

SUCCESS STORIES - SUMMARY

Project Name	Client	Brief Description	Key Analyses
Location Pricing tier analysis	Restaurant Chain	Identified segments/tiers of restaurants with similar characteristics by considering metrics such as costs, competitor influence, demographics, customer satisfaction etc. to arrive at an appropriate tier level pricing to ensure maximum impact	Pricing tiers analysis

CASE STUDY : LOCATION PRICING TIER ANALYSIS

ABOUT THE CLIENT

Client is a family-friendly chain serving American made-from-scratch food

SITUATION



- Company wanted to **segment all its restaurant locations into various tiers for Pricing action purposes**
- Merilytics partnered with the client to identify the tiers for each location based on various factors

VALUE ADDITION



- Identified **segments/tiers of restaurants with similar characteristics** by considering the factors such as, input costs, competitor influence, customer demographics, customer satisfaction (Net Promoter scores)
- Built a model to modify the tiers based on user-input weights to the factors
- Identified five pricing tiers, with consistent average scores for all the factors, i.e., higher tiers have higher scores on average

IMPACT



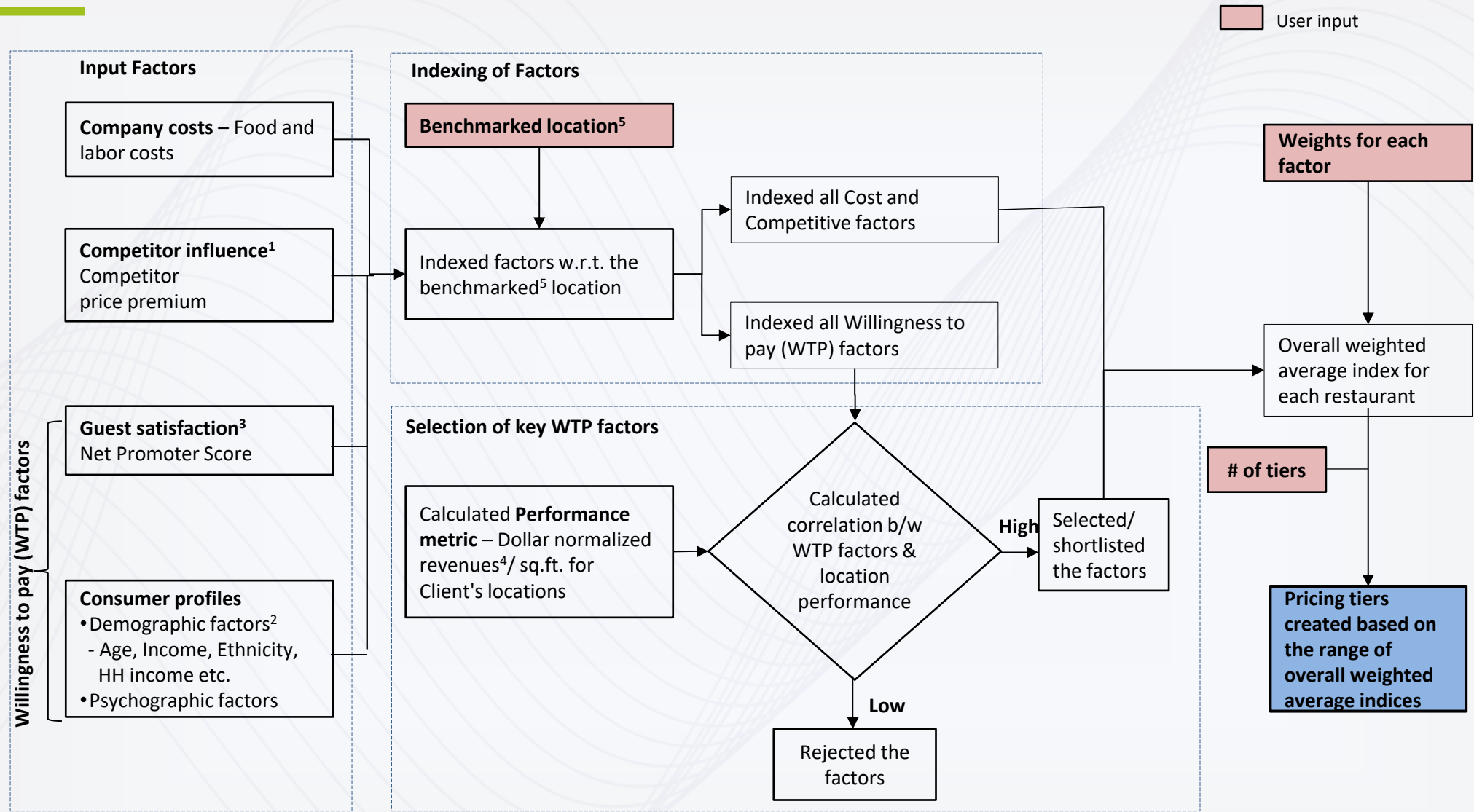
- Restaurant locations were **segmented into five pricing tiers**
- All **pricing decisions were made at a tier level** to ensure maximum impact

Problem Statement: Identify segments/tiers of restaurants with similar characteristics for execution of price changes

On considering company costs and NPS scores to competitor pricing factor, the restaurant locations can be segmented into 5 pricing tiers, with consistent average scores for all the factors, i.e., higher tiers have higher scores on average

- The average company costs scores are consistent with the overall scores for various tiers
- The competitor pricing scores show an upward trend from Tier 1 to Tier 4, however there is a slight decline in the score for Tier 5
- The NPS scores show increasing trends as we move to higher tiers with a slight dip in Tier 4

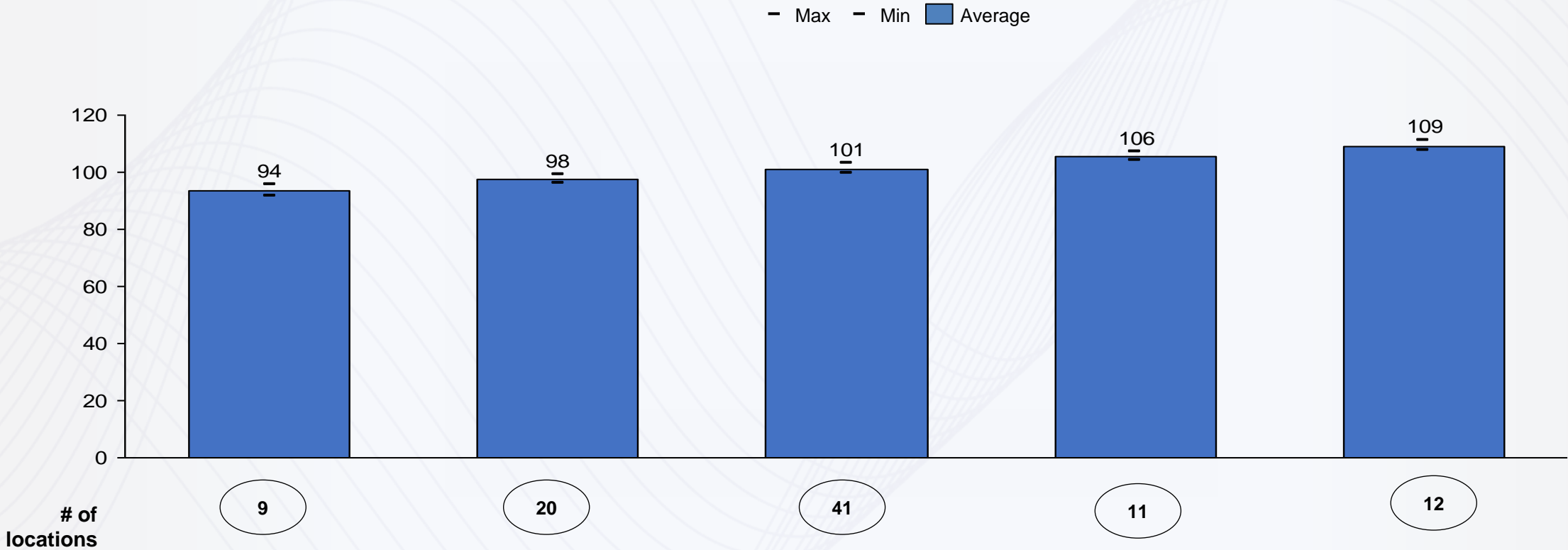
METHODOLOGY FOR SEGMENTING LOCATIONS IN TO PRICING TIERS



1 Competitors considered are C1, C2 and C3
2 50 demographic factors defined by custom trade area and five mile radius are considered
3 Data for all metrics for the past 6 months (Dec'14 – May'15)
4 2014 Revenues normalized to discount the impact of tiered pricing and adj. for 12 months for locations which started 2014 onwards
5 Benchmark location used is Bedford, TX

LOCATIONS CAN BE SEGMENTED IN TO FIVE PRICING TIERS BASED ON SCORE BASED ON COMPANY COSTS, COMPETITOR PRICING PREMIUM AND NPS SCORES

Average, minimum and maximum overall scores² by new price tiers¹



Scenario considers Company costs (Food costs: 20% and Labor costs: 20% weight), Competitor pricing³ (40% weight), and NPS scores (20% weight) only (excluded demographics)

1 Number of tiers selected in the analysis are 5
2 Overall score is a weighted average of costs (Food costs: 20%, Labor costs: 20%), Competitor price (40%) and NPS (20%) factors
3 Equal weightage has been assigned to all the 3 competitors (C1, C2, C3)