



Premium Beauty & Wellness Brand

(Pricing Optimization Analysis)

Partnered with client to **understand the impact of pricing changes of the competitor brands on the company and analyzed the price elasticity (self and cross) to identify pricing opportunities** which would maximize revenues

PRICING ANALYSIS FOR A BEAUTY AND WELLNESS BRAND

ABOUT THE CLIENT

Client is a **Premium Beauty & Wellness Brand** in North America

SITUATION



- Client's **competitors had recently increased the prices** and there was an opportunity to **analyze the impact of these price changes** on company's products and **evaluate future pricing strategy**
- Merilytics partnered with the client to **build a price optimization model** to understand the impact of pricing changes of the competitor brands and **identify optimal price points** to maximize revenue

VALUE ADDITION



- Identified similar competitor SKUs for each of the client's SKUs based on product characteristics such as size, type, count of product in a unit etc. to **analyze the impact of competitor price changes**
- Analyzed the **historical impact of competitor price changes** on client's market share by **performing cross-elasticity analysis** of historical market data and **identified pricing opportunity** for the product groups based on the optimal price premium with respect to competitor pricing
- Developed a **price optimization model**, based on non-linear regression, to determine the optimal price premium with competitors in order to maximize the market share of the company i.e., maximize the revenue

IMPACT



- Identified pricing opportunities** at a SKU-level based on the competitor price changes
- Helped the client provide an **insight into the optimal price premium at a SKU-level** that maximizes the market share of the SKU and provided visibility into the potential market share at different price premiums w.r.t competitor pricing

APPROACH & METHODOLOGY

ANALYSIS APPROACH & METHODOLOGY

Categorized similar SKUs for client and respective competitors based on the product characteristics (#Count, Product type, Size etc.) and **estimated market share based on weekly sales (units) and ACV weighted distribution**

Self-elasticity

Performed regression analysis using weekly sales units and price available; Analyzed self-elasticity to understand the price sensitivity

Estimated optimal price point based on self elasticity

Cross-elasticity

Performed regression analysis using market share and price premium; Analyzed cross elasticity to understand the price premium sensitivity

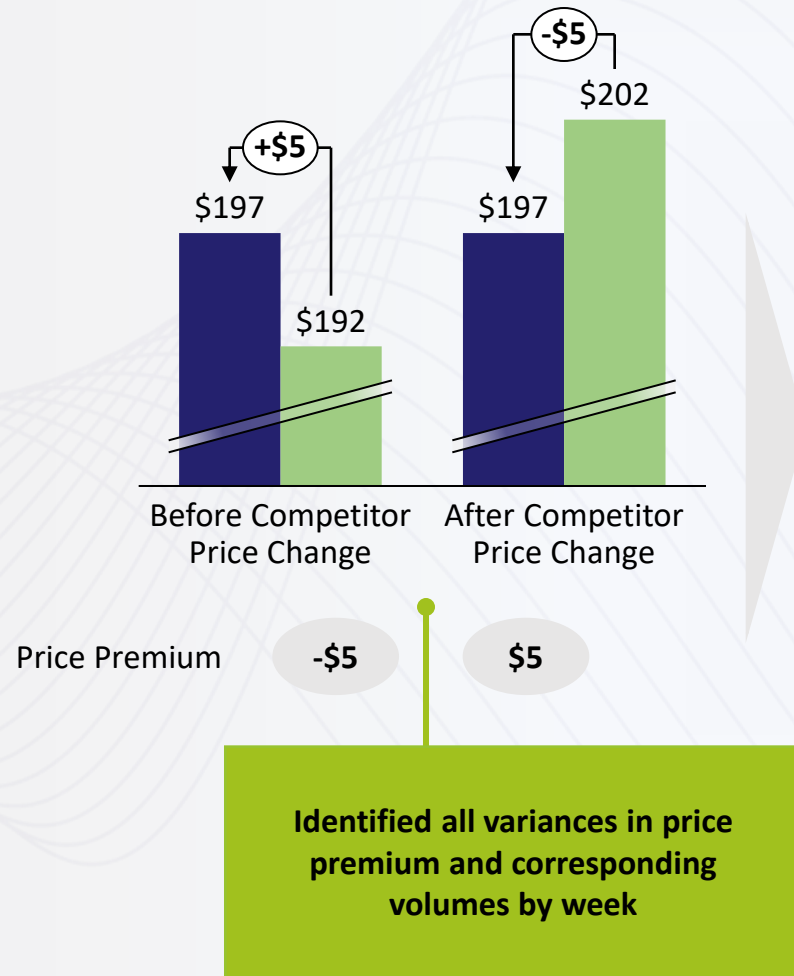
Estimated optimal price and price premium based on cross elasticity

Identified optimal pricing opportunities based on self and cross elasticity and impact on revenue and Market share

IDENTIFICATION OF PRICE PREMIUMS VS. VOLUME

ILLUSTRATIVE

■ Client's SKU Price ■ Competitor SKU Price



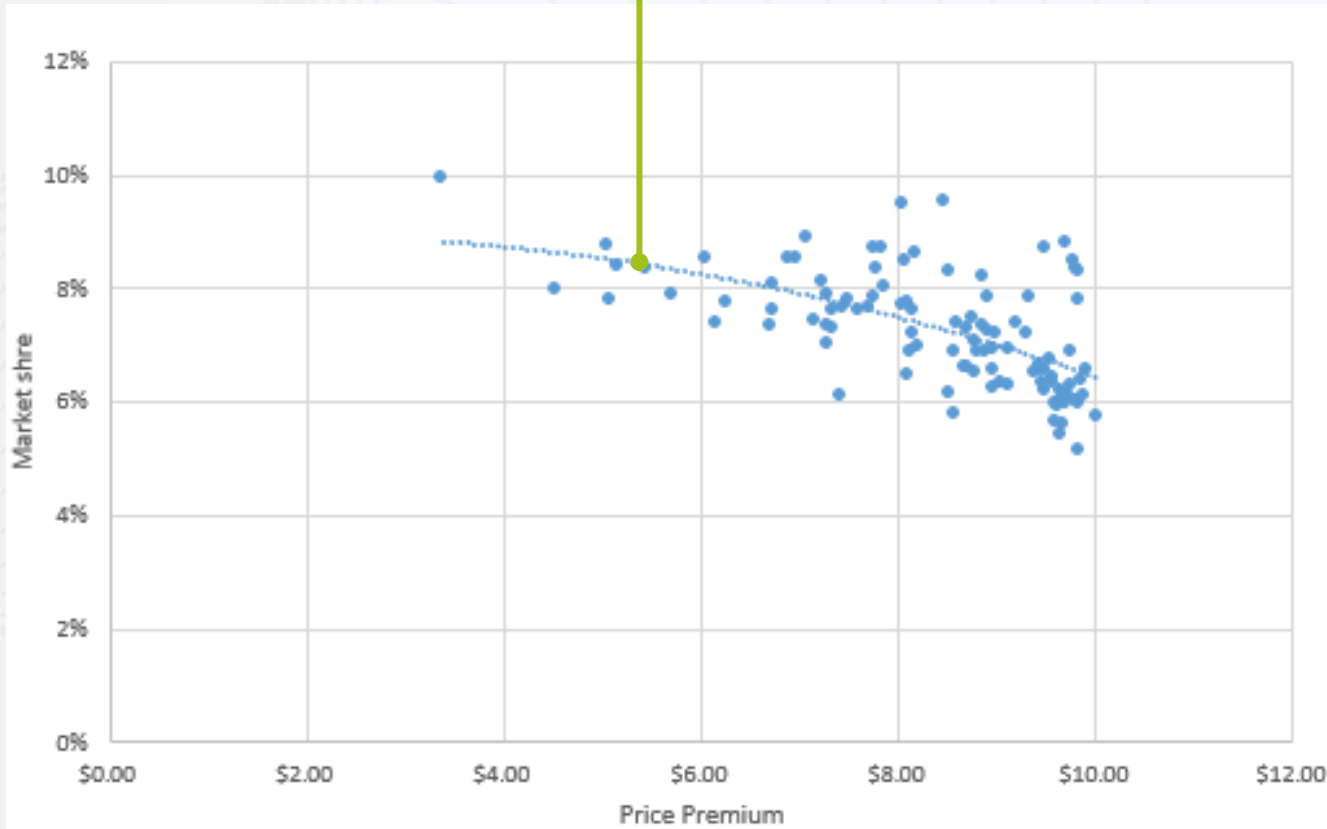
- Performed a **non-linear regression analysis** between the relative market share and competitor price premium over the past three years
- Identified cross-elasticity at the existing price point
- Determined the impact of competitor's price change on the client's SKU
- Identified the optimal price premium point that maximizes the revenues for the client



ESTIMATION OF CROSS-ELASTICITY

ILLUSTRATIVE

Price elasticity with competitor and impact on market share with increase/decrease of Price premium



Revenue impact on the change in price premium and identify optimal price premium

| | | |
|---------------------------|------------------|-----------------------|
| Client SKU | SKU 1 | *Select from Dropdown |
| Competitor SKU | Competitor SKU 1 | *Select from Dropdown |
| Last 52 Week Honest Sales | \$100,000,000 | |
| Last 52 Week Honest Units | 100,000 | |

| | Price Premium | % Revenue Change | % Units Change | Market Share |
|-----------------------|---------------|------------------|----------------|--------------|
| - \$2.0 | \$4.00 | -11% | -7% | 15.12% |
| - \$1.5 | \$4.50 | -7% | -4% | 15.48% |
| - \$1.0 | \$5.00 | -4% | -2% | 15.75% |
| - \$0.5 | \$5.50 | -2% | -1% | 15.92% |
| Current Price Premium | \$6.00 | 0% | 0% | 16.00% |
| + \$0.5 | \$6.50 | 1% | 0% | 15.98% |
| + \$1.0 | \$7.00 | 1% | -1% | 15.87% |
| + \$1.5 | \$7.50 | 0% | -3% | 15.66% |
| + \$2.0 | \$8.00 | -1% | -5% | 15.36% |
| Optimal Price Premium | \$6.79 | 1% | -1% | 15.93% |