

Pricing Scenarios:

Five Proven
Profit Increasing Rules
for Retailers

In this white paper, we show how online stores can increase its revenue with specific pricing rules examples. Use your data with the rules below, set your inventory prices more effectively, and increase the economic efficiency of your business!

We show no specific numbers to avoid any harm for your business: With no data on your business goals and market data they can not only be useless but cause an opposite result to the expected. Use your numbers!

Below all the gross margin scenarios, you'll find a list of the data you need to consider for efficient rules creation, and a list of useful materials you can read to learn more about pricing, pricing strategies, and algorithms.



Stock Management Scenario

Description:

This scenario goal is to track the moment when specific items are disappearing from the competitor's stock. It allows the retailer to set a higher price and earn more.

if a competitor's items are in stock **then** we set a competitive price within market thresholds and launch a promotion **else** increase item's prices by X%

Benefits:

This scenario is the most obvious way to increase a retailer's profits.

Disadvantages:

It is not always possible to predict out-of-stock for competitors' products: They may have already planned the next delivery from a supplier. It's especially important if competitors using sales predictive solutions.

In the formula, the retailer also needs to consider the warehouse turnover objectives to avoid price raising for unclaimed goods.

Minimum Margin Scenario

Description:

This scenario goal is to follow the lowest possible market price (follow the key competitor with the lowest price), yet keep the minimum allowable margin.

item's price
is equal to competitor's
minimum price

if

final item's price
is equal or higher than
minimum
allowable margin

else

set final item's price
equal to minimum
allowable margin

Benefits:

In a vacuum market, the retailer will always make a profit.

Disadvantages:

In real life, customers who are looking for a minimum cost, will find it. If a retailer's price is higher than a competitor's, this category of shoppers is more likely to make a purchase in a competitor's shop.

Turnover Goal Scenario

Description:

This scenario needs to be applied only when turnover goals are achieved and help store to earn more. It's important to apply other scenarios we'll describe in the next whitepaper.

if turnover goals are achieved **then** raise the prices by X% **while** sales quantity is growing or remaining at the same level

Benefits:

Allows you to consistently achieve several business goals: Turnover, and therefore, gross margins.

Disadvantages:

Consecutive achievement of the goals is as risky as buying the simplest New Year's garland: If the first light bulb is burnt out, the others will not glow either.

Bestseller Scenario

Description:

This scenario works with the most popular and seasonal products, it uses psychological pricing and customer loyalty.

if it's the most popular
or seasonal item **then** add
psychologically
reasonable
price increase 5%

Benefits:

A psychologically reasonable price increase is a price growth that allows the retailer to earn more while keeping sales quantity on the same level. Often, retailers increase prices within 5% but the actual allowance depends on the specific target audience portrait. If the target audience is determined correctly, the product with a psychologically acceptable markup will be perceived by the buyer as more valuable, and the retailer as more reliable.

Disadvantages:

The retailer needs to know its target audience clearly to understand exactly how shoppers will perceive the price.

KVIs Scenario

Description:

This scenario uses KVI analysis for pricing and works not only with KVI-positions but also with the rest of the inventory.

if it's a KVI position **then** set the price equal to the minimum key competitor's price **while** use psychologically reasonable price increase for other item's prices

Benefits:

The minimum prices for the KVI-items will form the buyer's trust. Other retailer's prices will be accepted as valuable even if their prices are slightly higher than the market.

Disadvantages:

KVI positions determination can be quite resourced and expensive: Elasticity research, marketing polls, sales dynamic comparison for different commodity groups, etc.

As you can see now:

Each of the scenarios above requires micro-level adjustments from the retailer. That's why we did not give no specific numbers. For example, the very first of the scenarios, "Stock Management Scenario", needs the retailer to know its key competitors.

Necessary Data

For effective scripts usage, the retailer needs a high-quality, actual and correct data. It needs to be collected without errors on marketplaces and the competitor's websites at the time pricing need to be done.

The retailer needs to have the following information to work effectively with pricing scripts:

- Product data: stock availability, price, cost, KVI-positions.

Item	Stock attribute	KVI tag	Cost, \$
Multicooker Redmond RMC-M92S	in stock	YES	95
LCD TV Samsung UE43KU6000	in stock	NO	700
Notebook Apple MacBook Air 13'	low in stock	YES	925

- Business goals data: minimum markup, planned markup, turnover and margin plan, etc...

Item	Stock attribute	KVI tag	Cost, \$	Minimal mark-up, %	Planned mark-up, %	Planned turnover, units	Planned margin, \$	Final price, \$
Multicooker Redmond RMC-M92S	in stock	YES	95	12	18	150	3000	115
LCD TV Samsung UE43KU6000	in stock	NO	700	3	6	75	3375	745
Notebook Apple MacBook Air 13'	low in stock	YES	925	5	8	120	9000	999

- Competitor's data: prices, stocks, promotions.

Item	Stock attribute	KVI tag	Cost, \$	Minimal mark-up, %	Planned mark-up, %	Planned turnover, units	Planned margin, \$	Final price, \$	Competitor 1 price	Competitor 2 price	Competitor 3 price	Promo attribute	Stock attribute
Multicooker Redmond RMC-M92S	in stock	YES	95	12	18	150	3000	115	120	111	115	mark-down	in stock
LCD TV Samsung UE43KU6000	in stock	NO	700	3	6	75	3375	745	750	735	720	gift	low in stock
Notebook Apple MacBook Air 13'	low in stock	YES	925	5	8	120	9000	999	995	1019	999	no promo	out of stock

By integrating this data into the scenario and analyzing a performance of the latest, the retailer can understand how the product's price affects its sales, what is the influence of the key competitors on sales; create a Price Index report to track the effectiveness of retailer's pricing and the impact of its competitors more effectively.

Pricing Scenarios Tools

The simplest pricing scenarios tool is an Excel spreadsheet. But, since this tool has more flaws than advantages, it is much more effective to use special pricing services.

The [Price Management product](#), a part of the Competera Pricing Platform:

- Integrates all the collected internal and external data and visualizes it.
- Sets product prices according to the preset script rules.
- Detects anomalies and opportunities to optimize pricing—for most scenarios the retailer needs to use threshold scenarios to keep the correctness of pricing.

To calculate the ROI of such tool for your business, do not hesitate to contact our pricing experts.

Useful resources

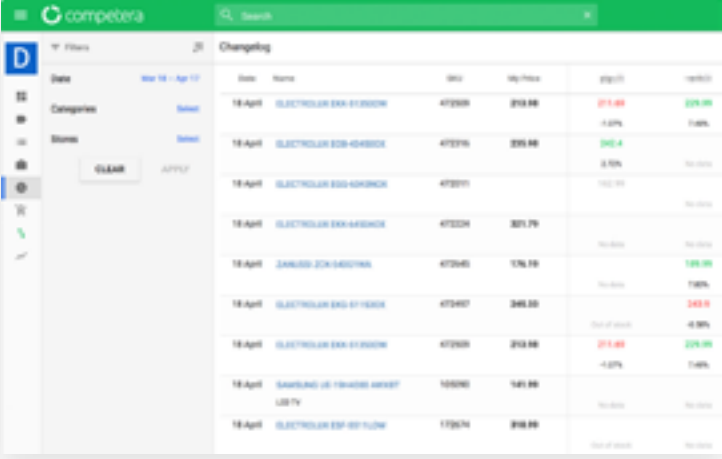
- [Article](#) and [free online course](#) on Pricing Strategies
- How to collect data: [build or buy pricing solution](#)
- What is [Agile Pricing™](#)?
- [How to explain pricing strategies](#) in a way even child will understand

If you want to know which of the above pricing rules will be effective for your online store, chat with our pricing experts—they will answer all your questions.

In this white paper, we talked about pricing scenarios that help retailers earn more. In the next white papers, we will talk about scenarios that help to increase turnover (sell more products), get a share of the competitor's market and more favorable supplier's conditions!

Competera Price Management

The right pricing, on the right products, at the right time



The screenshot shows the Competera Price Management interface. It features a search bar at the top, a left sidebar with navigation options like 'Date', 'Categories', and 'Items', and a main table titled 'Changing'. The table lists various products with columns for 'Date', 'Name', 'SKU', 'My Price', 'Original Price', and 'Change'. The data is as follows:

Date	Name	SKU	My Price	Original Price	Change
18 April	ELECTROLAR ERM-ET-1000M	472008	219.99	219.99	0.0%
18 April	ELECTROLAR ERM-4000M	472016	229.99	229.99	0.0%
18 April	ELECTROLAR ERM-4000M	472017		192.99	
18 April	ELECTROLAR ERM-4000M	472024	307.79		
18 April	ZANUSSEL ZC4-1407NA	472040	176.79		176.79
18 April	ELECTROLAR ERM-ET-1000M	472007	249.99		249.99
18 April	ELECTROLAR ERM-ET-1000M	472008	219.99	219.99	0.0%
18 April	ZANUSSEL ZC4-1407NA	100290	149.99		149.99
18 April	ELECTROLAR ERM-ET-1000M	170274	219.99		219.99

One place for the right decisions

Place all pricing data in one interface, adding any new layer of information (such as sales) that you need.

Predict and highlight pricing opportunities

Different product groups defined, price adjust recommendations are displayed, providing KPI oriented alerts and hints.

Pricing timeframe pivot

Changing of hundreds of prices will take only minutes and 3 clicks. Less time consuming while increasing KPIs.

Details at competera.net