

# BUNDLE PRICING ANALYSIS FOR A WELLNESS AND FITNESS SERVICES PROVIDER

## ABOUT THE CLIENT

Client is a **PE-owned yoga fitness chain** in the U.S. with more than 200 studios across 25+ states in U.S.



### SITUATION

- Client **lacked visibility into the competitive pricing landscape and market dynamics** that was leading to sub-optimal revenue realization
- Merilytics partnered with the client to develop a **pricing model that would recommend revised price points & product bundles to restrict undesirable cross-market user redemption i.e., users purchasing product in lower priced market and redeeming in higher priced market ('reciprocity visit')**



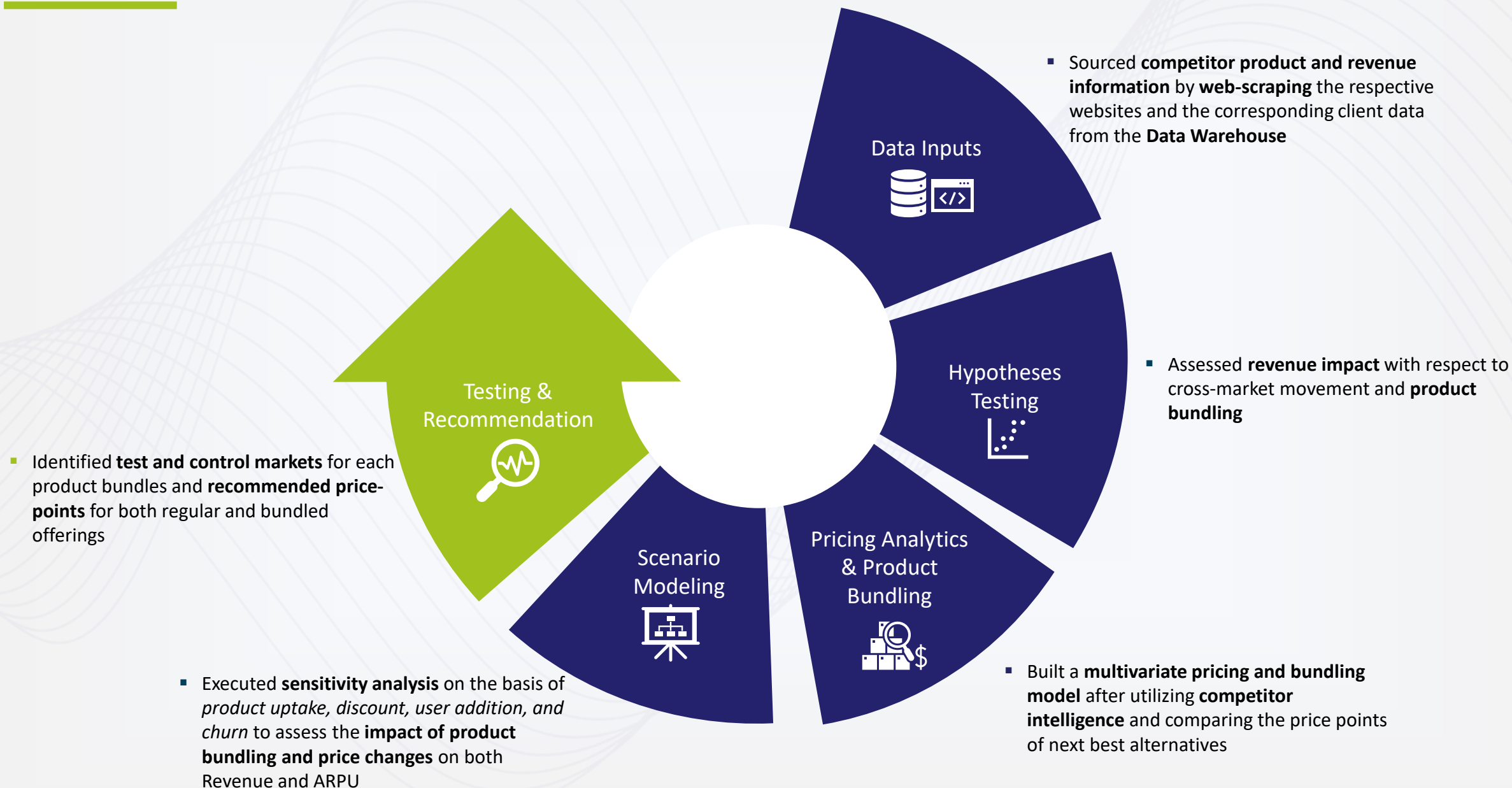
### VALUE ADDITION

- Enabled the client to detect undesirable reciprocity visits and **validate the hypotheses to correlate cross-market redemption with pricing and distance between purchase & redemption point** by analyzing the user visits and spending behavior
- Recommended a **list of viable product bundles** with constituents that included **both enhancements and geo-restriction**, complemented with **pricing recommendations** and a list of **test and control markets for pilot testing**
- Executed **sensitivity analysis** after collaborative discussions with the client on the bases of *new user addition, churn rate, discount and product uptake* to help the client in **assessing the revenue and Average Revenue Per User (ARPU) impact** resulting from the implementation



### IMPACT

- Based on the analyses, the client revised prices for multiple geographies and **introduced geo-restricting product options** that helped in **restricting reciprocity visits by up to ~20%**
- The model provided a **bespoke template for recommending market specific price points** by benchmarking with competitors



## EXHIBIT 1: COMPETITOR BENCHMARKING

ILLUSTRATIVE

Bundle Type Single Studio Access (Geo-restricted)

Client Zone wise Markets		Price Points for Comparison				Comparison with respect to Client		
Zone	Market	Client	Competitor 1	Competitor 2	Competitor 3	Comp 1	Comp 2	Comp 3
Zone A	Market 1	\$152	\$205	\$154	\$187	-34.9%	-1.3%	-23.0%
Zone B	Market 2	\$185	\$165	\$134	\$224	-8.6%	11.8%	-47.4%
Zone B	Market 3	\$120	\$153	\$133	\$140	-0.7%	12.5%	7.9%
Zone C	Market 4	\$189	\$133	\$150	\$236	12.5%	1.3%	-55.3%
Zone D	Market 5	\$201	\$177	\$103	\$185	-16.4%	32.2%	-21.7%
Zone D	Market 6	\$134	\$130	\$131	\$191	14.5%	13.8%	-25.7%
Zone D	Market 7	\$232	\$121	\$158	\$131	20.4%	-3.9%	13.8%
Zone E	Market 8	\$190	\$138	\$108	\$249	9.2%	28.9%	-63.8%
Zone E	Market 9	\$208	\$194	\$142	\$225	-27.6%	6.6%	-48.0%
Zone F	Market 10	\$178	\$148	\$95	\$148	2.6%	37.5%	2.6%
Zone F	Market 11	\$179	\$134	\$136	\$138	11.8%	10.5%	9.2%
Zone G	Market 12	\$151	\$129	\$128	\$244	15.1%	15.8%	-60.5%
Zone G	Market 13	\$220	\$133	\$121	\$167	12.5%	20.4%	-9.9%
Zone H	Market 14	\$178	\$116	\$117	\$201	23.7%	23.0%	-32.2%
Zone H	Market 15	\$268	\$190	\$147	\$217	-25.0%	3.3%	-42.8%
Zone H	Market 16	\$228	\$129	\$132	\$198	15.1%	13.2%	-30.3%
Zone H	Market 17	\$237	\$168	\$152	\$249	-10.5%	0.0%	-63.8%
Zone H	Market 18	\$206	\$168	\$133	\$146	-10.5%	12.5%	3.9%
Zone H	Market 19	\$166	\$154	\$94	\$199	-1.3%	38.2%	-30.9%
Zone H	Market 20	\$137	\$183	\$114	\$178	-20.4%	25.0%	-17.1%
Zone I	Market 21	\$178	\$157	\$136	\$216	-3.3%	10.5%	-42.1%
Zone I	Market 22	\$262	\$199	\$104	\$177	-30.9%	31.6%	-16.4%
Zone I	Market 23	\$189	\$175	\$151	\$197	-15.1%	0.7%	-29.6%
Zone I	Market 24	\$115	\$195	\$91	\$220	-28.3%	40.1%	-44.7%
Zone I	Market 25	\$263	\$177	\$159	\$217	-16.4%	-4.6%	-42.8%
Zone J	Market 26	\$209	\$106	\$97	\$186	30.3%	36.2%	-22.4%
Zone J	Market 27	\$136	\$114	\$133	\$247	25.0%	12.5%	-62.5%
Zone J	Market 28	\$210	\$172	\$152	\$130	-13.2%	0.0%	14.5%
Zone J	Market 29	\$224	\$180	\$144	\$191	-18.4%	5.3%	-25.7%
Zone J	Market 30	\$257	\$121	\$104	\$169	20.4%	31.6%	-11.2%

Competitor pricing analysis to estimate margin between selling prices of the benchmark product(s)

## EXHIBIT 2: SCENARIO MODELING TO ASSESS REVENUE IMPACT

**ILLUSTRATIVE**

User selections:	
Bundle Type	All Bundles
Market	Market 3
Bundle 1 Uptake	4.2%
Bundle 2 Uptake	4.7%
Bundle 3 Uptake	2.2%

Assumptions:	
New User/Churn (%)	7% / 1%
Discount/Uptake	0% / 5%
New User Addition (%)	7.0%
Churn (%)	1%
Discount	0.0%
Uptake	5.0%

Identify **viable product bundles** using sensitivity analysis on the basis of ARPU and revenue impact

ARPU Impact													
New User Addition		5%	7%	8%	10%	5%	7%	8%	10%	5%	7%	8%	10%
Churn Rate		0%	0%	0%	0%	1%	1%	1%	1%	2%	2%	2%	2%
Discount	Uptake												
0%	0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0%	5%	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8
0%	10%	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
5%	0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5%	5%	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
5%	10%	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
10%	0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10%	5%	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
10%	10%	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
15%	0%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15%	5%	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
15%	10%	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2

## LEARNINGS

---

- For sourcing of competitor's pricing and product information, the team used **web scraping** through a combination of **Python (*Selenium*)** and **UiPath tools**
- For assessing potential impact of price revision and product bundling, the team used **multi-factor sensitivity analysis** on the bases of product update, discount, new user addition, and user churn