paying for, leading to a misalignment between the perceived value and the customer's willingness to pay.

4. **Price Setting and Structure Gap:**

   This represents the challenges companies face in setting the appropriate price for a product. It takes into account the right timing, customer profile, and market conditions. Utilizing smart pricing software with sophisticated algorithms can help businesses set optimal prices, closing this gap and improving margins.

5. **Price Execution and Value Selling Gap:**

   The final gap is between the target price and the price actually realized. This may be due to promotions, discounts, or ineffective negotiations by sales teams. To mitigate this gap, companies can provide sales teams with better insights, implement price corridors, and create more precisely segmented recommended pricing strategies.

By understanding and addressing these gaps, businesses can optimize their pricing strategies, ensuring they meet customer expectations and maximize their profit margins.

Customer Margin Leakages (3/7)

**How are we going to help you in our program?**

- **Report Customers with leakages**
  We will create a graphical map of 'look-alike' customers based on their sector, size, and behavior, revealing significant differences in margins.

  If a customer falls within a group of similar customers — displaying comparable actions and behaviors — but does not achieve the same margin, it indicates a potential issue.

  The outcome of this session with your sales team will be:
  a. A list of customers who are not paying enough, potentially leading to increased margins over time.
  b. Feedback from sales indicating that customer segmentation and the reporting algorithm may need adjustment, resulting in valuable lessons learned. This will lead to improved algorithms, better customer segmentation, and a new report for sales use
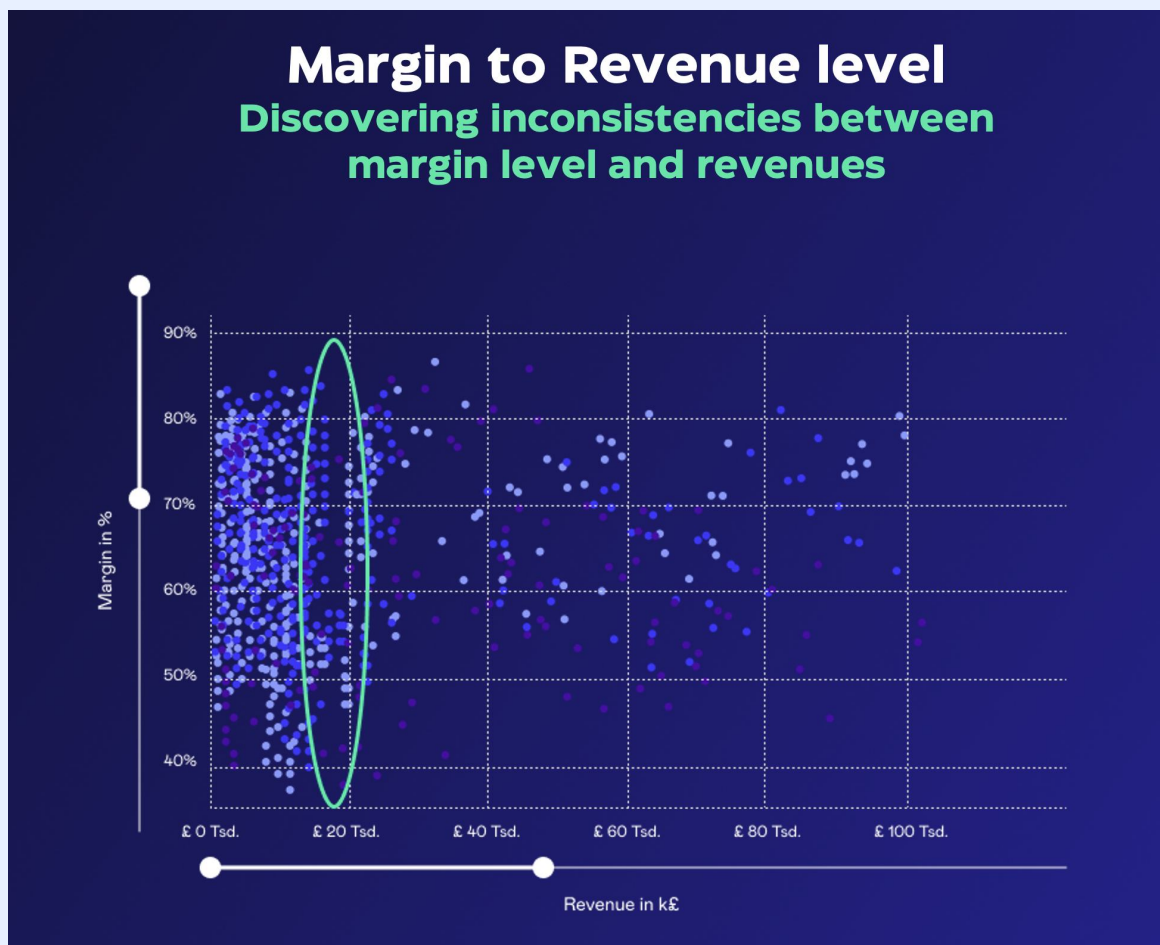
Customer Margin Leakages <superscript>(4/7)</superscript>

- **Net Price Band per Segment**

  This graph shows a box plot visualisation that contrasts the net pricing attained for several consumer segments. This approach makes it easier to see how various segments are affected by net pricing techniques and shows which ones routinely result in higher or lower prices than others. This can assist companies in modifying their pricing tactics to reduce leakage and maximise profits for various clientele groups.

Graph 2: Measuring net price band per segment (per product)

Net Prices Per Segment (JP/O/25/24)
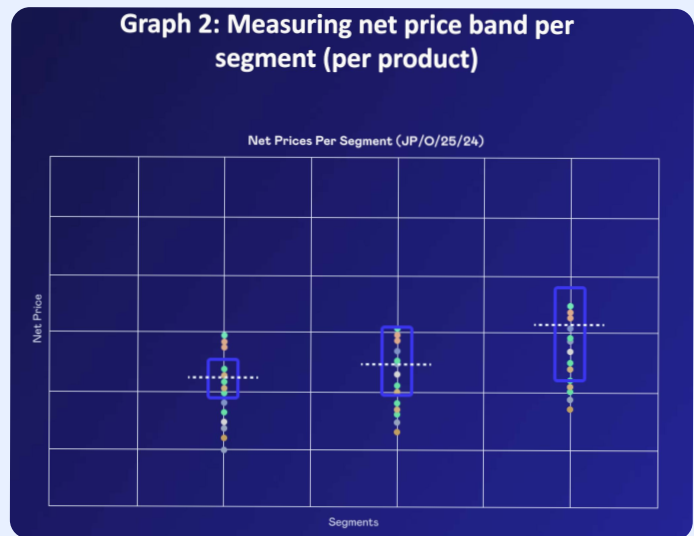
- **Discount vs. List Prices**

  This graph shows the distribution of discounts granted on items in relation to their list prices. Discounts require approval at different levels, denoted in this graph by Authorization Level 1 and 2. Businesses may use this visual aid to better understand their discounting procedures and determine if they are maintaining preferred discount ranges. Additionally, it can show whether discounts are routinely too high or too low, which could result in sales losses or margin leaks,
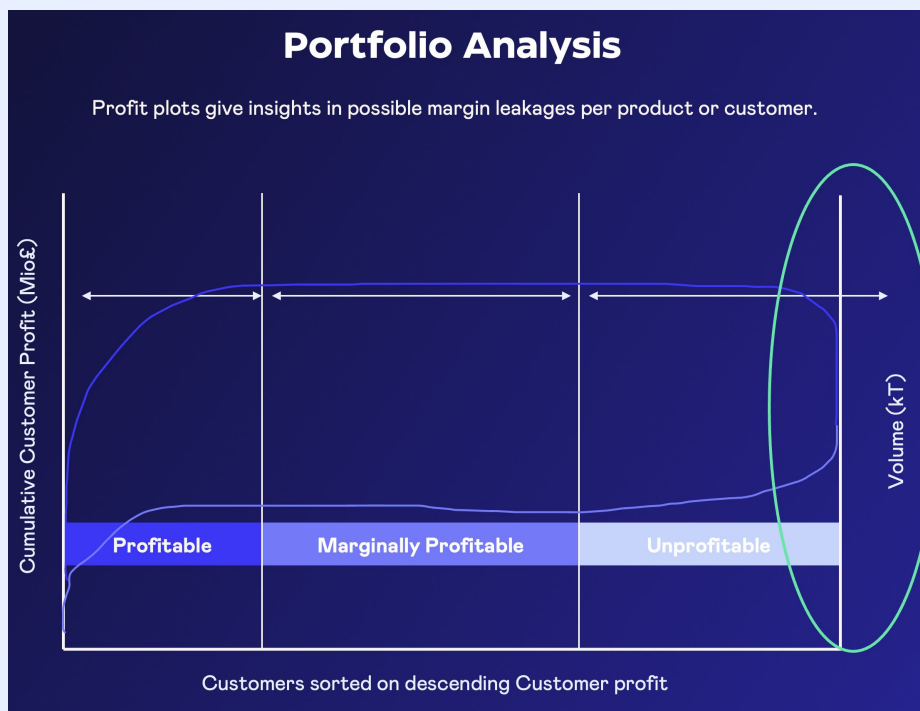

Graph 3: Measuring % discount vs list prices

Authorization LEVEL 2   Authorization LEVEL 1

TARGET PRICE

Portfolio Analysis

The cumulative profit curve shown by Portfolio Analysis divides clients into three groups: Profitable, Marginally Profitable, and Unprofitable. The most profitable consumers usually cause the curve to start high, flatten as it approaches moderately profitable clients, and then drop at the unprofitable portion. The percentage of customers that contribute to profitability against those who do not may be found in this graphic, which also shows the moment at which customers stop being profitable. Businesses may use the graph as a tool to evaluate their client base and decide where to concentrate their efforts on customer retention, where to increase efficiency, and perhaps which customer connections require reassessment because of their bearing on profitability. The general health of the company's client portfolio may be inferred by analyzing the curve's form and slope.

## Portfolio Analysis

Profit plots give insights in possible margin leakages per product or customer.

| Profitable | Marginally Profitable | Unprofitable |

Cumulative Customer Profit (Mio£.)

Volume (kT)

Customers sorted on descending Customer profit

- **Customer Product – Mix**

  A price mix portfolio allows companies to identify how price and sales portfolio mix affects customer profitability. Ideally this analysis is done periodically to identify gaps in customer's product mixes and their profitability. In the below visual, we can see a sample of this type of analysis. Here we can see the impact of price increases or decreases on a specific customers product mix. This type of analysis is especially useful for B2B companies where each customer contributes a significant proportion to the total margin or revenue, as is displayed in the Customer turnover visual.

  This allows companies to align price realisation across customers and drive portfolio mix changes via smart commercial policy.
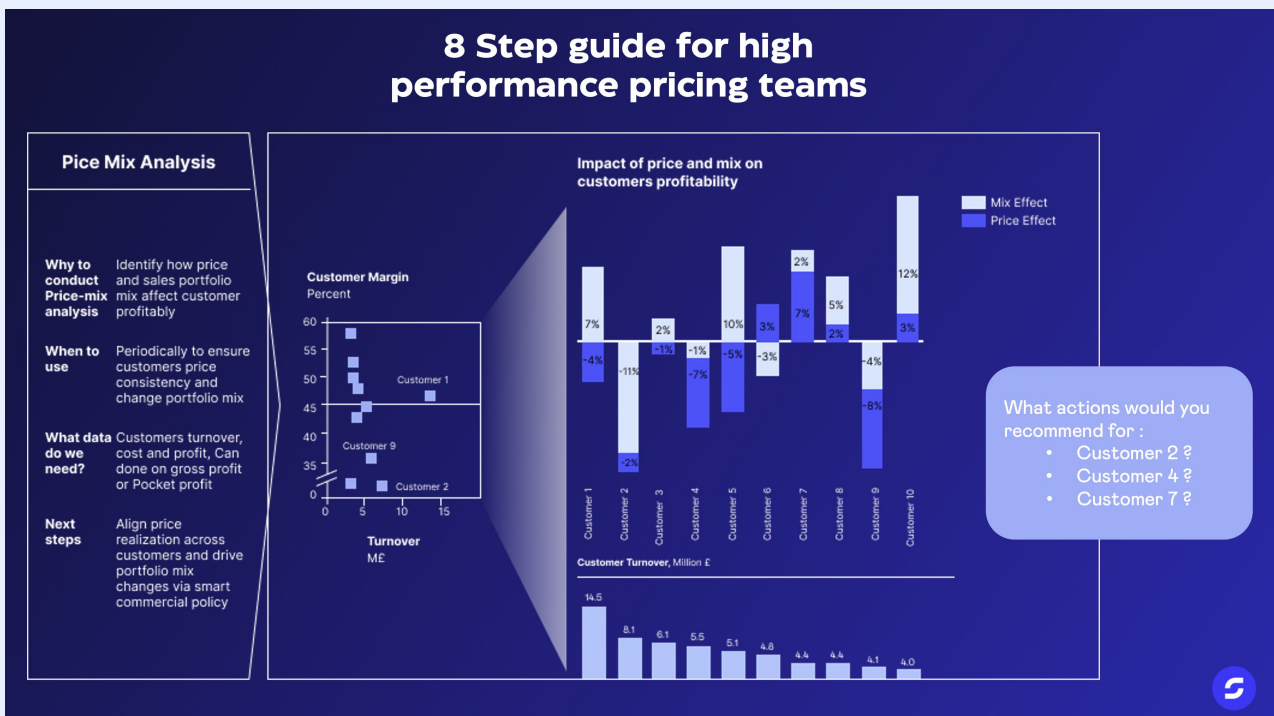
Customer Margin Leakages (7/7)

How are we going to help you in our program?

- **Learning from our customers based upon customers attributes.**
  In Symson these reports are available. They allow you to filter by country, region, and customer group to select customer attributes, which then provide insights into margins per, for example:
    - Gender, Age, Region, City
    - Sector
    - Revenue group
    - Loyalty card yes/no
    - Sales channel 'entry'
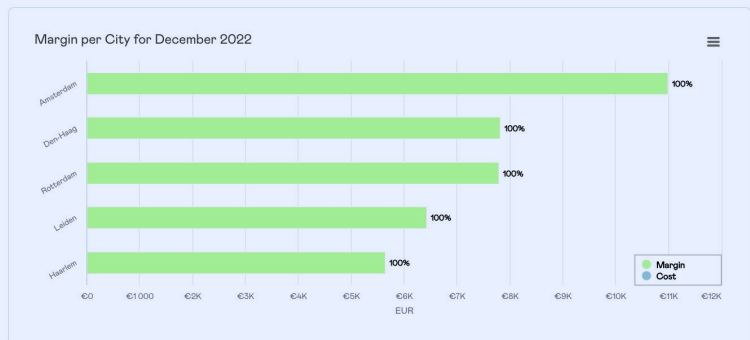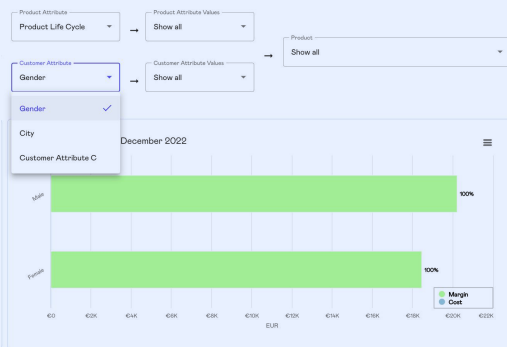
- **Measuring net margin, Customers per Product**
  This scatter plot shows the net margin (total margin divided by volume) for various customers buying a certain product. The graph shows how net margin and volume sold are correlated, showing whether higher volumes result in higher margins or whether certain transactions (shown by the boxes) vary from average. This can assist companies in determining which client interactions provide the most profits and which might be leading to margin leaks.
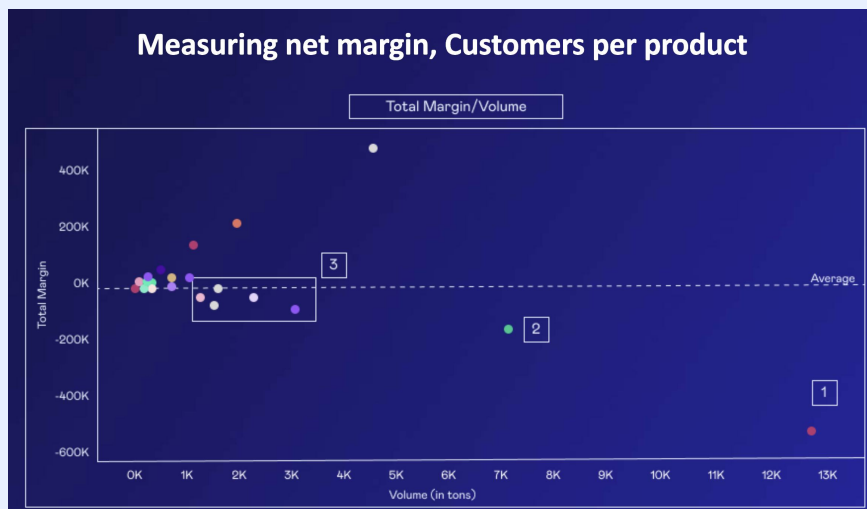
Product Portfolio Leakages

What is it?

Product portfolio leakages refer to aspects of a company's product mix that negatively impact overall profitability, essentially causing a "leak" in potential margins. These leakages can arise from various sources within the product portfolio, leading to reduced effectiveness of pricing strategies and overall financial performance.

Why your current situation is not ideal?

Here are some possible ways that you're experiences leakages in your product portfolio.

- You have **inconsistent pricing** across the portfolio which lead to margin erosion. You may be underpricing high-value products or overpricing items that are sensitive to price competition, both of which can detract from overall profitability.
- You may be pricing products which have a **high cost-to-serve** relative to their selling price (eg. those requiring specialized support, complex logistics, or high levels of customization) too low, leading to profitability leakages
- You have **obsolete or slow-moving Inventory** products tie up capital and resources (costs of holding, discounting, or writing off) that could be more profitably employed elsewhere.
- You experience **cannibalisation** which is when a new product eats into the sales of an existing, potentially more profitable product without sufficiently increasing overall volume or commanding a higher margin,
- Your **Promotions and Discounts are ineffective** i.e, they do not lead to a sufficient increase in volume or that erode the perceived value of products can result in profitability leakages.

Why is it beneficial to analyse product leakages?

A better product mix refers to a strategic composition of products that a company offers, which is optimised to enhance overall profitability, rather than just focusing on sales volume or market share. This optimisation involves balancing the sale of high-margin products with lower-margin ones in a way that maximises total profits. By adjusting the product mix towards more profitable items, businesses can reduce or stop profit leakages that occur when the potential margins are diluted by sales of less profitable products. Here's how a better product mix can stop profit leakages:

Product Portfolio Leakages

How we help you in this 12 Step Programme

Let's start with a clear disclaimer. The blue images as shown in these (1/7) pages of "Product Portfolio Leakages" are recommendations for you to create in your BI - reporting system. Symson delivers an Microsoft PowerBI environment, where you are able to create all these.

What do we do?

First of all we deliver you the data en PowerBI environment. Secondly we provide you a couple out of the box insights, as you could also see as white/yellow images.

- Identify products with the best profit margins and finding ways to increase their sales to increase the average margin per sale
- Use dynamic pricing strategies that take into account demand elasticity, competitor pricing, and cost to serve to adjust prices without losing sales volume
- Analyse the product portfolio to identify and discontinue underperforming or low-margin products that are not strategic to the business.
- Implement cross-selling strategies and product bundles that combine high-margin with low-margin products to increase overall basket size and margin.
- Use data analytics to continuously monitor sales performance, customer preferences, and market trends to adjust the product mix proactively.

What data do you need?

In order to be able to deliver these insights, it is crucial to have

- 4 main important Customer attributes, for example such as <gender>, <theme/sector>, <region>, <age group>
- 4 main important Product attributes. Please select the attributes that are price leavers, like <Brand>, <KVI>, <Product LifeCycle>, <ABC>,
- Historical data of invoices (or orders)

Price List Improvement

This chapter explores essential considerations to evade the pitfalls of current price list management, emphasising its critical role in effective pricing strategies. It pinpoints common mistakes and assesses your current position on key issues. If you're tired of missing out on potential earnings and believe your pricing could be enhanced, this section will guide you towards significant financial improvements through smarter pricing practices.

WHITEPAPER

Product Re-Segmentation Insights (1/3)

What is your current situation and why is this not optimal?

Let's start with a direct statement: Your pricing logic has not been fine-tuned to incorporate margins or discount structures based on attributes such as KVI products, brands, materials, product lifecycle, elasticity score, or the price sensitivity of your products.

Your current product segmentation and hierarchy appear to be designed from a standpoint suited for eCommerce or reporting, yet they have not been fine-tuned to optimise margins or utilise price levers effectively. Your pricing strategy likely does not consider critical attributes such as KVI products, brands, materials, product lifecycle, or elasticity scores.

Your current product portfolio is likely categorised based on a margin over cost (or a market price down approach), organised by product categories, brands, and/or countries of sale. Such broad categorisation provides limited insights into product and customer buying behavior. There are many other effective ways to categorize your products that could offer deeper insights and enhance your pricing strategy.

What is a product segmentation optimised for Pricing?

Product segmentation involves the development and implementation of pricing strategies based on the segmentation of products within a company's portfolio. This approach recognises that different products or product lines may have distinct characteristics, value propositions, price sensitivity, and market demands, and therefore, they should be priced differently to optimize overall profitability and competitiveness.

Product Segmentation Dashboard (all data)
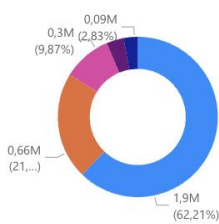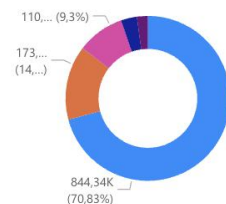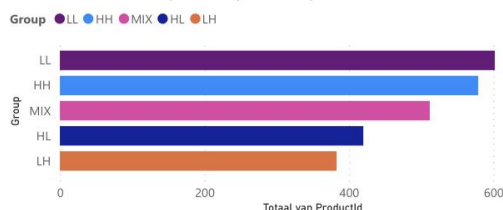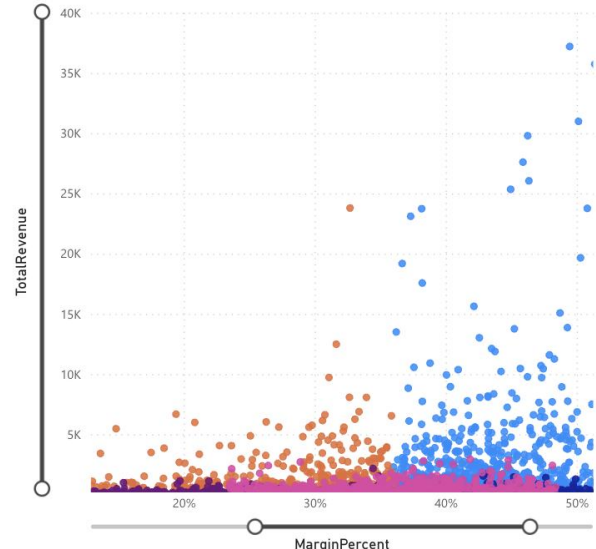
Product Re-Segmentation Insights (2/3)

How can we help you in this 12 step programme
Based upon a data analysis we examine how your products are performing in price sensitivity, margin, revenue and we offer ideas based upon extra dimensions (when available) to show insights within product categories (sub or main)

In this step of the programme we discuss your current product segmentation and try to identify:
  · Commodity products
  · Brand
  · KVI and non-KVI Products
  · Product Life Cycle
  · Understanding the price sensitivity of products (via Price Elasticity or Price Sensitivity Analysis)
  · ABC Products
  · Cross Sell products

You can use these insights, to use a mix of price strategies that best suits each product segment. In this project we use the new mapping to give suggestions which pricing strategy could be more effective to increase the margin or revenue.

An Example of how to re-segment your products.

There is no 'one size fits all' answer. But generally speaking we could advise to use the following attributes or price levers to get your price logic a bit more refined;

You could apply price logic based on
- the price sensitivity of the product to create your price logic.
- key value Items within your category.
- using the price life cycle: a product that is newly introduced to the market must be priced differently than one that is late into its lifecycle.
- cheap or expensive products
- the uniqueness or brand of your products
- the margin category of your products (abc)
- color, material, theme, customer group, etc

How is the Symson Platform helping you with this?

We can use the SYMSON platform to
- run an analysis on all your products and measure on the above parameters. Once we have the data insights you need,
- we can set specific and unique price strategies for each segment that best captures most margin. Symson is very flexible in applying price logic. Here's what that looks like
  <apply Minimum Protection Margin> + < apply X% margin> to
  <Sub - Category> <Brand> <KVI> <LifeCycle> <Theme>

Related information:

https://www.symson.com/blog/stp-marketing-model

https://www.symson.com/crash-course/product-segmentation

Workshop STP Pricing

What do you need:
- Data of your Product assortment, Category (Main, Sub, Sub-sub), Brands, Product attributes relevant for pricing segmentation.
- Cost price of your products
- Historical order lines

Customer Segmentation (1/3)

What is your current situation and why is this not optimal?

Your current customer segmentation is most often based upon revenue size and/ or sector. This is a good start. However, to include customer behaviour and preferences into your pricing strategy it's interesting to discover what are the buying habits of each customer. Currently, not incorporating this aspect may result in missed revenue opportunities

What is it?

Customer analysis or customer clustering is a data analysis technique that involves categorising customers into distinct groups or segments based on common characteristics, behaviours, preferences, or purchasing patterns.

Why is it useful and beneficial

The primary goal of customer analysis is to gain insights into the diverse needs and behaviours of different customer segments, enabling businesses to tailor their pricing strategies in order to be more successful.

The primary goal of customer analysis is by gaining insights into the diverse needs and behaviors of different customer segments, to enable your business to tailor their pricing strategies and by doing this improving your margins and success.

SEGMENT VALUE MATRIX

Current Value

Potential Value

SEGMENT VALUE MATRIX

Current Value

Disengaged	Star
$8,500	$6,700
425 days	59 days
# 9 Cust	# 73 Cust

New	New
$1,500	$1,900
440 days	70 days
# 73 Cust	# 254 Cust

Potential Value
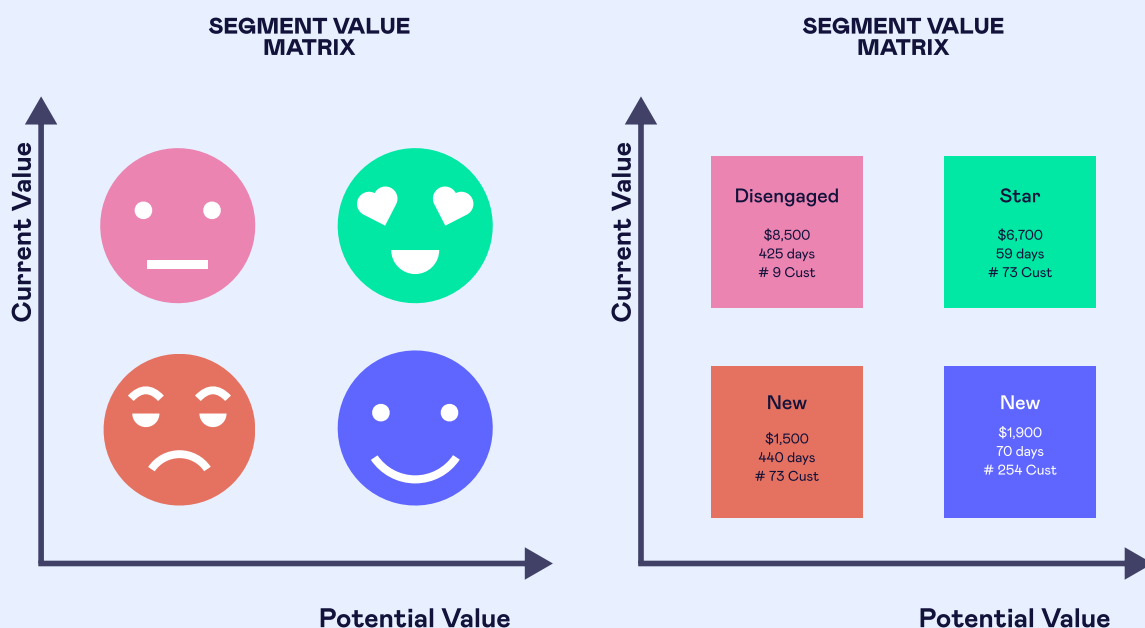
Customer Segmentation (2/3)

Deliverable: How are we going to help you in this 12 step programm?

In this project we analyse the buying patterns of all customers and make a new customer segmentation based upon for example: Key Value Item preference, Brand Preference, buying product mix situation or Location Preference. With this insights you can tailor your offering.

We will deliver and demonstrate a new dimension of how you can segment customers. For example how you can group/ segment your customers on:

· Revenue based upon our data science insights

· Sector or industry

· Brand or product attribute preference

· Customer loyalty score/ level

· Local or regional situation

· Customer behaviour

· Purchase patterns, such as Product Mix Situation and Retention

Customer Analysis & Segmentation

Average number of Invoices per Leading Product Group
Cosine Metric

Number of Invoices — Product Groups

Customer Cluster 0 · Customer Cluster 1 · Customer Cluster 2 · Customer Cluster 3 · Customer Cluster 4
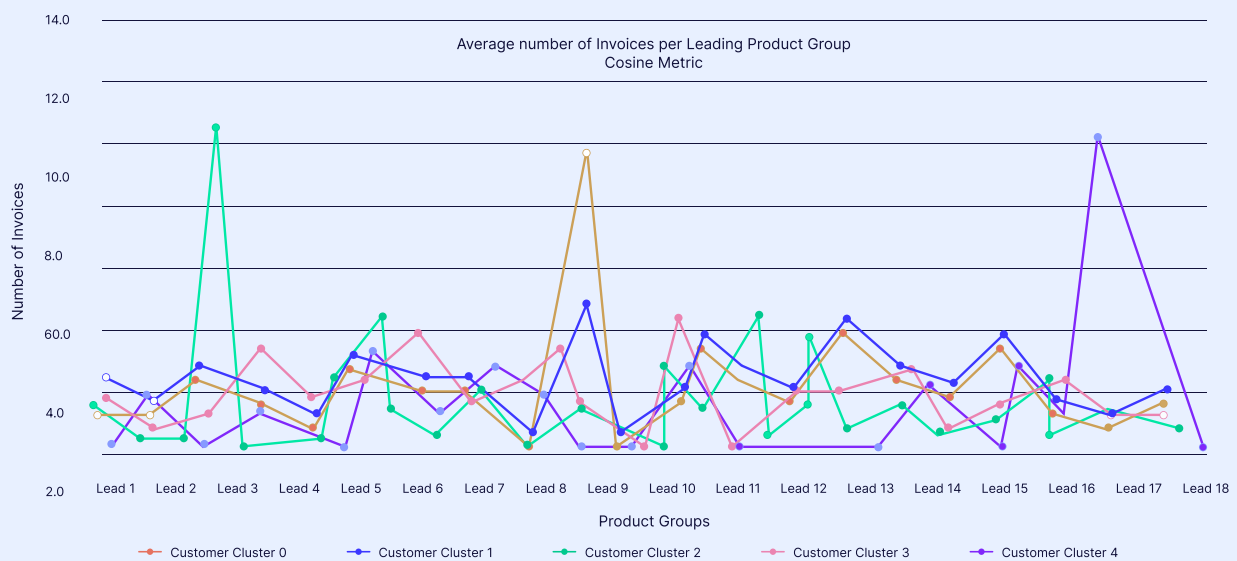
Customer Segmentation (3/3)

Use cases & examples

Customer-Centric Market Segmentation Matrix Model

Key Takeaways-

- Demographics analysis based upon age, gender and education.

- Geographical analysis based upon country, region, etc.

- Psychographics analysis based upon personality, lifestyle & social status

- Behavioral analysis based upon purchase behavior, customer loyalty, etc.

Demographics
· Age
· Gender
· Education

Geographical
· Country
· Region

Psychographics
· Personality
· Lifestyle
· Social Status

Behavioral
· Purchase behavior
· Benefits sought
· Customer loyalty

Product

Segments

Distribution

Market Context

Execution

Target Reached

How is the Symson Platform helping you with this?

By applying this method you could discover new dimensions for making price lists. In Symson these dimension can be taken into account to generate a specific price list per customised customer group.

What do you need?

The minimum requirements for doing this exercise is your historical invoice data and domain knowledge about your products.

Desired data:
· Customer information including relevant attributes

· Historical invoice data

· Product attributes

Related workshops:
· STP Workshop

Customer Loyalty (1/4)

What Is Your Current Situation and Why Is It Not Optimal?

Scenario 1:

Each customer has once been labeled according to a specific customer group, thereby connecting them to a related price list. In your current setup, customers are rarely 'resorted' or 're-segmented' into another customer/price list, despite changes in their behavior or results.

By managing this process in a 'static' way, you're missing out on potential margin!

Scenario 2:

Do you know which customers are loyal and which aren't? How do you define this? Is it merely based on 'gut feeling,' or are you leveraging a data-driven approach to guide your sales team?

Are you adjusting your prices in real-time based on customer loyalty scores? Are you dynamically re-segmenting them? Are you utilising smart data? If not, there's significant room to optimise how you interact with customers.

What is a Customer Loyalty Analysis?

The Symson Customer Loyalty Analysis calculates a score by analysing factors such as buyer frequency, retention, purchasing patterns, and customer attributes, along with market conditions. Additional elements outside this scope may include support tickets, NPS Score, transport quality, and customer satisfaction metrics.
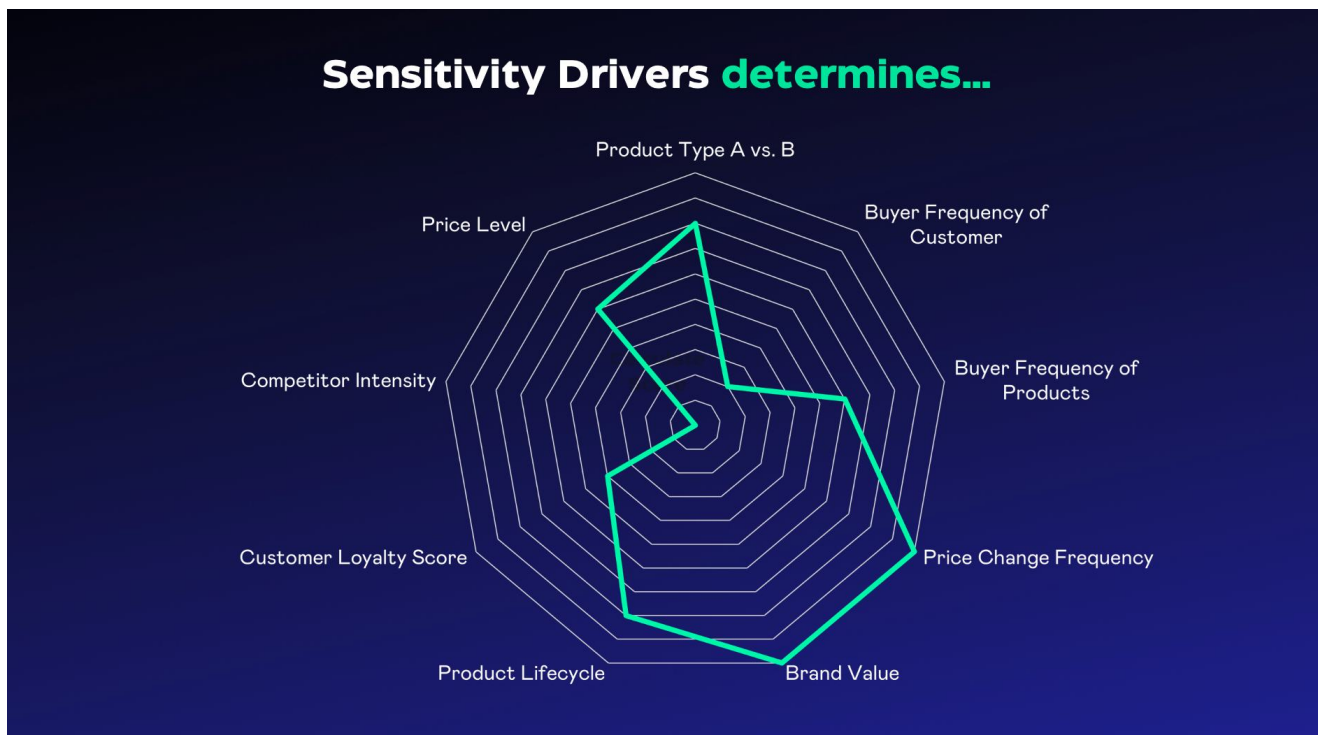
How to Implement Loyalty Pricing in Your Business

Import customer and product attributes into Symson

Import orderlines into Symson

Use the loyalty score of your customers

Change prices upon these score

Which Customers are loyal?

Sensitivity Drivers determines...

How is it Useful and Beneficial?

- By utilising customer loyalty scores, you can optimise prices in the following ways:

  a. Apply an additional margin or markup for customers loyal to your current price list.

  b. Offer an additional discount to non-loyal customers on these price lists.

- Leverage data insights from scientifically proven analysis to:
  - Encourage sales actions towards non-loyal customers.
  - Increase margin from loyal customers.
  - Drive more data-driven discussions.

How Does the Symson Platform Assist You?

- The Symson engine is essential for running the analysis.
- Our price engine automatically recalculates prices based on a customer's loyalty score. Then, a price adjustment or "sweet spot" is determined based on the score, aiming for satisfied customers and maximizing profit.

Curious to see how Symson can optimize your margins with smart pricing algorithms?

Customer Loyalty (3/4)

Which Customers are loyal?

How SYMSON is going to help you in our programme?

We provide the loyalty score for the customers provided (based on the definition of loyalty we establish).

What do you need in order to use Customer Loyalty?

- Customer information, including relevant attributes.
- Historical invoice data.
- Product attributes.

Customer Loyalty (4/4)

Win 1% margin... How? Automatically reprice based upon loyalty score.

How to Use Customer Loyalty Score, in its best form ?

This approach, outlined below, is an integral part of our "Tailored Algorithms" package. Unlike our other plug-and-play features, the price levers need to be configured to fit your company-specific model. Our team responsible for Custom Algorithms can incorporate 'often used price levers' such as:

- Buyer Frequency of Customer
- Customer Product-Sale Mix
- Order basket status
- Source Sales Channel
- Return Complaints
- Customer history behaviour
- Brand engagement
- CRM values

The Customer Algorithm computes a loyalty score by analyzing various customer behavior metrics. When combined with your CRM data (e.g., Customer Sector, Region, Gender, Age, Growth Potential, etc.), it can predict an optimal price and re-segment your customer groups. Once you have your customer loyalty score, you will be able to:

- Auto-adjust current customer prices by +/- 1% or +/- 2%.
- Score each Customer Price Driver.
- Change Customer Group based on Loyalty Score.

Being able to measure and incorporate this information into your pricing strategy is paramount to optimizing your margin/revenue—and keeping customers satisfied.

Identify Customer Price Drivers	Configure Drivers	Add CRM Logic		Recommendations
Drivers	**Weight**	**Label**	**Ratio**	**Suggest**
Buyer Frequency	0 ———■——— -3	Gender	0	**Strategy:** Change Price
Customer Sales Mix	0 ———■——— -3	Age	0	**Suggestion:** +19%
Customer Loyalty Score	0 ——■———— -3	Industry	1	**Confidence Score:** 4
Product Delivery Time	0 ———■——— -3	Strategic Level	2	Changing your price with the following % would make sense.
Source Sales Channel	0 ————■—— -3	Revenue Size	1	
Return Complaints	0 ——■———— -3	Growth Potential	2	**Actions**
Brand Engagement	0 ————■—— -3	Region	2	Use recommended margin ☑ Re-segment customer groups ☐
· Determine most relevant customer specific price drivers	· Determine sensitivity for each relevant driver using multiple sources	· Define customer segment groups to spot price sensitivity for different products		Apply to: Group A ☐ Group B ☐ Group C ☐

KVI Products

What is your current situation and why is this not optimal?

Promoting too many products on Google and Amazon shopping to gain more market share and revenue may lead to pricing too low on numerous products.

As a result, companies may experience revenue growth but a significant drop in margins. They notice that products in the basket are being priced lower, but these are not the products that attract customers to the store.

Conducting a KVI analysis beforehand would reveal that certain products are being promoted incorrectly. Adjusting prices accordingly, by raising prices on certain products and lowering them on items that attract customers, can help rectify this issue.

Identifying KVI products allows for cross-selling opportunities to increase the basket value.

What are Key Value Items?

Your Key Value Items are the products that your customers pay the most attention to when it comes to pricing. They're memorable and often play a big role in how customers perceive the overall value and pricing of your store or brand. Likewise, it influences their shopping decisions as well.

For eg, IKEA sell breakfasts for approx. only €2,29. Such low prices of necessary items attract people to their stores. This increases the chances for those customers to purchase other items which are relatively priced higher. So, while the breakfast prices aren't earning enough margins, they are able to gain margins on other items.

For e.g. Vink, a B2B Distributor of all kinds of Plastics to construction market, the KVI Products could be the 'Cut to Size' option to 'cut' the plastic for their customers. If this service will bring the customers to their 'store', they could change the prices of the non-KVI products a bit to get more margin.

What is the importance of leveraging KVI in your pricing process?

Understanding KVIs is like having a secret code to customer psychology. Many businesses rely on gut feeling or sales managers' intuition to figure out what these items are. But in the age of data, this traditional approach is like using a compass when you have a GPS. Leveraging data to identify KVIs can lead to smarter pricing strategies. It's about combining human insight with quality data to make pricing decisions that resonate with your customers and boost your business. It helps:

- **Getting customers to your store**/shop by creating successful promotions
- Generate more overall **profit**.
- Enhanced customer perception than competitors.
- **A higher margin** on products that are not price sensitive.
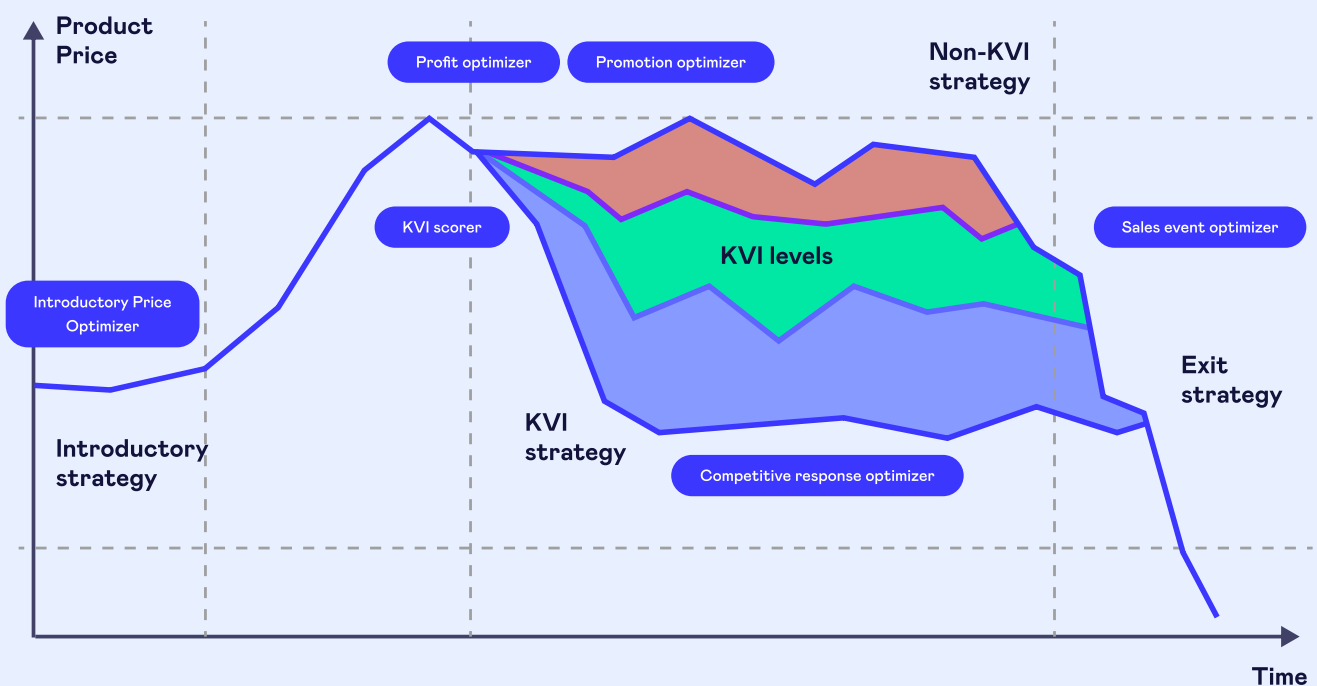
The relationship between decision-making components and pricing strategies

Deliverable: How are we going to help you in this 12 step program?

Employing SYMSON to identify your Key Value Items can transform your pricing process into a precise, data-centric operation. By analysing extensive transaction datasets, SYMSON can accurately identify the items within your assortment that significantly impact customers' price perception and overall sales volume.

This analysis extends beyond mere sales volume or revenue generation, focusing on how these items shape customer perception of your price positioning in the market.

The result is a report, that gives nuanced understanding of which items truly drive your pricing strategy, allowing for more targeted and effective pricing decisions.

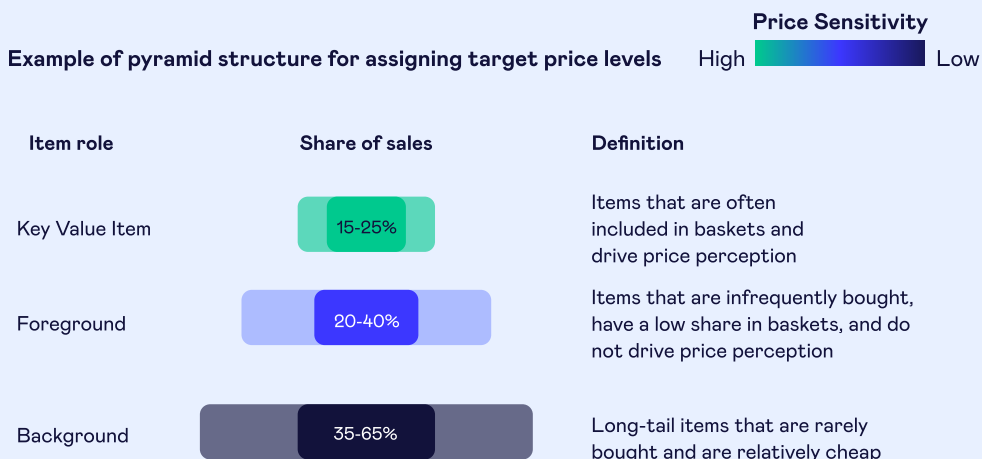**Platform: How can SYMSON help you with leveraging your KVI products?**

SYMSON acts as your intelligent assistant in this journey. It provides a clear and analytical overview of the Key Value Items in your assortment. This insight allows you to focus your pricing strategies around those products, ensuring they are priced in a way that's attractive to customers and beneficial to your bottom line.

This approach enables retailers to align their pricing strategy with the nuanced dynamics of customer price perception. Likewise, it ensures that the pricing of KVIs is optimally set to enhance competitiveness and profitability.

Organisations must be open to shift from intuition-based to data-driven decision-making for this to take place. Plus, this approach is helpful for brands aiming to optimise their pricing in a competitive retail landscape while maintaining healthy profit margins.
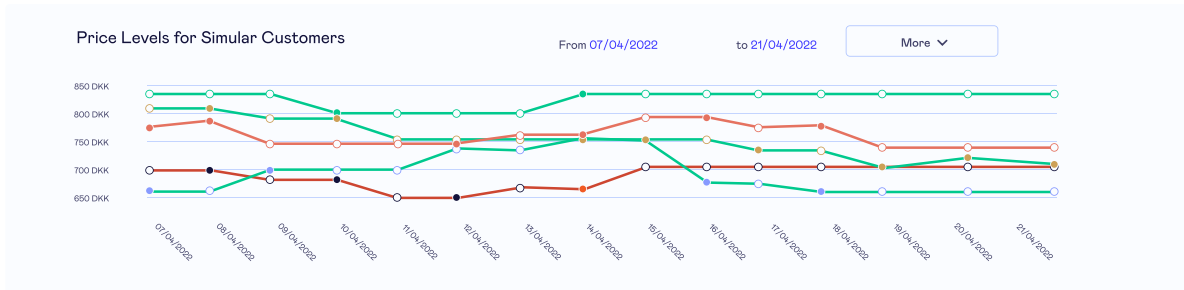
Key Value Definition

Key value items should account for at least 15 percent of category sales

Example of pyramid structure for assigning target price levels

Price Sensitivity

High ▬▬▬▬ Low

Item role	Share of sales	Definition
Key Value Item	15-25%	Items that are often included in baskets and drive price perception
Foreground	20-40%	Items that are infrequently bought, have a low share in baskets, and do not drive price perception
Background	35-65%	Long-tail items that are rarely bought and are relatively cheap

How to Track & Monitor Competition and Stay Ahead (in B2B scenario)

Price Levels for Simular Customers — From 07/04/2022 to 21/04/2022 — More ∨

What is your current situation and why is it not optimal?

1. You probably don't regularly use competitor prices because the data is hard to find in your B2B situation. Prices are not transparent and are most often hidden behind a "login".

2. Salespeople are showing you proposals from competitors, which suggest that your prices are too expensive.

   a. You are not storing these competitor prices in a database to build historical monitoring.

   b. You are not recalculating or re-engineering the prices of competitors according to their price logic, such as their cost-plus (markup) percentage or market price down discount structure. Moreover, if you do this, you are not saving this information for overall and historical insights..

3. You are not scraping their B2B portals or importing price lists (as PDFs or Excel files) to gain historical insights and to understand the correlation to your price level.

4. You are not scraping the B2C prices of competitors like Amazon, or the prices of companies in your chain, to recalculate the margins and price in your market vertical to organize a smart price policy.

5. B2B companies are always monitoring each other's prices. We're guessing you are not 100% certain who is following whom. Want to find out?

For manufacturers, here's what we can research in this project:

· What alternatives are available in the market (per country).

· Similar brands.

· RRP (Recommended Retail Price) alignment and monitoring in your distribution channel. Is your RRP being respected by your partners?

· The same product being sold by different companies.

What is it Competitor Price Monitoring?

Gain insights into the competitive landscape for your products, including the prices of alternatives, across different countries.

Why is it beneficial?

Competitive pricing provides numerous advantages, including:

1. The objective of competitive pricing is to <u>understand</u> the relationship between your price levels and those of your direct competitors, as well as alternative options in the market. This involves analyzing how the competitive landscape varies by country and its impact on your pricing strategy, especially in terms of its correlation with product demand.

2. The goal is to develop a <u>pricing structure</u> that identifies the optimal price point, closely aligning with the highest willingness to pay while considering the competitive environment in each country.

3. This process also includes gaining insights into the pricing strategies of your <u>direct B2B competitors</u> and understanding the interaction between your prices and market demand.

4. Additionally, it's crucial to assess the extent to which your Recommended Retail Price (RRP) is maintained in your market

5. Understanding that the <u>dynamics of competitor followings</u> is key to avoiding a race to the bottom.

How are we going to assist you in this 12-step program?

In this project, we will investigate how extensively we can find competitor prices for your product portfolio. We will:

· Explain advanced techniques to help you identify competitor prices.

· Demonstrate how custom website and B2B portal scraping works.

· Provide competitor scraping for all desired products based on EAN, Keyword, or SKU searches on marketplaces or Google Shopping.
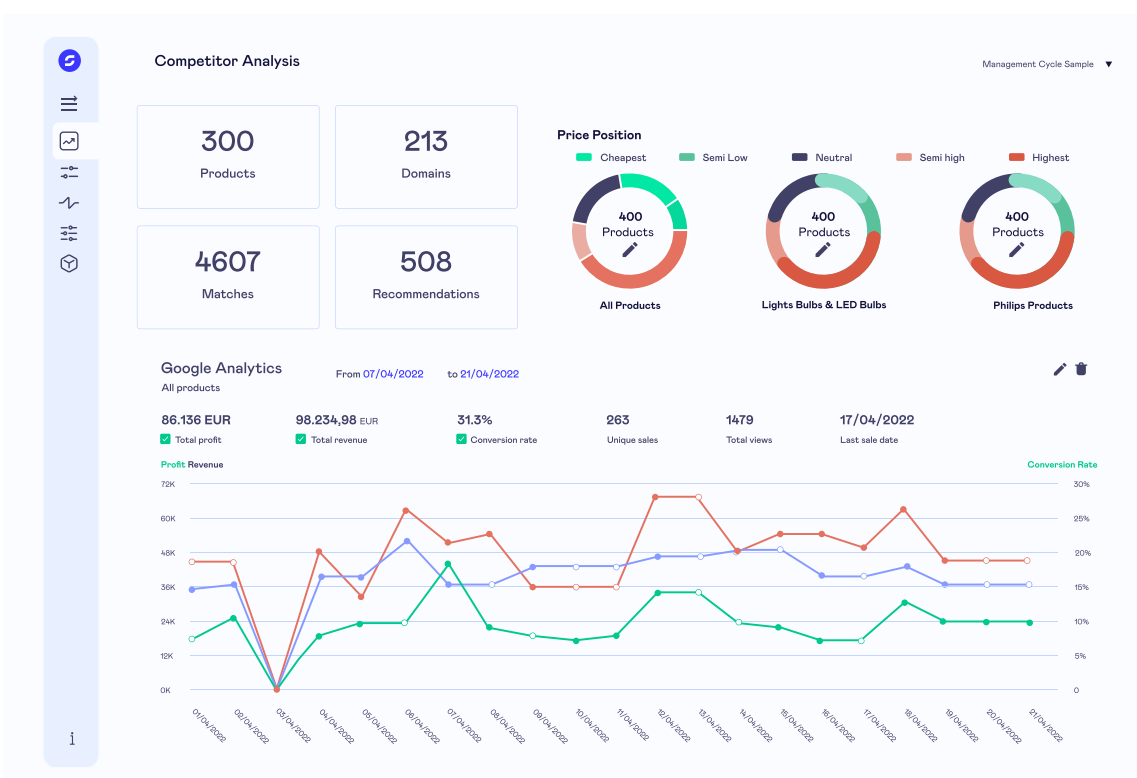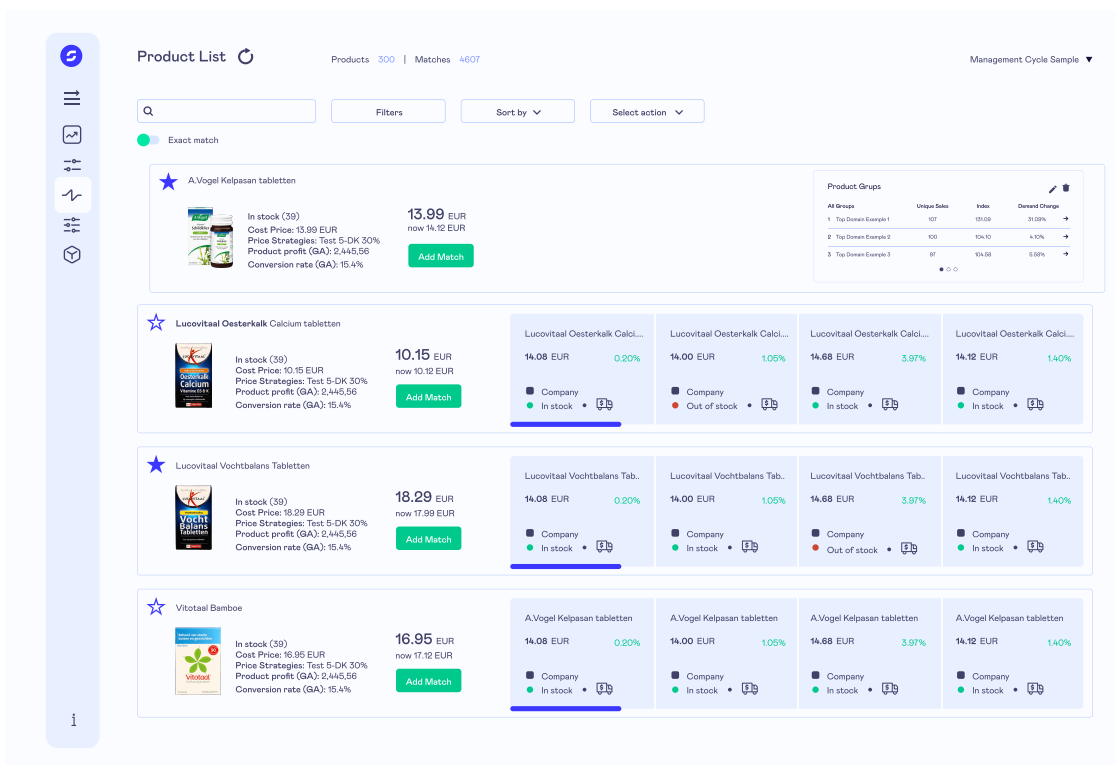
Out of Scope:

· The setup of custom scrapers for websites or B2B portals is beyond our scope (though we will show you how this is done).

· Scrape costs per instance are additional and will be detailed in our quote.

Price Watch | Market Price Insights

How is the Symson Platform Assisting You to Monitor Competitors?

· View competitor and alternative product prices within the Symson portal.

· Reprice these based on several variables.

· Export these prices via CSV or connect to our API.

· Organize 'Re-Pricing' according to your preferences in relation to competitors.

Related Resources for more Clarity

· Competitive Pricing Webinar: Watch the 45-minute video.

· How Scraping Works: Watch the 4-minute video.

· Symson Interface: Learn how to configure and view competitor prices in this 3-minute video.

What you will Need to Use Competitive Pricing

Provide Preferred Sources for Price Scraping

· URLs for custom scrapes, such as specific websites or B2B login portals.

· Desired marketplaces for scraping, including Bol.com, Coolblue, and via Google and Amazon Shopping APIs.

· Criteria for open Google searches: Use product names with filters to narrow down results to specific <packages> or <keywords>.

Submit Detailed Requirements for Comparing Prices to Alternatives:

· List alternatives in the market by country.

· Identify other brands offering the same products.

· Specify white-label brands for the same products.

Outline the method required to activate these alternative scraping options, including:

· Website URL.** (for B2B portal scraping we need an username & password).

· Product page URL.

· EAN, SKU for marketplace scraping.

· Keywords and filter keywords for custom scraping.

· Manually (B2B): Import Excel with competitor prices of your competitors (available at your sales team ☺)

**Note: Symson is able to automate the search for URLs of Matching Products for Alternative Products via Auto AI Match based upon product attributes !!

Support for Manual URL Collection:

· If manual effort is needed to collect URLs, our content team in India can assist in this process.

Insights in popular order combinations for KVI Insights, Customer Specific Assortment and Pricing, and much more!

What is your current situation and why is this not optimal?

- Problem 1 : Do you know which promotions are giving you new market share? You must know which are your most important (KVI) products (per customer group) in order to activate the best promotions! So what are the your KVI products?

- Problem 2: If you currently do not have specific customer specific price lists, you are giving customer discount on products that are irrelevant for them, and therefore you are missing out on margin! You do this, so you are able to manage your prices (avoid creating too many price lists). Or you may have too many price lists. For eg, a specific price list for each customer group, which brings maintenance issues and makes it harder to do active price management on all these specific customer lists. (in this case you need a pricing tool like Symson to maintain it automatically and to generate the customer product price lists dynamically. The 12 steps programme cannot help you here but our tool can)

What is it?

An analysis for all the baskets and orders. This can be done, if desired, for one specific customer group. Basket analysis or Invoice Analysis, is a data analysis technique used in retail, e-commerce, and wholesale to discover relationships between products that are frequently purchased together. The goal of basket analysis is to identify patterns and associations in customer shopping behaviour, helping businesses understand the relationships between different items and improve various aspects of their operations, such as product placement, cross-selling, and targeted marketing.
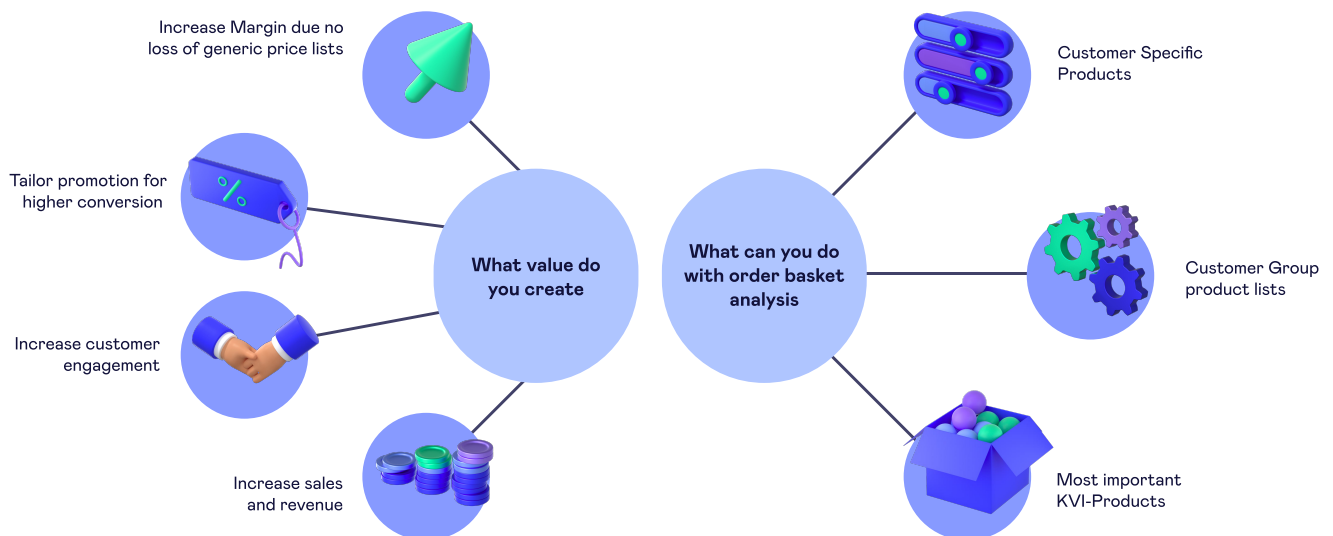
Basket Analysis & Key Value Item Definition
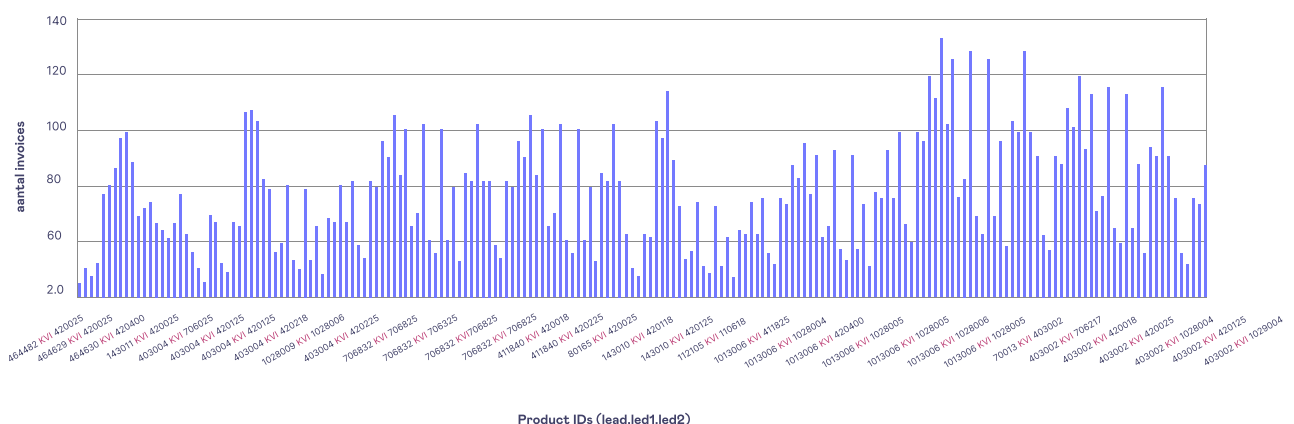
Invoice | Order Basket Analysis

Why is it beneficial?

Analysing order baskets, in combination with the Key Value Item identifications, we can make intelligent, data-driven strategies to increase **the share of wallet of organisations.**

By analysing order baskets, combined with the Key Value Item identifications, we can make intelligent, data-driven strategies to increase the share of wallet of organisations.

- You can use this to optimise your pricing, creating a KVI attribute and KVI pricing strategy/ discount rule.
- To understand which products, you should use to create the most successful promotions, to gain more market share.
- Get insights in the main products per customer group, which allow you to create customer specific assortments and pricing.

Increase Margin due no loss of generic price lists

Tailor promotion for higher conversion

Increase customer engagement

Increase sales and revenue

What value do you create

What can you do with order basket analysis

Customer Specific Products

Customer Group product lists

Most important KVI-Products

How are we going to help you in this 12 step programme?

In this project we analyse what are the most common baskets / order combinations so that you make smarter decisions on how to increase the share of wallet by optimising your Key Value Item price.

We deliver any ONE of the following reports and insights (choose one option)

Option 1: Does a KVI Pricing Strategy contribute to a higher margin?
What is the financial impact of applying a strategy where we reprice the KVI products more attractive and slightly increase of the Non-KVI products? We deliver the impact of this popular and often used strategy for your business.

We therefor deliver reports of:

· Top KVI Products; This insights will give you a more detailed view on your KVI products. We identify your most important KVI products, so you know which of the KVI products are bringing the customers to your company/store.

· Top 100 Most sold products from baskets: In this project we give you an overview of the top-100 most sold baskets.

Option 2: What would be the best customer specific products for pricelist or promotions.

· Customer Specific Assortment; A report of the main products for 1 customer group, which allow you to create customer specific assortments and pricing.

· Personalised Promotions: A promotion report with the most important (80/20 rule of Pareto) KVI products, that can be used to understand which products, you could to create the most successful promotions, to gain more market share.

How is the Symson Platform helping you with this?

· The Symson engine is used to gather these reports.

· The Symson platform is able to activate and automate a separate price rule for the KVI products (per category), so these products are priced differently in order to be more successful.

· Symson can use the 'customer specific products for a customer group' to specify a specific pricing. By doing this, the price logic is automated,

Long Tail Product Analysis (1/2)

What is your current situation?

Your current situation could be that you have the time and resources to monitor and optimise only 10% of your products. These are most often the fast movers and most successful products in your assortment. The remaining 90% also leads to sales and margin, but it could be a challenge to optimise them due to a lack of data, tools, resources or insights.
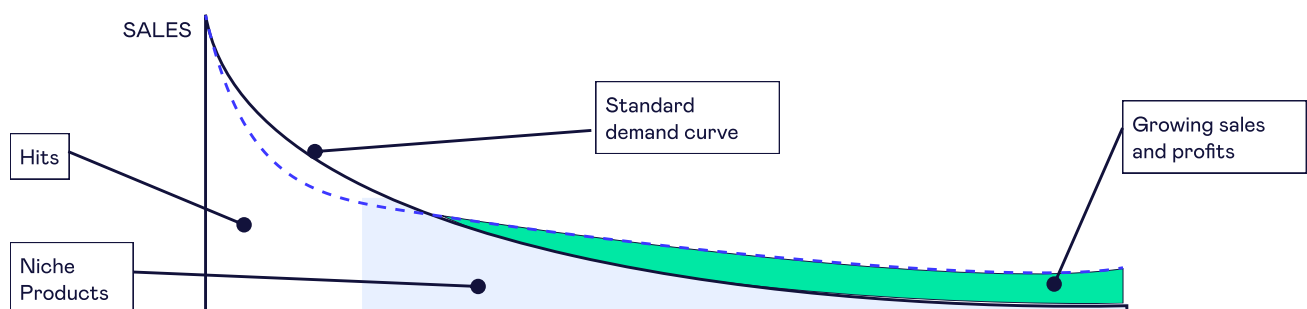
What is a Long Tail Product Analysis?

Long tail products are products that are less mainstream. Companies undermanage the long tail because they lack transparency into the true costs of complex products and because they find it too time consuming or expensive to use sophisticated pricing tools such as choice-based modeling, value estimates, customer value-perception surveys, and competitor value maps.

Why is it useful and beneficial?

What often occurs is that 20% of an organization's products receive 80% of the attention from sales and management while accounting for only 50% of the company's profits. This means 80% of the company's products are undermanaged, even though they account for the remaining 50 percent of profits. These products represent little revenue individually but significant margin upside collectively. If they were managed better, they could generate meaningful results.

By not actively managing long-tail pricing, companies miss out on opportunities to capture the full value potential of their product portfolio. In this project we are analyzing which strategies could be effective to increase the margin or sales of the long tail products.

Theory : Online Channels Will Fatten the Long Tail

Long Tail Product Analysis (1/2)

Questions we answer in this project

1. **How do we define a long tail product?**
2. **What is the reason for a product being a long tail product?**
   There could be various reasons such as lack of displaying, out of stock or wrongly prices.
3. **Are the long tail products consistently priced with the the overall pricing strategy?**
4. **Which optimisation can be made in the long tail based upon competition, elasticity or product uniqueness?**

How are we going to help you in this 12 step programme?
We give you insights into the reasons why these products are long tail products. Based on this information we provide you with ideas, tactics and strategies to increase the volume and to move slow movers into fast runners.

How is the Symson Platform helping you with this?
The Symson Platform gives you insights and analytics, volume, price elasticity, competition, stock position and more. the Insight & Learn Module analyses the data and delivers valuable information for optimising your assortment, margin or revenue. Intuitive and well organised, the dashboards neatly present the market reaction to price changes in the past, enabling you to make better decisions for future strategies.

What do you need in order to use Long Tail Product Analysis?
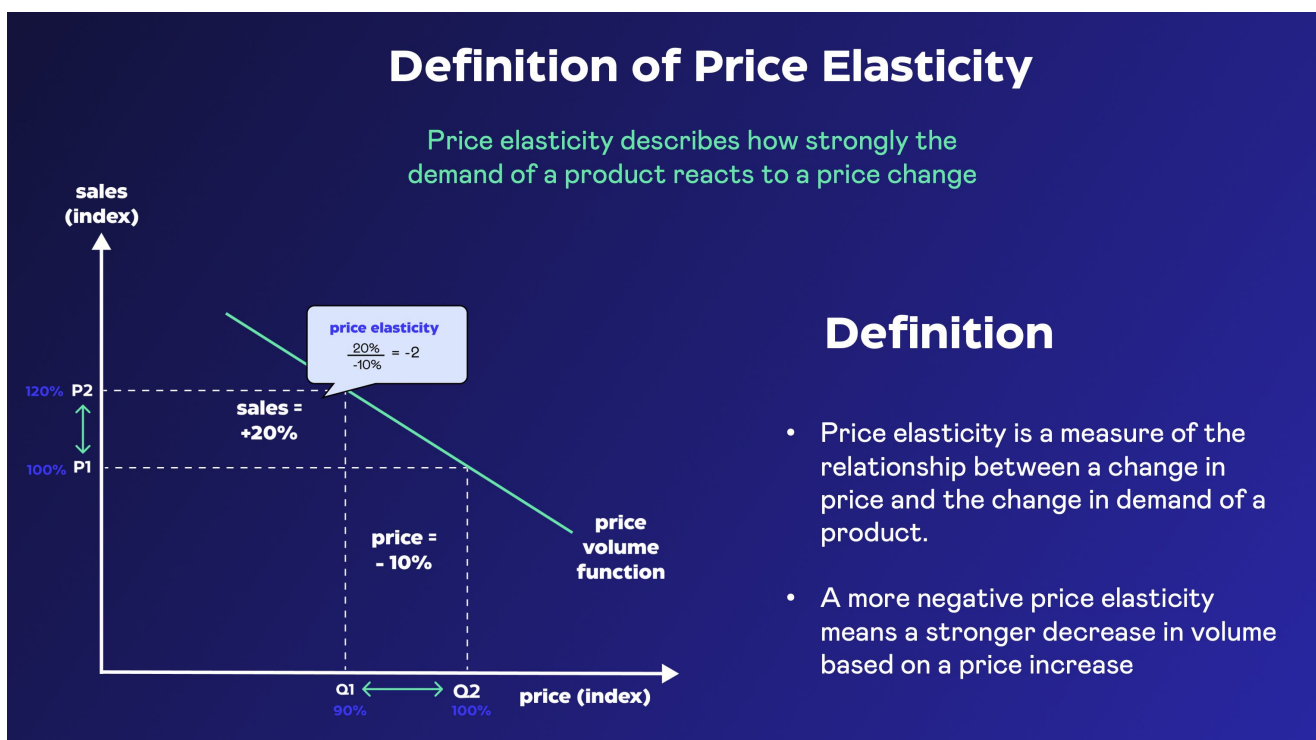We need OrderLine Data according to our Symson Data Format.

Elastic Products

What is your current situation and why is this not optimal?

In your Price Policy and Price Setting you are not yet using Willingness-To-Pay (WTP) as a driver or Price Elasticity principles insights as the foundation of your pricing. Why is this not optimal? You are leaving money on the table!

What are Elastic products?

Price Elasticity refers to the responsiveness of the quantity demanded of a product to a change in its price. Price elastic products, also known as elastic goods or goods with elastic demand, are those for which the quantity demanded is highly sensitive to changes in price. In other words, small changes in price result in proportionally larger changes in the quantity sold.


Definition of Price Elasticity

Price elasticity describes how strongly the demand of a product reacts to a price change

price elasticity $\frac{20\%}{-10\%} = -2$

sales (index)

P2 120%
P1 100%

sales = +20%

price = - 10%

price volume function

Q1 90% Q2 100% price (index)

Definition

- Price elasticity is a measure of the relationship between a change in price and the change in demand of a product.

- A more negative price elasticity means a stronger decrease in volume based on a price increase

Elastic Products

What is the importance of leveraging Price Elasticity in your pricing process?

Price Elasticity, if used correctly, is extremely **powerful** to predict optimal price points of your products!

· Set optimal prices to optimise margin with an average of **2%**

· Set prices for optimal revenue to **gain market share**

· **Optimise** current **mark-up % or discount structure** using insights of Price Elasticity to gain more Margin

· **Forecast** impact of promotions on quantity in combination with price. (Scenario builder)

· Set your desired market positioning .
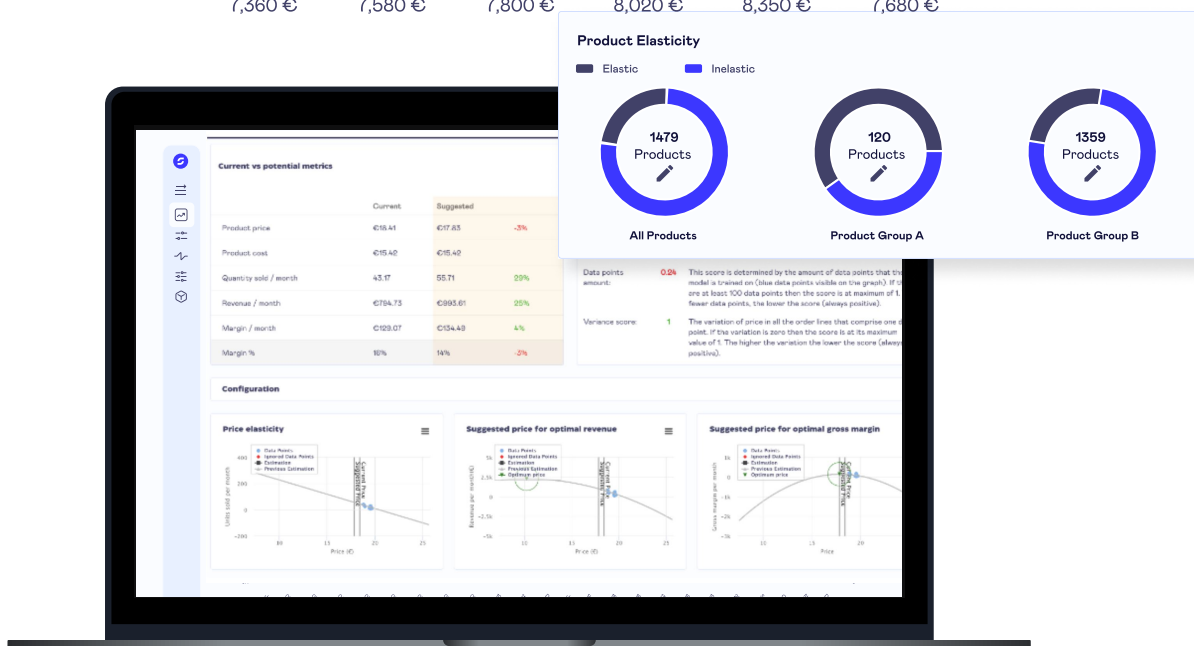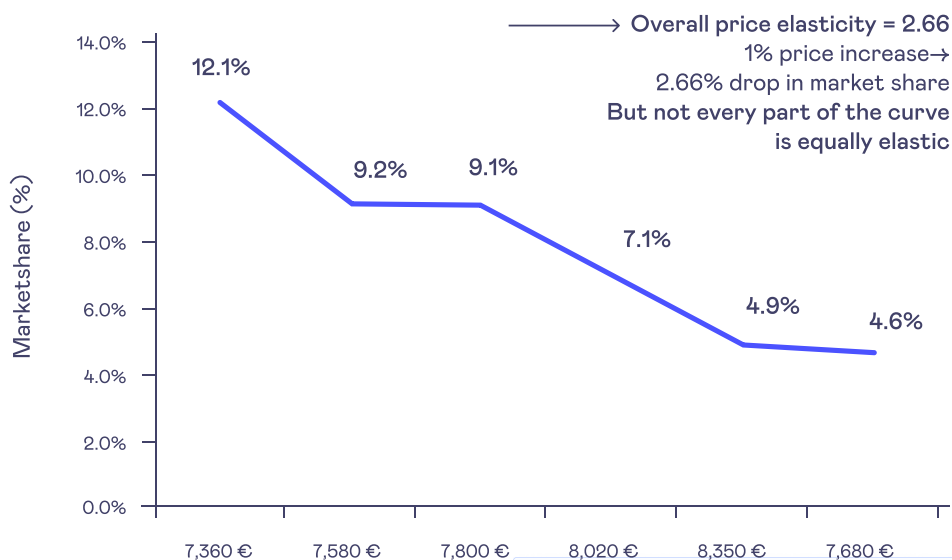
Using Price Elasticity is powerful but hard as well!
How to use it correctly!

While the concept of price elasticity seems to be straightforward and can be extremely powerful, in practice elasticity is often quite complex for a couple of reasons :
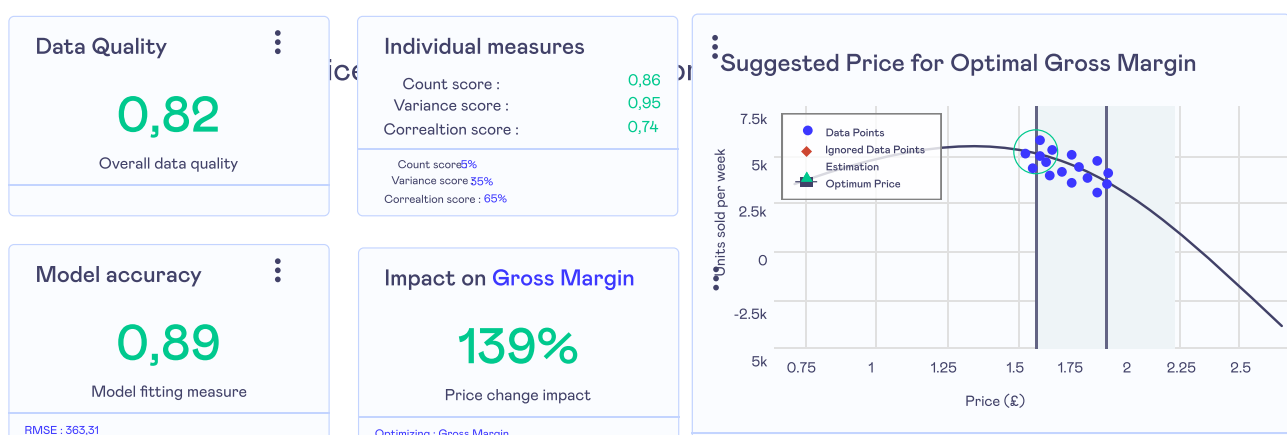
- **It Only works for 30% of the products.** Price Elasticity only works for 30% of your products. So powerful; yes! But how do we get to the optimal price for the other 70%? (Use price Sensitivity Algorithm!)
- **Data Quality is insufficient**: You need sufficient data, with enough variation and correlation for the price to quantity sold.
- **Economic period is not stable:** Price elasticity should be seen in a wider context. Price elasticity is powerful in a normal economic situation, where off-course competitors are 'active', as well as promotions, but you need to be aware that it is influenced by a lot of factors, including; price awareness and perception, price communication, price/value perception, buying behaviour, seasonal influences, channel, unstable economic situations, for example COVID or Price wars....
- **Variation Per Country or Region:** Price sensitivity varies per customer segment. Different segments exhibit differing awareness of prices - and different consciousness of price.
- **Variations Per customer group:** Price elasticity varies within your portfolio.

Conclusion:

Price elasticity is rarely linear. I.e a price can get so low that customers suddenly start questioning credibility, or so high that customers cannot believe that any product benefit could be worth that price. But it's definitely worth doing the research keeping in mind the complexity.

And this is exactly where Symson comes in! Symson helps you to
- configure the period for economic stable situation.
- calculate the price **elasticity** on product level,
- provide you with a data quality score, so you know for which products you can trust the elasticity outcome.

Data Quality

0,82

Overall data quality

Individual measures

Count score :　0,86
Variance score :　0,95
Correaltion score :　0,74

Count score 5%
Variance score 35%
Correaltion score : 65%

Suggested Price for Optimal Gross Margin

Model accuracy

0,89

Model fitting measure

RMSE : 363,31

Impact on Gross Margin

139%

Price change impact

Optimizing : Gross Margin

48

Practical use cases of Elastic Products

Run Scenario's and define Impact of new prices.

You can use Symson scenario builder to predict the future.

· Demand forecasting
· Impact analysis of new prices
· Optimal Prices for Promotion Price to sale of inventory

Setup scenario

1 — Scenario name   2 — Filter on product performance   3 — Filter on attributes   4 — Business rules   5 — Run ML optimization   6 — Filter on KPIs

Configuration parameters for the ML model training.

Demand elasticity modelling method	Optimize	Time frame
◉ Linear	○ Revenue	○ Week
○ Logistic	◉ Margin	◉ Month
○ Constant Elasticity		

‹ Previous   Run ML optimization   Next ›

				Machine learning results and KPIs					
Order lines	Average price	Current price	Current cost	Suggested price	Elasticity	Count score	Correlation score	Data quality	Model accuracy	Impact %
3.83	€7.73	€47.07	€31.12	€49.52	-6.13	0.24	0.38	0.59	0.92 ❗	3%
0.67	€8.19	€49.93	€33.64	€44.71	-8.1	0.24	0.6	0.72	0.87 ❗	0%
3	€2.84	€17.40	€11.58	€16.78	-4.98	0.24	0.57	0.7	0.87 ❗	32%
0.33	€3.74	€23.21	€14.95	€22.44	-5.18	0.22	0.66	0.75	0.85 ❗	16%
4	€8.72	€55.01	€33.24	€53.61	-2.63	0.24	0.82	0.85	0.84 ❗	24%
2.08	€4.87	€29.71	€19.83	€27.30	-9.1	0.24	0.72	0.79	0.84 ❗	2%
0.58	€2.48	€15.15	€10.58	€14.32	-5.17	0.24	0.58	0.71	0.84 ❗	4%
1.5	€4.05	€24.82	€16.00	€24.81	-2.84	0.22	0.36	0.57	0.84 ❗	35%
2.75	€4.66	€28.69	€19.85	€27.85	-6.47	0.24	0.61	0.73	0.83 ❗	2%

You can use the Symson scenario builder to simulate specific scenarios. The engine generates a list aggregating data at the product level to define the price elasticity of groups, categories, product attributes, product groups, and more.

Elastic Products

Deliverable: How are we going to help you in our programme?
· We teach you how to use Price Elasticity correctly by providing playbooks, videos and whitepapers
· We deliver you insights if your company-market situation is suitable for using Price elasticity
· We deliver insights in your data quality and help you understand if your data quality sufficient to base your decisions on price elasticity.
· We provide you with an elasticity score and an optimal price (based on this elasticity score) in Symson.

Using Symson, you can also:
· configure the period for economic stable situation.
· calculate the price elasticity on product level,
· Predict the optimal price with these recommendations.

Improve your current price logic by 2%
· Improving your current cost-price plus (markup) strategy by 1% or 2% using the insights of optimal prices on product detail level, by generating it to category plus an attribute filter (for example, brand) and re-calculate the New-Cost Price Plus Markup to your products.
· The product elasticity insights of optimal prices can now be used in your assortment.

Use Elasticity to improve 'cost-price plus margins'

Price Elasticity prediction on product level can be used to redefine your + margin to your cost price!
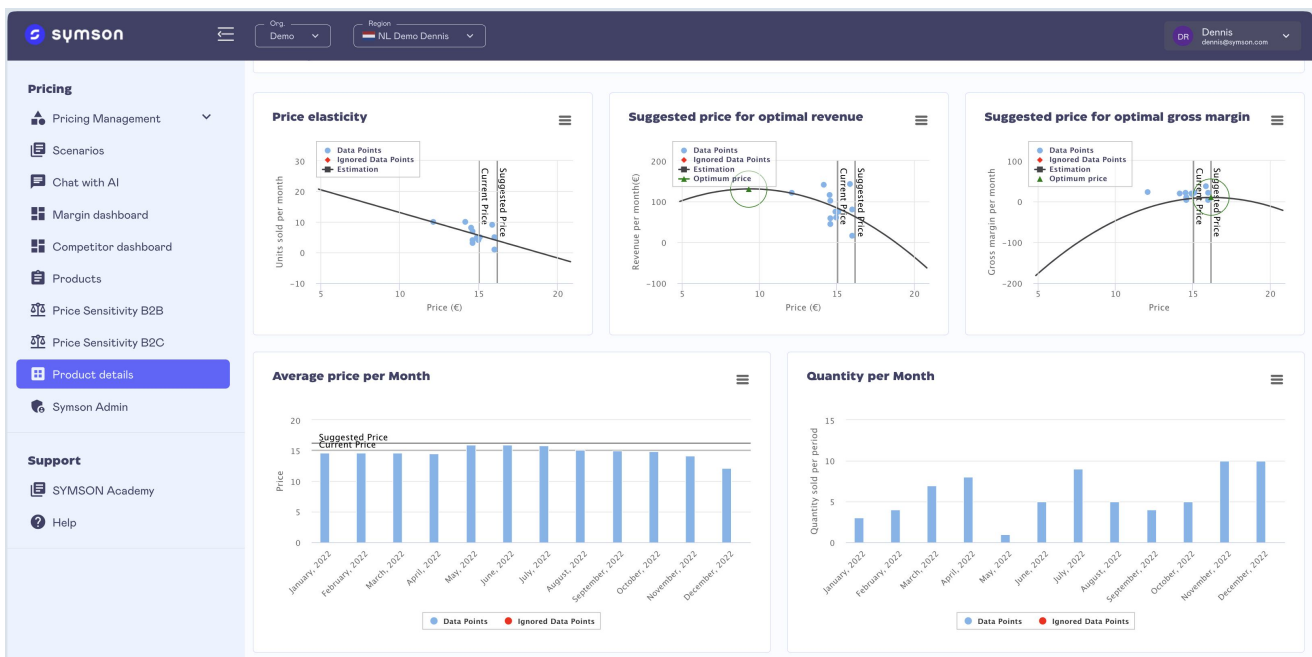
Practical use cases of Elastic Products

Insights in Optimal Price

The Model gives a recommendation for your optimal price based, within a region or customer group, for business goals.

· Set prices for optimal margin
· Set prices for optimal revenue

Case Results: Sensitivity Analytics Insights

Sub - Category	Brand	Current Margin	Insights from Elasticy (in%)
Washbasins – Modern	Duravit	15%	+ 5%
Mirror Cabinets	Robern	32%	+ 6%
Showers - Heads	Moen	42%	+ 9%
Toilets – Wall-mounted	Grohe	34%	+ 26%
Faucets – Double Handle	Pfister	21%	+ 26%
Bathroom Furniture sets	Roca	53%	+ 13%
Baths – Corner Baths	Kohler	34%	+ 5%
Towel Holders	Tiger	19%	+ 10%
Bath Mats - Black	Bed Bath & Beyond	39%	+ 33%

Pricing Manager: We have optimalised our current price logic based upon Price Algorithm Insights, gathered from product detail to category – brand level.

Summary

While the concept of price elasticity seems to be straightforward and can be extremely powerful, practice elasticity is often quite complex for a couple of reasons :

- Price sensitivity varies per customer segment. Different segments exhibit differing awareness of prices - and different consciousness of price.
- Price elasticity varies within your portfolio.
- Price elasticity is rarely linear. I.e a price can get so low that customers suddenly start questioning credibility, or so high that customers cannot believe that any product benefit could be worth that price.
- Price elasticity should be seen in a wider context. Price elasticity is influenced by a lot of factors, including; price awareness and perception, price communication, price/value perception, buying behaviour, seasonal influences, channel, etc.

So as said.. price elasticity often doesn't follow a straightforward pattern. Nonetheless, exploring this complexity is highly beneficial.

This is precisely where Symson steps in! Symson assists you in:
- Configuring the period for a stable economic situation.
- Calculating price elasticity at the product level.
- Providing a data quality score, enabling you to trust the reliability of the elasticity results for specific products.

What data do you need in order to use Elasticity

Once you have improved your data quality, use SYMSON's price elasticity

model in our price engine

- Understanding of Price Elasticity
- Understand when to use it/ when not to use it
- Historical Data; Please read the page in this whitepaper: Data Quality Score needed to run Price Elasticity

Related information:
- See workshop: STP Price List Optimisation

Insights in your In-Elastic Products

In-Elastic Products

What is your current situation and why is this not optimal?

Imagine a world where no matter how much the price of your daily coffee fluctuates, you still buy the same amount every day. This is the essence of inelastic products. In technical terms, these products have a "price elasticity of demand" that's less than 1, meaning that their price changes don't make a big dent in how much people buy. For instance, even if prices go up for high-end products or basic utilities, people still need and buy them in almost the same quantity. Price Elasticity can be applied in both a B2B - and B2C context. In both markets customers buy products with different price perception.

Why is understanding inelastic products important? and what are benefits?

It empowers you to make pricing decisions that are smart and reactive to the market, your competitors, and consumer habits. If you're dealing with an inelastic product, you might find that you can increase prices without losing customers, leading to higher profits.

Deliverable: How will SYMSON's 12-step program help you optimise inelastic products?

The purpose of this 12-step program is to help you master the art of pricing for inelastic products. In this journey, you'll learn to:

- Set prices that optimise your profit margin.
- Get insights in which products can be increase in price without (or slightly) losing quantity sold.
- Find the sweet spot for pricing that boosts overall revenue.
- Execute What If Scenario's : What if Analysis to Forecast Profit based on Elasticity score.
- Stay nimble and adapt quickly to changes in market conditions

Insights in your In-Elastic Products

In-Elastic Products

### How is the Symson Platform helping you with this?

SYMSON provides you with an overview of inelastic products. Depending on the model accuracy and data quality the Symson tool advices you what to do. Can we follow the recommendation of Symson or do you have feedback for the model? By doing this exercise you will understand the importance of the Hyperlearning process where machine- and human intelligence are combined!

What do you need in order to start with optimising your inelastic products?

The minimum requirements for doing this exercise is your historical invoice data and domain knowledge about your products.

Related workshops:

See workshop: STP Price List Optimisation
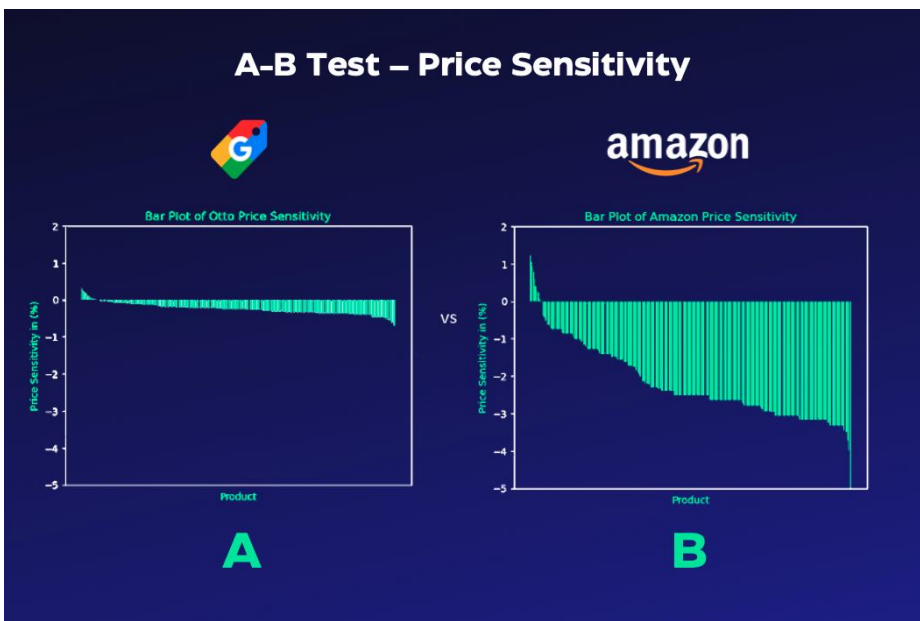
Portfolio Price Alignment

What is your current situation and why is this not optimal?

Without a cohesive portfolio price alignment, your organisation misses out on optimising profit margins and fully leveraging the economic potential of your product range. This oversight means potential revenue and profits are not maximised, as strategic pricing based on product value, market dynamics, and competition is not adequately employed.

The Consequences of Misalignment

- <u>Diminished Brand Value</u>: Inconsistencies in pricing can harm your brand's reputation, as customers expect consistency and fairness in pricing across all products. This can lead to reduced trust and loyalty among your customer base.
- <u>Lost Revenue Opportunities</u>: Without a unified pricing strategy that reflects the true value and demand for each product, you're likely missing out on significant sales and revenue opportunities. This not only impacts your financial performance but also your long-term market viability.
- <u>Eroded Competitive Edge</u>: Failing to align prices across your portfolio compromises your ability to compete effectively. It overlooks the importance of price sensitivity and market demand, weakening your market stance.

What is it?

Portfolio price alignment is a strategic approach where pricing across an entire product range is systematically organised and harmonised to reflect the company's overall business goals, market demand, competitive landscape, and customer value perception. This method ensures that all products are priced according to their intrinsic value and market position, aiming to optimize profit margins, enhance brand perception, and improve competitive advantage. By implementing portfolio price alignment, companies can achieve a more coherent and effective pricing strategy, leading to increased sales, customer loyalty, and operational efficiency.

Benefits of aligning your prices, due all portfolio

Current complexities (and therefore, most likely, an unalignment) in pricing slow down your ability to respond to market changes and limit your strategic flexibility. A more streamlined, portfolio-wide pricing strategy can significantly simplify these processes, leading to improved operational efficiency and responsiveness.

Leveraging Portfolio Price Alignment

- <u>Maximised Profit Margins</u>: By ensuring that pricing across your portfolio is strategically aligned, you can unlock optimal profit margins. This involves pricing products based on their intrinsic value, market demand, and the competitive landscape, thus enhancing profitability.

- <u>Strengthened Market Positioning:</u> A coherent pricing strategy allows for more effective positioning of your portfolio against competitors. It enables you to make informed pricing decisions that bolster your competitive advantage.
- <u>Improved Customer Perception and Loyalty:</u> Consistent and strategic pricing enhances brand perception and customer loyalty. Customers appreciate transparency and fairness in pricing.
- <u>Increased Sales and Revenue:</u> Aligning your pricing strategy with market demand and product value can drive sales and increase revenue. It allows for more targeted pricing adjustments that resonate with customer expectations and market trends.
- <u>Strategic Decision-Making Support</u>: A unified approach to pricing provides a clear overview of your pricing structure, facilitating strategic decisions about product introductions, adjustments, or discontinuations based on comprehensive insights.

How is this 12 steps programme going to help you?

Reading this document will make you realize that you need to understand more about pricing and that you need a tool. If you feel the need to discuss this topic in a 1-hour session, we could organise it. However, to be honest, simply reading this document will give you enough information to start automating your current pricing process. That would be a great start on your journey to adopting a portfolio price alignment strategy.

How is the Symson Platform helping you?

It largely addresses your most significant challenge: the manual, Excel-based current pricing process, which is far from automated and involves extensive manual work. This method is preventing you from achieving an aligned price portfolio. It's crucial to recognize that these existing complexities in pricing not only slow down your ability to respond to market changes but also limit your strategic flexibility.

Conclusion: The Path Forward

Adopting a portfolio price alignment strategy is not just beneficial; it's essential for enhancing profitability, competitive advantage, and operational efficiency. It supports a more strategic, informed approach to pricing that aligns with your business goals, market demands, and customer expectations. Moving towards a cohesive pricing strategy across your product portfolio is a critical step in ensuring a more profitable and sustainable future for your business.

What is your current situation?

A lot of customers are buying individual products in your store. As a company, you want to increase revenue and margin. If a customer buys more items than just individual items, it helps enhance sales and profit margin.

What is Product Bundling?

Product bundling involves the strategic packaging of multiple products together as a single offering, typically at a discounted price compared to purchasing each item individually. The goal is to create value for customers, increase sales, and optimize revenue by encouraging consumers to buy a combination of products rather than individual items.

How is Product Bundling Helpful for your Company?

Bundling similar products according to customer needs can help grow your revenue. As you offer bundles, you stimulate the customer to buy more items based upon one or a few familiar items. Here are some more key advantages:

· **Increased Sales Volume:** Bundles encourage customers to buy more by offering multiple products at a better price, boosting overall sales.
· **Inventory Management:** Bundling helps clear slow-moving stock by pairing it with popular items, optimizing inventory levels and reducing storage costs.
· **Improved Profit Margins:** Despite discounts, bundles can improve margins by selling more items together and reducing per-sale costs like packaging and shipping.
· **Cross-Selling Opportunities:** Bundles introduce customers to complementary products, increasing transaction value and opening up future sales possibilities.

How is SYMSON going to Help you in our Program?

Here's how SYMSON aids in this strategic bundling process:

1. **Grouping Similar Products:** SYMSON identifies products with similar attributes to create appealing bundles, like grouping all items related to "tubeless tires" on the next page, simplifying customer convenience and boosting sales.

2. **Bundling Strategy Insights:** Using transaction data, SYMSON reveals which products are frequently bought together, guiding the creation of bundles that match customer preferences and increase revenue.

3. **Identifying popular Sales Combinations:** Through sales data analysis, SYMSON pinpoints the top sales combinations, helping businesses tailor bundles that resonate with buying patterns and expand customer spend. SYMSON's capability to analyze sales data allows it to identify the top 100 or top 200 most popular sales combinations. This feature helps increase the share of wallet for each customer type.

4. **E-commerce Optimization:** For online platforms, SYMSON suggests related products for bundling based on customer purchases, improving the shopping experience and driving additional sales.

   SYMSON streamlines product bundling by providing targeted insights based on customer behavior and product attributes, ensuring bundles are both customer-centric and revenue-enhancing.
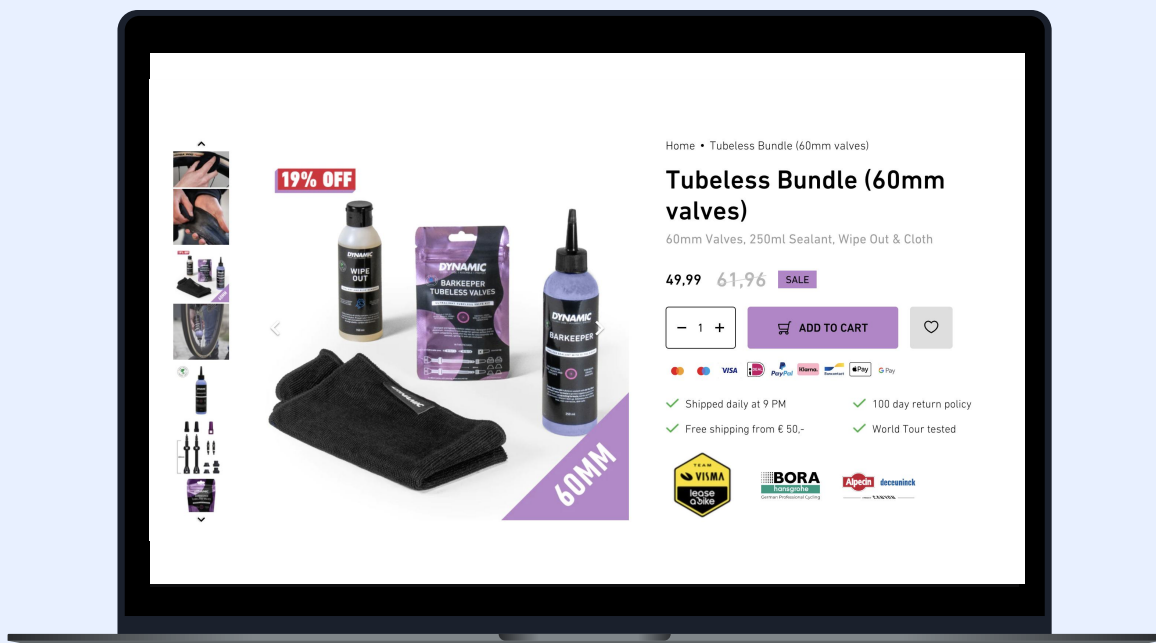
Bundling Products (3/3)

What do you need in order to Bundle Products?
To effectively bundle products using SYMSON, the foundational requirement is data on product attributes that adhere to the specific data format prescribed by SYMSON. You can download the Data Format requirements here.

How is the Symson Platform helping you with this?
SYMSON streamlines the product bundling process by automating the creation of bundle prices, eliminating the need for manual calculations.

When products are grouped into bundles, SYMSON intelligently calculates the optimal price for the entire package. This capability not only saves time and reduces the potential for error but also ensures that the pricing strategy for bundles is data-driven and aligned with market dynamics.

By leveraging SYMSON for product bundling, businesses can efficiently introduce attractive packages to their customers, potentially increasing sales, all with minimal manual intervention.
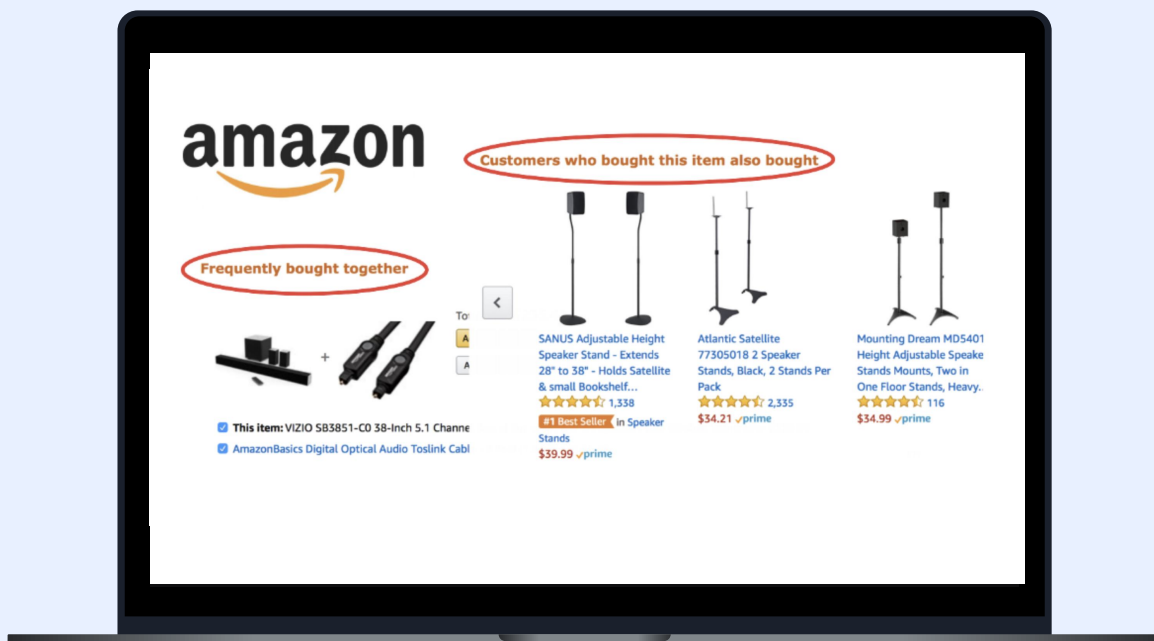
Experimental & Scientific Advanced Price Algorithms

Price Sensitivity: The 'lab' version

Challenges with Applying Price Elasticity

Business could face many issues with applying price elasticity. For instance:

- their historical data is not clean and rich enough for optimisation
- their price elasticity analysis does not include competitive data
- not including more factors that drive the demand for the product than just the price;
- the sales teams doesn't trust the pricing recommendations features and so won't use them.

How to Implement Price Sensitivity

This situation is familiar to many companies. Therefore, new optimisation methods have to be developed that take more factors into account and are easier to adopt by sales teams. At SYMSON, we developed a 5-step approach to assess products in price sensitivity.

A five step approach to **assess price sensitivity** of your products

1 Select potential important drivers for price sensitivity (together with customer)

2 Build a regression model including price, quantity, and the drivers

3 Aggregate relevant coefficients from the regression model to predict price sensitivity

4 Interpret price sensitivity scores

5 Act upon price sensitivity to increase margin or sales

In the first step we engage in market research and customer surveys helps companies gain accurate insights into customer preferences, perceptions, and purchasing decisions.

At SYMSON, we discussed with a few of our clients as well as analysed data to gauge a combined perspective on the parameters that regulate their sensitivity towards purchasing a product. You can think of drivers such as brand value, brand value, product lifecycle, competition intensity, market price frequency and price level. In the second step we build a regression model.

Price Sensitivity Model

This model is critical to understand the relationship between price, quantity sold, and the identified drivers of price sensitivity. With this regression model in place, businesses can aggregate the relevant coefficients to predict the price sensitivity of those products. A price sensitivity score indicates the magnitude of customer response to changes in price. Based on the estimation of the coefficients from the regression model, we give different weights to different coefficients to finally calculate the sensitivity score.

Sensitivity Drivers determines...
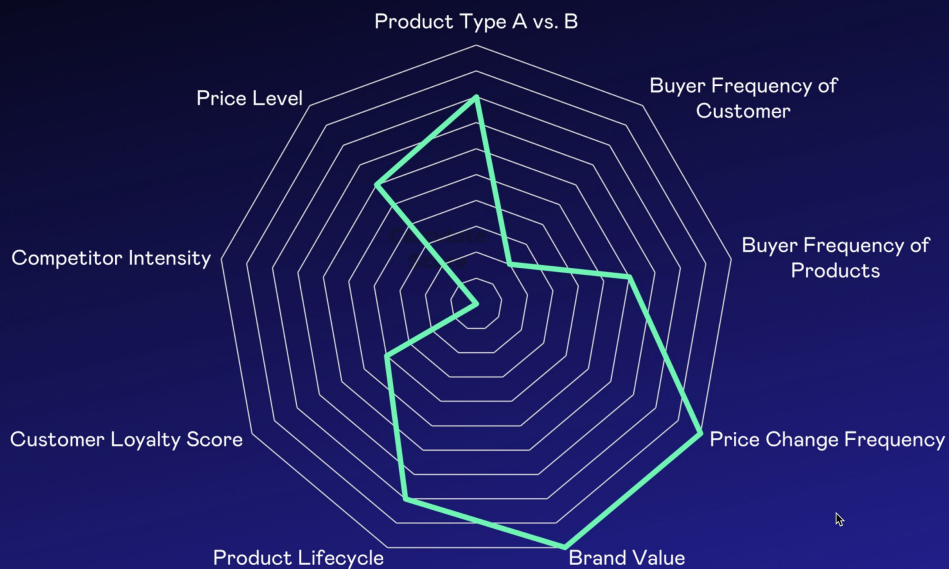
Calculation Example 3 (insensitive):

389583

€2063.91/ST

Sum the values in last column up to get the sensitivity score

Sensitivity Score = 0.09

Drivers	Original Values	log format	Coefficient	Results
Price Level	3		0.31	0.31
Basket Size	3.0	2.09	0.23	0.50
Fast Mover	0		0	0
A_Brand	0		0	0
Price Change Frequency	1	1	-0.19	-0.19
Price			-0.69	-0.69
Number of Competitors	0		0	0

Price Sensitivity Model

A higher sensitivity value indicates that customers are more responsive to price changes, while a lower score indicates a less significant response. The final step is to translate insights from the price sensitivity analysis to increase margin. To do this, we segment the customers into a controlled experiment group and a test group that get different prices for the same products. For price sensitive products we expect that a price decrease will lead to quantity increase and for price insensitive product we expect that a slight price increase will not lead to quantity decrease. These price changes and its affect will be monitored and evaluated frequently to continuously update the price sensitivity model and optimise on margin.

A higher sensitivity value indicates that customers are more responsive to price changes, while a lower score indicates a less significant response. The final step is to translate insights from the price sensitivity analysis to increase margin.

To do this, we segment the customers into a controlled experiment group and a test group that get different prices for the same products. For price sensitive products we expect that a price decrease will lead to quantity increase and for price insensitive product we expect that a slight price increase will not lead to quantity decrease. These price changes and its affect will be monitored and evaluated frequently to continuously update the price sensitivity model and optimise on margin.

Using AI and ML for greater optimisation

This method is based on a close collaboration between the human expertise in the company and machine learning technology. This leads to greater adoption by sales, better risk management of price adjustments and high accuracy.

The fusion of human expertise and machine learning in price optimisation emerges as a pivotal factor for businesses seeking sustainable growth and success in the data-driven business landscape.

Price Sensitivity Model

How to use the Price Sensivity score

The sensitivity model generates a score indicating the price sensitivity of a product. This provides you with insights into whether (and to what extent) the product is price sensitive. Additionally, it teaches you which pricing levers are responsible for this sensitivity from your customers' perspective.

This information can be used to:
- Adjust the price of a product by a specific percentage.
- Categorise your products into groups that are more or less price-sensitive and apply your traditional cost-plus pricing strategy to these groups. With this new knowledge, you can increase your pricing percentage slightly for groups of products that are not price sensitive.
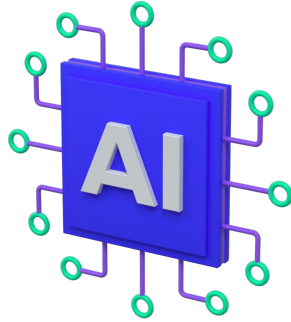
AI Readiness

AI is already poised to be the next big disrupter in the world of pricing and at SYMSON we are ahead of the curve. Here's how you can get your organisation up to speed so you can use AI in your pricing process

Data Quality Improvement for
Price Elasticity Algorithm (1/4)

What Is Your Current Situation and Why Is It Not Optimal?

Let's assume you use price elasticity, a realistic assumption since all pricing-related scientific literature advises its use. The formula for Price Elasticity is relatively simple and can be implemented with a "Visual Basic" plugin in Excel. Consequently, your current situation allows you to determine Price Elasticity results.

Why is it not optimal?

· Limited effectiveness (only till 30% of Products): How do you decide which Price Elasticity Score to use for which products? Learning the principles of Price Elasticity teaches you that it's applicable to a relatively small set of your products. However, as dictated by the Pareto principle, this small subset could represent a significant portion of your revenue.

· Unreliable Price Elasticity Results due to Poor Data Quality: Why? The data used is not trustworthy, due to insufficient 'data count,' 'data variety,' and 'data correlation'. Let's delve deeper:

1. Data count score is insufficient:

You need adequate data points for the period you would like to run a elasticity analysis. The precise number of data points required is difficult to 'simply' define because it is a combination of data count and the following factors: "variety" and "correlation."

2. Data variety score is insufficient:

You need data that differs in price level. Possessing a large volume of data (data count) with little to no variation in prices results in an untrustworthy Price Elasticity Score. This is a key reason manufacturing companies often seek to access and purchase B2C data to better understand price sensitivity.

3. Data correlation score is insufficient:

You need data that demonstrates a correlation between price changes and a resulting change in demand, meaning the quantity of items purchased. If there is negligible or no change in demand based on price adjustments, the reliability of the Price Elasticity Score is questionable.

Data Quality Improvement for Price Elasticity Algorithm (2/4)

Lacking Data on Customer Groups or Customer 'Attributes'

You might want to conduct your Elasticity Analysis based on a specific group of similar companies. In B2B sectors, this could mean a specific customer group, while in B2C, it might involve a country and group of customers based on gender, sales channel, or participation in a loyalty program.

Please consider this as an important option to take into account. The downside is that you still need 'enough data', with high scores in count, correlation, and variance.

How to Deal with Price Elasticity in 'Challenging Periods'

Lacking Data on Seasonality or Weather
Some products are sensitive to weather or seasonality. For instance, there's a higher demand for skis during the winter, and sunscreen or ice cream in the summer. Price Elasticity is highly effective when you have large amounts of data, automatically adjusting prices as it 'detects' increased demand.

For analysis based on 'past' (i.e., historical data), it's crucial to teach the machine learning model which periods are considered seasonal.

Periods with Unusual or Large Economic Changes
Algorithms, or in this case, using our "Price Elasticity Analysis and Its Results," are fantastic for predicting an optimal price but tend to falter during challenging times. In periods of unusual large impact, such as the COVID pandemic or the entry of a significant/ disruptive competitor like "Amazon entering your specific market," the data from algorithms should always be 'questioned'. It's essential for humans to take charge, allowing you to sidestep these periods for your analysis.

Note: The results could still hold value! Understanding and controlling algorithms should reign supreme. While data and human oversight are crucial, running your business solely and automatically based on algorithmic data is fraught with risk.

How is Symson's Platform Unique in Dealing with Price Elasticity Score?

1. Symson's platform predicts a data quality score, which helps you understand which data can be trusted and which should be avoided.

2. Symson's platform allows you to configure economic periods and seasonality, as well as special days that need to be ignored or considered when running/creating the analysis.

3. It can **'bound' the results of algorithms** and Price Elasticity within a lower and upper boundary. Our price builder can be configured to limit the 'dynamic output' of the algorithms within a manually selected/configured range. For example:

MARK UP COST PLUS STRATEGY AS BASIS + ELASTICITY

Cost variable 1: Purchase Price	€ 20,00	used for internal insights.	Cost variable 1: Input API - Import
Cost variable 2: Google ads spend costs	€ 1,00		Cost variable 2: Input API - Import
Cost variable 3: Assembly Costs	€ 3,00	Google ads costs for	Cost variable 3: Input API - Import | Google
Cost variable 4: Shipping	€ 4,00	dynamic connect to be able to calculate new	Cost variable 4: Input API - Import
--	----------	price?	--
Standard Cost of a product	**€ 28,00**		**Input API - Import**
Margin protection rule:	€ 2,80	10% of 28,- = 2,80	f.e 10 % mark-up (flexible connect to product/ customer segmentation)
Minimum Margin to earn at all times.			
--	----------		
Standard Costs of a product + Absolute Minimum	**€ 30,80**	28,00 + 2,80 = 30,80	= query Symson

Price Strategy: Mark-up to Cost Price xx %	**€ 12,80**	40% * 28,00 = 12,80	f.e. 40 % mark-up on excl. vat on cost price, so in this example to 28,- (flexible connect to product/ customer segmentation)
↳ List Price for this Country | Customer Segment	**€ 40,80**	28,00 + 12,80 =40,80	note: if mark-up was only 5% the Margin Protection rule would have overruled this price!

Rule: Pricing without Bounds	€ 39,20	> lower bound with 4% = 40,80 * (1-4%) = 39,20	This rule SHOULD do something like this:
	€ 44,88	> upper bound with 10% = 40,80 * (1+10%) = 44,88	Adjust price from the last outcome (Higher strategy or Rule) to be adjusted within the next bounds for the next rules (all next upcoming rules, so this could be A. Elasticy B. Price Sensitivity C. Stock etc.)

- Min 4% as lower bounds
- Plus 10% as lower bounds

→ in this example we will adjust the price via the
> lower bound with 4% and the
> upper bound with 10%

Price Strategy: Price Elasticy	€ 42,60	input from price elasticy = 42,60 optimal price	This rule SHOULD be able to do a couple of things

Use the predicted outcome of Elasticy if
= dataquality is higher then xx

For a weigth of 50% if other price strategy are part of the final price creation.

We optimize for <revenue>

→ in this example we will adjust the price via to the price elasticy price with 100% factor and assume the the data quality is okay.

> Price Elasticy for this example is € 42,60 for revevue optimization

↳ List Price for this Country | Customer Segment	**€ 42,60**	= okay, because of between lower and upper bound	

note:
- If price elasticy was 38, the price will be adjusted to the lower bound = 39,20
- if price elasticy was 50,- the price will be adjust to the uppser bound = 44,88
+
- if outcome would be lower then margin protection rule, the price would be limited to the margin protection price.

Data Quality Improvement for Price Elasticity Algorithm

Deliverable: How Are We Going to Assist You in This 12-Step Program?

In this project, we'll evaluate the quality of your product data, highlighting strengths and areas for improvement. Our detailed analysis will determine whether your data meets or falls below necessary standards.

We will also offer in-depth insights into your current data quality and evaluate its appropriateness for conducting elasticity analysis. This includes predicting how price changes might influence demand.

Our recommendations, grounded in industry best practices, are designed to improve data quality. We'll verify whether your data is apt for elasticity analysis, crucial for comprehending the price-demand relationship.

Furthermore, we'll forecast the future applicability of your data for decision-making and strategic planning, aiming to ensure your data management practices are both efficient and effective for sustained success.

Upon receiving your historical invoice data, we will:

· Configure the period for an economically stable situation.
· Calculate the price elasticity at the product level.
· Predict the optimal price using these recommendations.
· Identify products that are suitable for conducting price elasticity analysis.

Here's an example of our interface for further illustration.

Data Quality		Model Accuracy	Price Elasticity	Impact Measures
Total score for data quality:	0.74	This score is composed of the weighted average of the 3 scores below: Data points amount (5%), Variance score (35%) and Correlation score (60%).		
Data points amount:	0.2	This score is determined by the amount of data points that the model is trained on (blue data points visible on the graph). If there are at least 100 data points then the score is at maximum of 1. The fewer data points, the lower the score (always positive).		
Variance score:	0.99	The variation of price in all the order lines that comprise one data point. If the variation is zero then the score is at its maximum value of 1. The higher the variation the lower the score (always positive).		

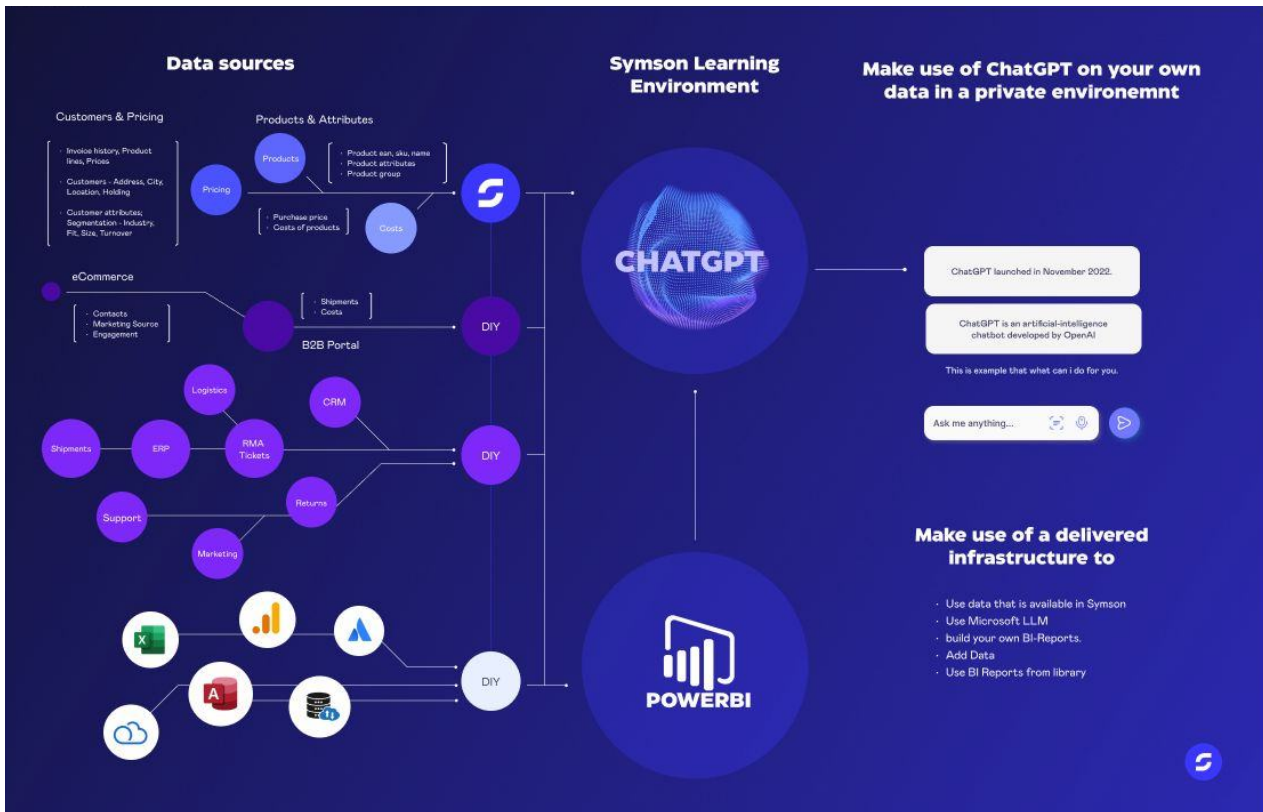# Tooling

The different tools you can use in conjunction with the 12 Step Programme

and SYMSON to get better results with your pricing process

Project II

Use Symson's ChatGTP for your Pricing Data/ Consult

ChatGPT Coupled with Explainable AI

To clarify, Symson strongly advocates for explainable AI. We do not endorse the use of ChatGPT for obtaining recommendations on optimal pricing without a clear understanding of the underlying decisions.

Using ChatGPT with Your Own Data

Starting Q3 2024, Symson is developing an environment that allows the use of ChatGPT exclusively with your own data, housed within Symson. This data can be further enriched by your IT department within your personal Microsoft environment. Simply integrate your data into the Microsoft SQL database, and ChatGPT will be equipped to address all your inquiries.

How Can ChatGPT Add Value?

ChatGPT will be capable of answering questions based on your data, analyzing your pricing strategies, and suggesting improvements. We envision that pairing ChatGPT with Symson will create a powerful synergy. Our goal is for humans to continue leading the way in devising intelligent pricing strategies and utilizing Pricing Algorithms to elucidate and forecast the optimal price. Concurrently, ChatGPT can help predict the best configuration and offer advice on setting up and refining your pricing strategy.

Project II

ChatGPT 'Cheat Sheet'

1. Training & Acquiring Knowledge

Gain a deeper understanding of pricing as a key lever to improve margin, revenue, and conversion to secure more deals. Team members can explore the effects of various pricing strategies on sales and profitability. This could involve role-playing exercises where participants practice responding to market price changes.

Training Module: Use ChatGPT to simulate a workshop where attendees work with hypothetical products and market scenarios. Symson will provide data to help set prices aimed at maximizing revenue, taking into account factors such as cost, competition, and customer value perception.

Change Management in Pricing: Create a training session focused on navigating change when introducing new pricing strategies. Employ ChatGPT to spark discussions on potential obstacles and pushback from customers and the sales team, and strategize on overcoming these challenges.

2. Develop Winning Pricing Strategies

Consider questions such as:

"How can I adjust pricing strategies to improve margins without compromising our competitive edge?"

OR

"What factors should I consider when setting prices for segments with high elasticity?"

3. Data Search, Preparation, Cleaning, and Automatic Enrichment

Clean & Enrich Data: Ensure your data is tidy and structured. Eliminate duplicate entries, fill in missing values, and rectify errors to maintain data integrity.

Project II

ChatGPT 'cheat sheet'

Search & Collect Data: Search for data based on your specific needs. This might include requesting data on low margins per customer segment, identifying the best products for promotions, finding your Key Value Items (KVI), etc.

Format Data for Export: Structure the data into a format that's easy to interpret. For complex analyses, consider generating CSV files or spreadsheets that compile the necessary details.

4. Define Goals & Objectives

Possible objectives could be:

- Identifying underperforming products or categories.
- Optimising pricing strategies for various customer segments.
- Forecasting demand in response to price adjustments.
- Analysing price elasticity for informed pricing decisions.

5. Application of Insights

Test Strategies: Initially apply the strategies or insights suggested by ChatGPT on a small scale. Evaluate the effects on sales, margins, and customer behaviour.

Iterate: Refine your strategy based on the outcomes. This may involve revisiting and asking further questions or tweaking your strategies as needed.

Automate Insights Gathering: For continuous optimization, set up a process to regularly input data into ChatGPT for ongoing recommendations.

6. Monitor and Adjust

Continuous Monitoring: Keep an eye on the Key Performance Indicators (KPIs) such as sales volume, margin improvement, customer satisfaction, and market share.

Stay Informed: Regularly update your model with fresh data and market trends. The dynamic nature of the market necessitates staying informed to keep your competitive edge.

Project II

Use Symson's ChatGPT for Your Pricing Data/Consultation

The future of Pricing is not using ChatGPT!
Symson is a staunch advocate for explainable AI, which stands in contrast to ChatGPT.

Why? At the core of our pricing platform lies an algorithm based on 52 data points. Our AI-driven algorithm, underpinned by scientific, proven economic theories and business model variables, can predict and elucidate the optimal price for a product or service.

We believe that humans should engage with intelligent data and provide feedback to the algorithm. Humans must always take the lead, endeavouring to understand why a predicted price may not be accurate. In doing so, they can enhance the algorithm, for the accuracy of the algorithm's predictions hinges solely on the completeness of its variables.

Thus, we foster a cycle of mutual learning where humans and machines grow smarter in tandem. Envision a world where businesses are led by humans, with technology as their ally!

The Concept of Hyperlearning Organisations
The idea of hyperlearning organizations is that humanity develops as technology advances. At SYMSON, we believe machines are of no value unless they serve a clear purpose. As such, **technology without people is void of any value**. However, when man and machine come together, an untapped potential is unlocked.

Combining human expertise with the capabilities of modern technologies leads to innovation—knowledge can be built up and applied at extraordinary rates. In our world, we call this **Hyperlearning**™. SYMSON believes this phenomenon to be a crucial capability for successful companies of the future, and the future is closer than you can imagine. This is why our mission is to make Hyperlearning™ accessible to all companies and see a **world improved**.

The Symson Pricing Platform is running on the Microsoft Stack and will, starting in Q3 2024, be part of the Microsoft Fabric ecosystem. In this environment, we offer our customers a login to the database of Symson, as well as access to this Microsoft Fabric environment. In this environment, you are able to use Microsoft PowerBI to configure all the reports you prefer. You are able to add data and use PowerBI.

Price Corridors

Define Floor and Target Prices

An important step forward will be to define floor and target prices per segment/channel. Remember, the target prices will probably still be mainly cost-plus, but that's ok, you get transactional control and it will be a great step ahead.

Product Segment	Pull (A)	Push (B)	Commodities (C)
Differentiation	High	Low	Any
Margin	High	High	V Low
Market List Price / Floor Price / Target Price / Max Ceiling Approval Prices			

Channel ↓	→ Product	A	B	C
Strategic	Target	20%	25%	30%
	Floor	25%	30%	32%
Growth	Target	20%	25%	30%
	Floor	30%	35%	33%
Tactical	Target	15%	20%	28%
	Floor	15%	25%	30%
All Other	Target	10%	10%	26%
	Floor	15%	20%	28%

Price Corridors

Define Floor and Target Prices

The Fallacy of a 'Tool-Only' Approach

Today, the market is teeming with price optimization tools that promise dynamic pricing strategies driven by smart algorithms and machine learning. While these tools are powerful, relying solely on technology could be a colossal mistake. Businesses often underestimate the
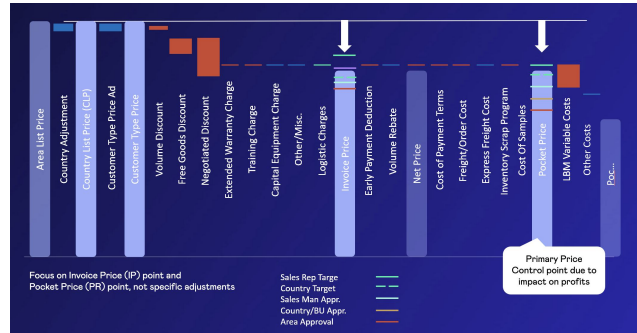
Embracing a Multi-Disciplinary Approach in Modern Pricing Strategy

Contrary to the traditional setup, where pricing decisions may be confined to a single department, modern pricing strategy calls for a multi-disciplinary approach. Pricing is embedded within multiple departments to align with organizational goals, including sales, IT, digital and ecommerce operations

BI ESSENTIALS

There BI reports are needed to get a full insight in your price/margin getting.

1. Price Band Analysis

Price Band Analysis is an approach to divide a product's price range into different categories, or "bands" based on the product's price.

How does Price Band Analysis help your businesses optimise prices?
Price Band Analysis helps companies to understand how their prices compare to those of their competitors and how those prices are impacting their sales. Here's how you can profitably leverage this technique:

· You can spot the most profitable prices for their products by examining the different price bands and make relevant adjustments accordingly.

· You can use the Price Band Analysis approach to track any alterations in market trends. When you notice any shift in customer behaviour, like a change in the most popular price band for a product, you can then adjust your pricing strategy to stay ahead of the curve.

· This process also allows you to find the most popular price band for a specific product. Then, your organisation may want to concentrate their pricing strategy on that range to optimise profits if they discover that a particular price point accounts for the majority of sales. Now, this could mean raising the price to increase profits or lowering the price to make their products more competitive and attract more customers

Examples:
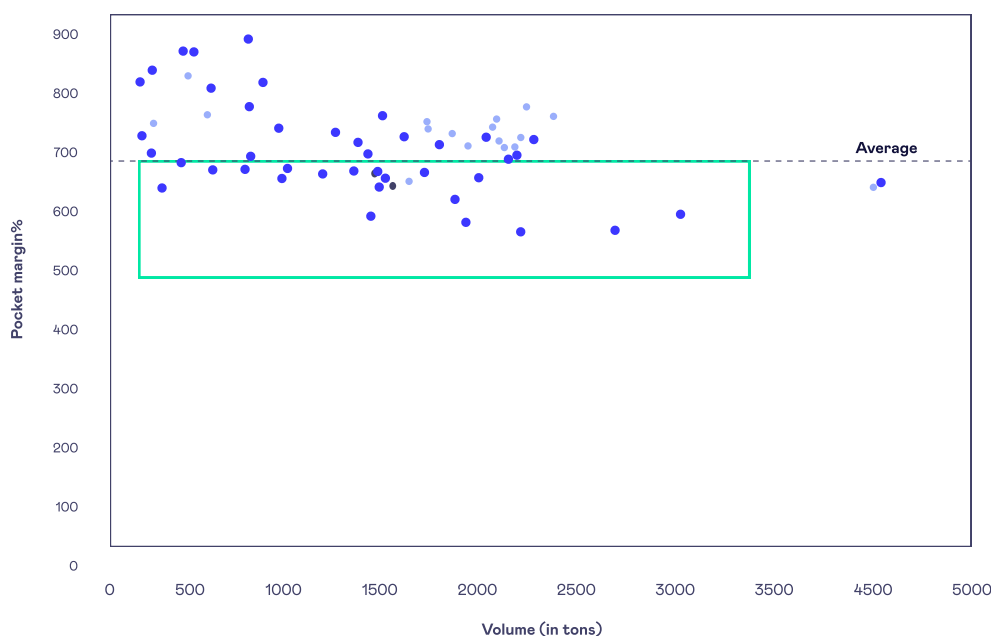
Graph 1: Measuring net price band per product group (in function of volume)

The Impact of Price Band Analysis on E-commerce and Retail

In ecommerce and retail businesses, price band analysis can enhance your pricing and profits by understanding the pricing strategies of your competitors. It also considers your product positioning in the market, understanding the price sensitivity of the target market, setting prices based on costs, optimising prices in real-time, and predicting the long-term impact of changes in price. Here's how this process impacts the e-commerce and retail space:

- **Competitive Pricing:** You can make well-informed decisions for your own product pricing using the price band analysis. It helps you comprehend the pricing tactics of your competition.

- **Market Positioning:** The band analysis approach can act as a tool that businesses can use to place their items in the market. For eg, they might set a higher price for luxury products or a lower price for a budget products.

- **Price Sensitivity:** You can use price band research to experiment and determine how sensitive your target market is to prices and then modify their pricing for optimal results.

- **Price Optimisation:** You can use strategies like dynamic pricing to modify prices in real-time in response to consumer demand and market conditions.

Net Prices Per Segment (JP/O/25/24)
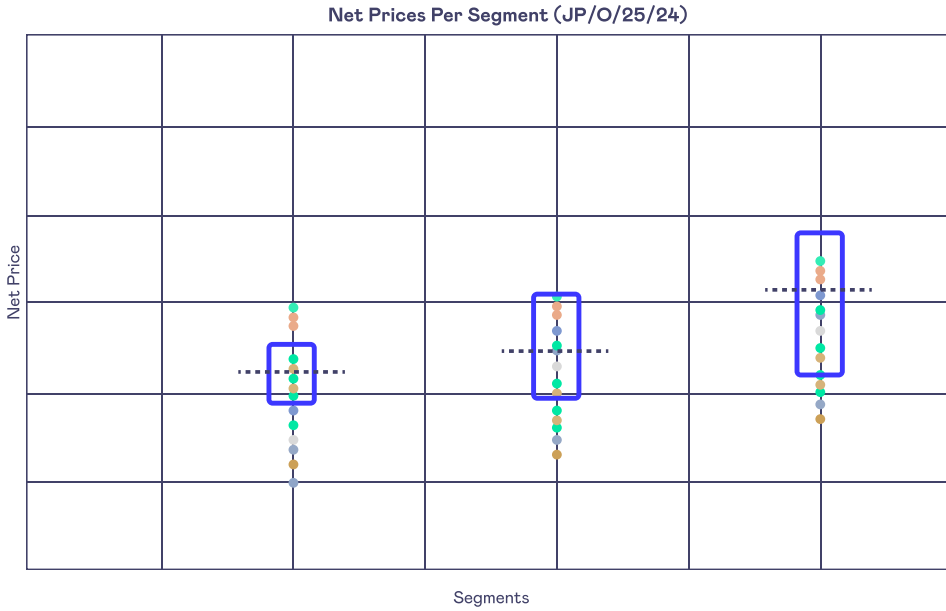
Graph 2 : Measuring net price band per segment (per product)

Graph 3: Measuring % discount versus list prices
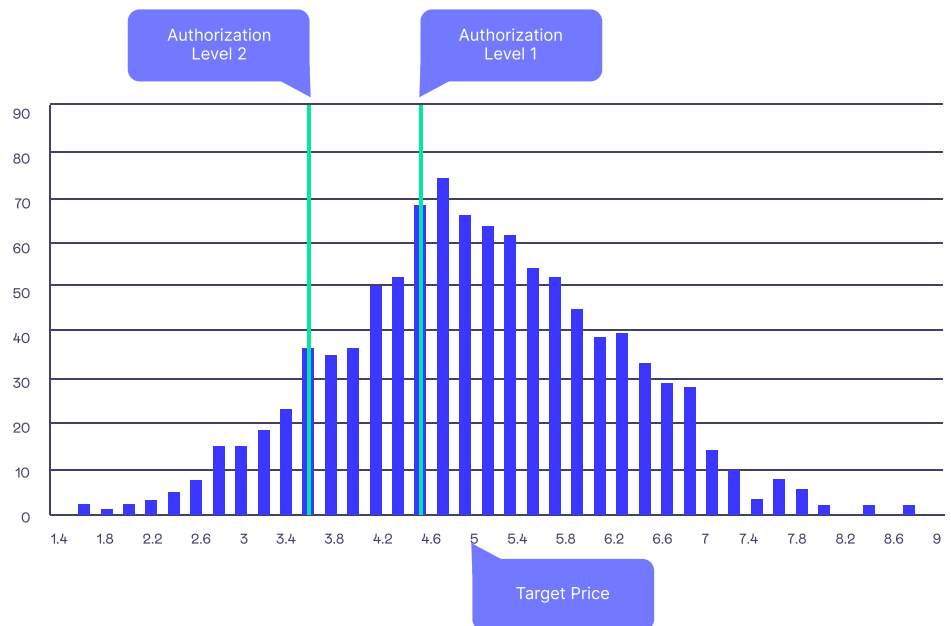
2. Profitability Analysis

Profitability analysis in pricing involves studying the margins generated by different products or customers to identify potential leakages or areas of underperformance.

This method allows businesses to visualize and assess how each product or customer contributes to overall profitability. By analysing these profit plots, companies can detect where they might be losing money (margin leakages) due to factors like inefficient pricing, high costs, or low sales volume.

This analysis is crucial for making informed decisions about pricing strategies, cost management, and customer segmentation to optimise profit margins and overall financial health.

How Profitability Analysis helps Companies

1. Examining Relationships:
Profitability analysis delves into the relationships businesses have with both customers and vendors, offering insights into how these interactions influence overall profitability.

By analysing these relationships, companies can understand the dynamics that affect their financial performance, including which partnerships are most beneficial.

2. Enhancing Product Mixes:
It identifies opportunities to adjust the product mix to maximise profits, showing which products are most profitable and should be prioritised.

Adjusting the product mix based on profitability analysis can lead to higher margins by focusing on selling more of the most profitable items.
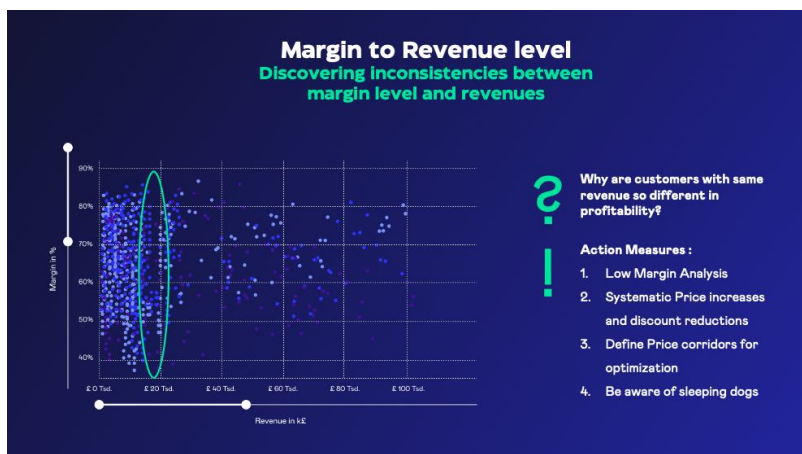
3. Aiding in Budgeting:
The analysis is a critical tool for budgeting, as it helps leaders set realistic financial goals and outlines strategies to achieve them.

With insights from profitability analysis, companies can make informed decisions about where to allocate resources to reach their financial targets.

4. Identifying Profitable Customers:

It pinpoints which customers generate the most profit, enabling targeted marketing and sales strategies to nurture these valuable relationships.

By focusing on the most profitable customers, businesses can allocate their efforts more effectively, enhancing customer satisfaction and loyalty.

5. Assessing Vendor Impact:
The analysis reveals which vendors significantly affect the company's profitability, guiding strategic decisions about supplier relationships.

Understanding which vendors contribute to or detract from profitability helps businesses negotiate better terms and select suppliers that offer the best value.

6. Navigating Customer and Vendor Relationships:

It provides strategic insights for managing relationships with both customers and vendors, crucial for long-term success.

Armed with this analysis, companies can make informed decisions about how to maintain profitable relationships and when to reassess or negotiate terms.
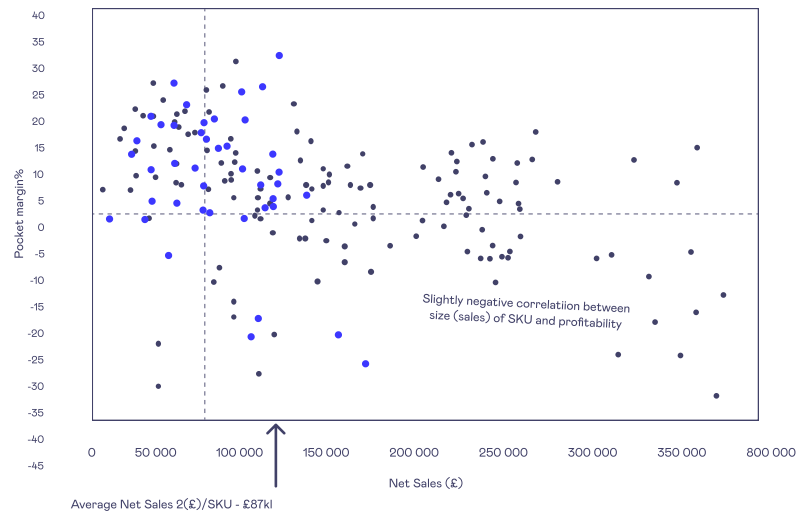
Profit plots give insights in possible margin leakages per product or customer.
Examples:
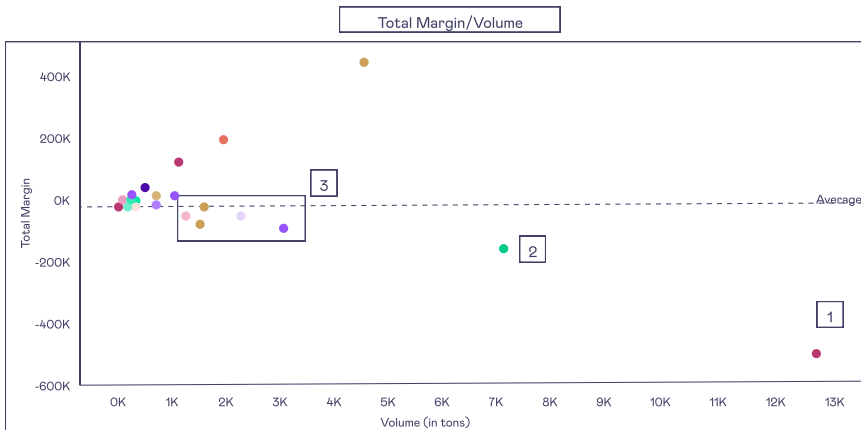
Graph 1: Measuring net margin, customers per product.

Graph 2: Measuring net margin, per customer (all products)

3. Price Waterfall Analysis

Waterfall pricing demonstrates how the price of a product or service reduces as the purchase quantity increases, effectively showing how the price "drops" the more a customer buys. This strategy motivates customers to purchase in larger quantities. Companies adopt this approach to offer 'tailored' pricing that's straightforward to explain. Price waterfalls give insight in the price erosion from the list price and shows possible margin improvement opportunities.
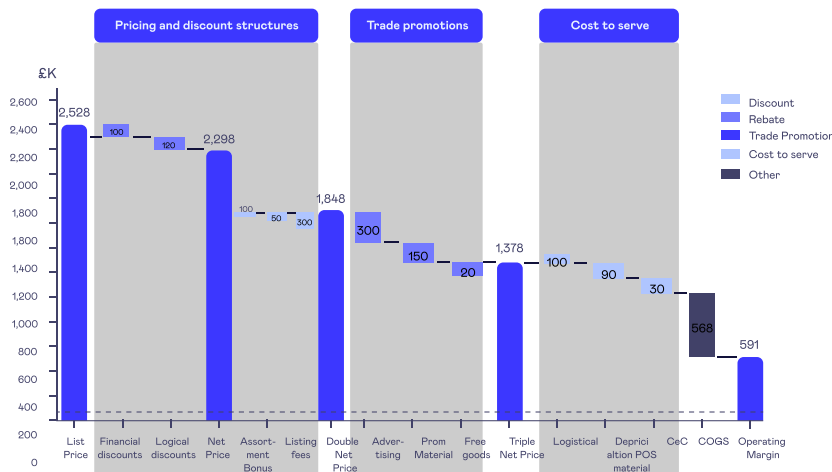
Why does the Price Waterfall Analysis Matter?

The Price Waterfall is crucial in revenue management for utilising your business's sales data to find ways to improve margins. Each point of loss or deduction highlights a chance for tweaks such as:
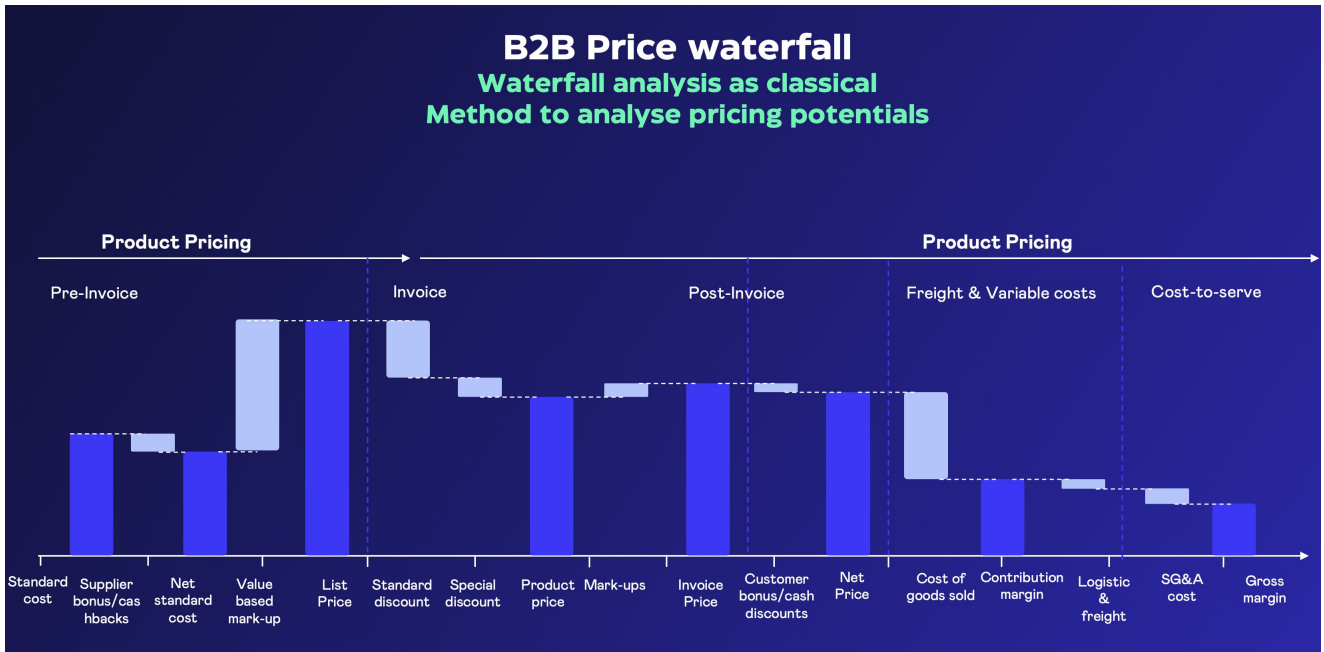
- Identifying discounts and allowances that are not effective and need updating or removing.
- Finding out which discounts and allowances significantly impact customer purchase decisions.
- Assessing the financial effects of altering deductions.
- Categorising customers by sales channel.
- Identifying the least profitable products and services.
- Figuring out the optimal mix of products and services to enhance margins.
- Identifying which sales channels offer the best margin growth opportunities.
- Tracking how price changes have been influenced by deduction adjustments.

Effectively addressing these points can significantly enhance a company's ability to increase its profits.
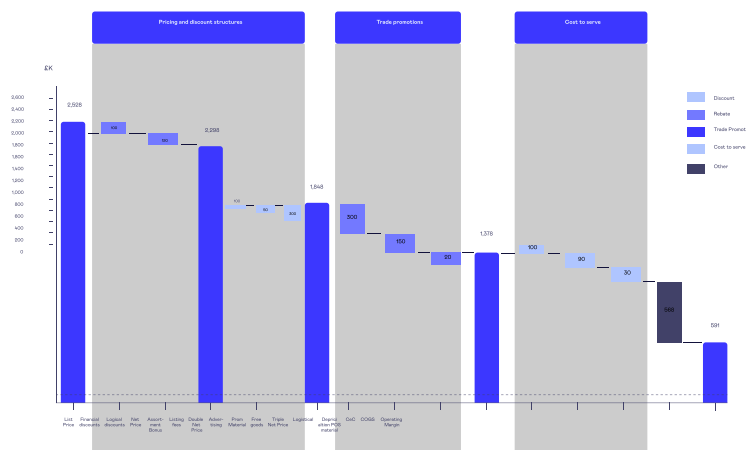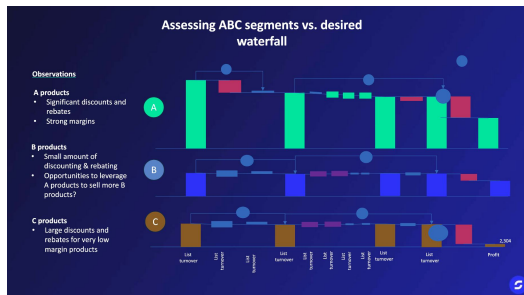
3. Different types of waterfall

Price waterfalls give insight in the price erosion from the list price and shows possible margin improvement opportunities.

Businesses use price waterfall analysis as a technique to comprehend the several aspects that influence their pricing and the final net price they get for their goods or services. Examining the many elements that go into price realization—like allowances, rebates, discounts, and other modifications that convert the list price to the net price—in detail is the goal of this method.

Deals with Cost: Price waterfall analysis explains how various reductions and expenses reduce the list price. To determine the net price, expenses are subtracted from the list price, including the cost of items sold, discounts, rebates, and other concessions.

Use for Businesses: Price waterfall analysis helps businesses find places where they may be losing money because of unproductive client contracts or excessive discounts. It supports the process of determining possibilities for price optimization, negotiating better terms with clients, and making well-informed pricing decisions.

Data Needed: Detailed transactional data, including list prices, all kinds of discounts, rebates, allowances, and other price changes, is required by firms in order to conduct a pricing waterfall analysis. Cost information, customer segmentation data, and market context might also be useful.

B2B and B2C Applications: In B2B, price waterfall analysis is essential for comprehending intricate pricing arrangements and customer discussions. It may be used to comprehend how loyalty programs, discounts, and promotions affect the total amount a customer pays in business-to-consumer transactions.
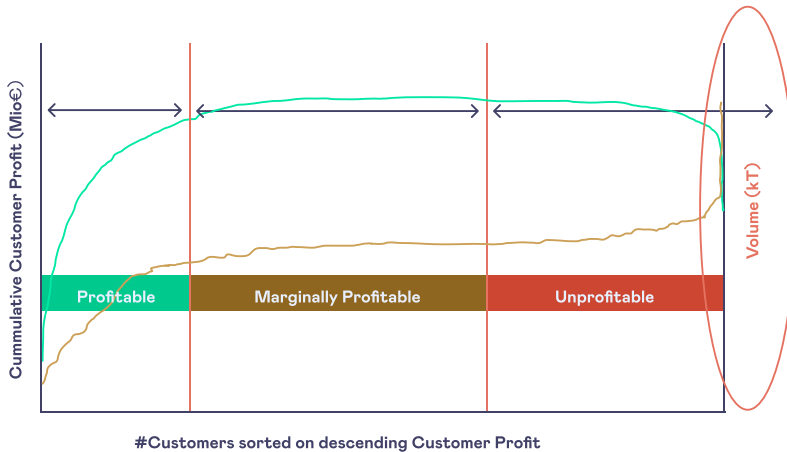
Benefits
- More oversight and control over costs
- Assists in identifying prices that fluctuate frequently; apply dynamic pricing to those goods.

Once a visual representation of the cost breakdown is made, the pricing team can see the strong and weak points of the waterfall - where you are losing money - too much discount, too high a cost of goods sold, could we reduce the production cost of the business in order to get more margin, how would this affect customer perception?

Use cases: Retailer, cosmetic store, selling products with lots of promotions. Monitor success of promotions. How is the margin? Could this be improved? What are the goods with prices that change often so that we can apply dynamic pricing on them?

4. Portfolio Analysis

Profit plots give insights in possible margin leakages per product or customer.

Cummulative Customer Profit (Mio€)

Profitable | Marginally Profitable | Unprofitable

Volume (kT)

#Customers sorted on descending Customer Profit

<u>Graph1:</u> Profit Spread Analysis, per product (or customer) Also known as the 'whale curve': showing the net margin spread within your product portfolio — and the margin bleeders (un-profitable products at the right — attention here showed for customers instead of products).

One data visualization to leverage for profit analysis is the "whale curve" — earning its name for appearing to be in the shape of a whale's back. The whale curve effectively visualizes which customers are profitable for your business, which are marginally profitable, and which are unprofitable. A whale curve is a simple, but effective line chart, plotting the percentage of cumulative profit on the y-axis and the percentage of customers ranked by profitability (most to least) on the x-axis.

The whale curve picture helps business leaders streamline their reporting to see which customers are profitable

Drilling down into these customer metrics and insights, business leaders should ask themselves these further questions about each segment of customers. For example, with the profitable customers, they should ask questions such as:

· What are the factors that led to these customers being the most profitable?
· Are there any opportunities to provide additional services to these customers?

For the unprofitable customers, leaders may ask questions such as:
· Why are the costs of serving these customers higher than revenues?
· Are there special circumstances or exceptions outside normal operations to serving these customers?
· What is the level of service and attention given to these customers by the sales and customer service teams?

What is your current situation and why is it not optimal?

Only using metrics such as revenue, gross profits, and income to analyse price and demand —or, in other words, to improve your margins—when assessing your business's performance against last year's (or expected/target performance), doesn't paint the full picture. Specifically, you miss the 'cannibalisation' part of the product mix. You also fail to assess the potential impact of new prices on your price mix, and consequently, the change in demand for other products.

What is it?

PVM analysis breaks down how price changes, sales volumes, and product mix variations impact your businesses' revenue or margins, offering a more comprehensive view of business performance.

Price

· Price Effect: This reflects your selling price and is a crucial factor in margin growth. Higher prices can improve margins but may also reduce sales volumes.

Volume

· Volume Effect: The number of products sold directly affects revenue. Higher sales volumes can indicate better performance, but profitability depends on maintaining a balance with appropriate pricing.

Mix

· Mix Effect: The structure of your product offerings—whether you're selling more high-value or low-value items—can significantly influence revenue. A positive mix is characterized by selling more high-margin products, whereas selling more lower-value items can be detrimental.

·

Beyond Basic Metrics: PVM analysis means considering the entire scope of your business activities. We can include additional metrics to answer more nuanced business questions. We can include discontinued and new products, various sales channels like web and in-person, and diverse regional markets. This detailed approach enables more precise and impactful decision-making, aligned with what truly drives your revenue.

A PVM or Variance Tree Analysis

This is a typical revenue management graph, showing the revenue variance in previous periods as a result of price, volume (number of customers x volume/customer) and mix changes.

Price Volume Mix
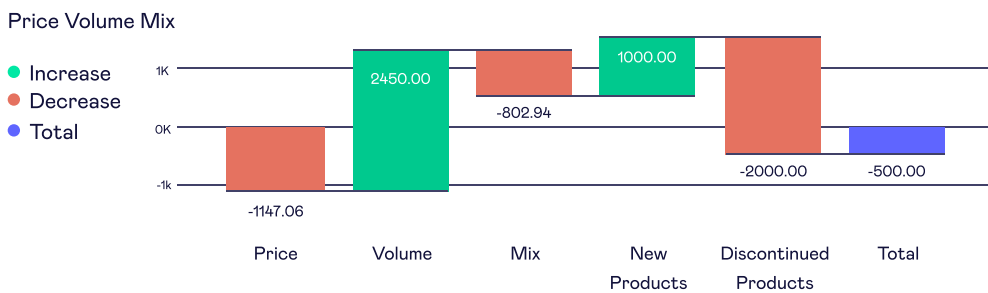
A variance tree analysis is a technique for dissecting a data set's overall variance into its constituent components. It is sometimes referred to as a variance decomposition or a variance analysis tree. Understanding how various factors contribute to fluctuations in a performance metric, like as sales, profits, or expenses, and identifying the major drivers of those metrics are two applications of this research that are very helpful.

How Does It Help?

PVM analysis equips management with a comprehensive understanding of the business's financial dynamics. By dissecting performance into price, volume, and mix, it illuminates how each factor contributes to overall results. This insight is particularly critical for businesses with an array of product lines or products with different profit margins.

With this analysis, decision-makers can:
- **Refine Pricing Strategies:** Adjust prices in response to market demand and cost changes to maintain or improve profit margins.
- **Focus on Profitable Lines:** Identify which products contribute most to profitability and allocate resources to promote or expand these lines.
- **Develop New Products:** Strategically introduce new offerings that promise higher value or appeal to emerging market segments.
- **Optimize Sales Volumes:** Balance the quantity sold with price and cost considerations to maximize revenue.

A key application of PVM analysis is to evaluate how new products are performing against discontinued lines. For example, it can answer strategic questions like, "Have the sales of our new eco-friendly line compensated for phasing out the older, less sustainable products?"

By doing so, PVM analysis allows for targeted improvements and informed decision-making, ensuring that every product line and pricing decision aligns with the company's financial objectives.

B2B Applications of PVM Analysis:
PVM analysis is pivotal for B2B companies to validate whether business performance meets strategic expectations. It can reveal which products are key revenue/margin drivers, enabling firms to fine-tune production and marketing tactics.

- **Volume Planning:** PVM provides insights into the potential impacts of volume changes, aiding in resource allocation and capacity planning.
- **Contract Negotiations:** During contract negotiations, PVM is useful for indicating the financial implications of various terms and conditions, thus fostering value-maximizing decisions for all parties involved.

B2C Applications of PVM Analysis:
In the B2C realm, PVM analysis helps discern product success and consumer preferences, steering companies toward more effective pricing and product decisions.

- **Channel Management:** Evaluating each sales channel through a PVM lens allows for a nuanced approach to resource distribution and growth identification. It helps management make strategic decisions regarding focus (for instance, more web promotions to increase sales volume) to drive business performance.

In Summary:
PVM analysis is an adaptable and insightful instrument that aids both B2B and B2C companies in making data-driven choices regarding pricing, volume, and product mix to maximise revenue or margin.

A simple example:

Let's say that we have a company that sells two types of drinks a Juice and a Soda.

Lets do a breakdown on <u>Year 1</u>:
- Juice sold at $2/bottle and the company sold 1000 bottles.
- Soda sold at $1/bottle and the company sold 3000 bottles.

Below we can see the revenue from each product:
- Revenue (Juice): 1000 bottles* $2bottle = $2000
- Revenue (Soda): 3000 bottles* $1bottle = $3000
- Total Revenue (Year 1): $2000 + $3000 = $5000

Lets do a breakdown on <u>Year 2</u>:
- They increased the price of Juice up to $2.5 (+25%) and sold 800 bottles (-20%).
- The price of Soda remained the same at $1 (+0%) but they sold 4000 bottles (+33,33%).
- New drink (Tea) into the market from same company sold at $3/ (+100%) and sold 500 bottles (+100%).

Below we can see the revenue from each product:
- Revenue (Juice):800 bottles * $2.5bottle = $2000
- Revenue (Soda): 4000 bottles*$1bottle = $4000
- Revenue (Tea): 500 bottles * $3bottle = $1500
- Total Revenue for Year 2 : $2000 + $4000 + $1500 = $7500

Analyzing the PVM effects:

1. Price Effect (Juice):

   The company sold 200 fewer bottles of juice despite the price increase, but overall juice revenue stayed at $2,000, meaning the pricing effect had no effect on revenue.

2. Volume Effect (Soda):

   Despite maintaining the same price, they sold 1000 more soda bottles, bringing in an extra $1000 in income, demonstrating a positive volume effect.

3. Mix Effect (New Product - Tea):
- The inclusion of tea generated an extra $1,500 in sales.
   This suggests that overall revenue is positively impacted by the new product mix.

Price Volume Mix

By examining each of these three elements independently, the business can determine that:
  · While the price rise for juice didn't negatively impact total income, it may have signaled a limit on how sensitive customers are to pricing.
  · Revenue is positively impacted by the volume of soda sales, which may be the result of successful marketing or consumer demand.
  · Adding a new, more expensive product (tea) had a beneficial impact on the revenue mix, suggesting that there may be room to add more high-end offerings.

What data do you need?
You need data about your historical order lines and your assortment.

The PVM analysis assists the business in making strategic decisions about pricing adjustments, more aggressive product promotion, and product development.