Assignment - Pricing Strategy Report

Submitted by: Lekhansh

1) How should we set pricing rules for this partner - any split you prefer and why?

Answer:

The **14th and 15th hours** stand out as peak traffic times, with the highest impressions (24M–26M) and revenue (€5,966–€5,842). These peak hours should be priced higher. Between hours 6 and 7, you have the lowest revenue (€881–€784) and fewer impressions. This is a clear opportunity for lower pricing to encourage more ads during these off-peak hours.

I propose a **dual-split pricing strategy** based on both **time** and **country**.

- **Time-based Split (70-30)**:
  - Peak hours (14:00–16:00): Higher pricing due to increased impressions and revenue. We should allocate **70% of inventory** at higher pricing during these hours.
  - Off-peak hours (6:00–8:00): Lower pricing to stimulate demand. To stimulate ad spend, **30% of ad inventory** can be offered at lower prices during these off-peak times.

- **Country-based Split (40-40-20)**:
  - Premium markets (Switzerland, Singapore, UAE) should have higher pricing due to their higher eCPM (refer. *Average eCPM by country*). Allocate **40% of ad inventory** in these countries at a premium rate
  - Moderate markets (US, Belgium, Denmark) will maintain average pricing. Allocate **40% of ad inventory** in these countries at a premium rate
  - Lower-tier markets (Ireland, France, Australia) will feature lower pricing to encourage ad purchases. Allocate **20% of ad inventory** in these countries at a premium rate

The data shows distinct traffic trends throughout the day. Peak hours (14:00–16:00) generate the highest impressions and revenue, showing high demand during these times. By increasing pricing during these hours, we can extract more value from advertisers who are willing to pay premium rates to access higher traffic. Off-peak hours (6:00–8:00), on the other hand, show reduced traffic and revenue, signaling lower demand. Reducing prices during these hours can encourage advertisers to fill the inventory during periods of lower traffic, avoiding unsold impressions and ensuring consistent revenue streams.

This split allows us to capitalize on high-demand periods while providing competitive pricing in lower-performing markets. The eCPM data reveals significant variability between countries. For instance, Switzerland, with an eCPM of £0.65, is a premium market where impressions are highly valuable. By setting higher prices in premium markets, we can secure higher revenues from these regions. Conversely, markets like Ireland, France, and Australia have lower eCPM values (£0.15 to £0.16), suggesting that we should keep prices lower to attract more advertisers. These markets are less competitive, and setting lower CPMs ensures that impressions are monetized rather than going unsold.

---

2) What should be the pricing setup per each split and why?

Answer:

Time-based Pricing Setup:

- **Peak Hours (14:00–16:00)**:
    - Increase CPM by **20-30%** to take advantage of high impressions and revenue.
    - Premium countries like Switzerland should have a CPM of **£0.65+**.
- **Off-Peak Hours (6:00–8:00)**:
    - Reduce CPM by **15-20%** to attract more advertisers. For example, France's CPM could drop from **£0.16** to **£0.13–£0.14**.

Country-based Pricing Setup:

- **Premium Markets**:
    - **Switzerland**: Set a CPM of **£0.65 or higher**.
    - **Singapore and UAE**: Set CPMs at **£0.34–£0.36**.
- **Mid-tier Markets**:
    - **US**: Maintain around **£0.21**, with increases during peak hours.
- **Low-tier Markets**:

- **Ireland, France, and Australia**: Keep CPMs lower, around **£0.16**, with adjustments during off-peak times.

During **peak hours (14:00–16:00)**, we see both impressions and revenue peak significantly. For example, at **14:00**, revenue hits **£5,966**, and at **15:00**, impressions reach **26 million**. This indicates a strong demand for ad inventory, which can be capitalized on by increasing the CPM by **20-30%**. Increasing prices during this period takes advantage of the high competition among advertisers. During **off-peak hours (6:00–8:00)**, impressions and revenue drop significantly, with revenue at **£881** at 6:00. Here, lowering the CPM by **15-20%** encourages advertisers to fill the available inventory, ensuring that impressions are still monetized despite lower demand.

The data indicates clear difference in ad performance by country. Premium markets, such as Switzerland (eCPM: £0.65), should have high CPMs to capture the maximum possible revenue from valuable impressions. Increasing the CPM in these markets can significantly boost total revenue with fewer impressions. On the other hand, mid-tier markets like the US (eCPM: £0.21) can maintain average pricing, reflecting their substantial contribution to impressions (276 million), while still being competitive. Lower-tier markets like Ireland, France, and Australia, which have lower eCPMs, can have reduced CPMs to encourage more ad spend from advertisers who are price-sensitive but still want to access these regions.

---

3) Would we use a target or hard floor or both?

Answer: We recommend using a **combination of both target CPMs and hard floors**.

- **Premium Markets** (e.g., Switzerland, Singapore, UAE): Utilize a **hard floor** to secure high-value impressions. For example, a hard floor of **£0.65** for Switzerland.
- **Mid-tier and Low-tier Markets**: Using a **target CPM** approach, which allows flexibility based on demand fluctuations. For example, keep France at a target of **£0.16** but allow for lower rates during off-peak hours.

A hard floor protects revenue in high-value markets, while target CPMs in lower-value markets enable competitive pricing strategies that can adapt to market conditions.

As per the *Average eCPM by Country* chart, for high eCPM countries like Switzerland (£0.65), it’s important to establish a hard floor to ensure that impressions are not undersold.

These markets provide high-value impressions, and advertisers willing to pay premium prices should secure these impressions. A hard floor protects against any bid drops that could significantly impact revenue from these regions.

In lower eCPM markets like France (£0.16) or Ireland (£0.15), using a target CPM allows for more flexibility in pricing. Target CPMs provide a middle ground where impressions can still be sold even if the bid prices are lower than expected. This approach ensures that advertisers continue to engage with these markets while protecting against too much price fluctuation.

---

4) Any other insights you noticed?

Insights:

1. **Country-Based Opportunities**:
    - **Switzerland** is the most valuable market regarding eCPM (£0.645), yet it has lower impressions (495K). Focusing on increasing ad volume in this region could significantly boost revenue.
    - Similarly, **Singapore and UAE** are high-value markets (£0.36 and £0.34 respectively) and merit efforts to increase impressions.
2. **Off-Peak Traffic Patterns**:
    - Impressions and revenue drop during hours **6–8**. Introducing special ad deals or reducing CPM further in low-eCPM countries could enhance demand during these hours.
3. **US Market Potential**:
    - While the US has a moderate eCPM (£0.21), it offers huge impressions i.e. 90% of the total impressions and revenue. Slight CPM increases during peak hours could capitalize on this high traffic.

Conclusion

The proposed pricing strategy aims to enhance revenue generation through a targeted approach that considers time-sensitive traffic patterns and the value of impressions across various countries. Implementing this strategy will provide a structured framework for optimizing ad sales while remaining responsive to market dynamics.