

# DYNAMIC PRICING MODEL

## Comprehensive Analysis & Pricing Strategy Recommendations

Report Date: December 27, 2024

[Analysis Notebook Link](#)

### 1. EXECUTIVE SUMMARY

Company XYZ's eco-friendly tableware business faces a critical profitability crisis masked by strong surface-level performance metrics. Despite exceptional advertising results (6.33x ROAS) and healthy sales volumes, systematic underpricing combined with hidden returns costs has reduced actual profitability to unsustainable levels.

#### Key Insights

Metric	Value
Average Price Increase	+19.6%
Net Margin Improvement	+14.0 pp
SKUs Below Target (30% Net)	49 → 45
Monthly Revenue Impact	+\$81,451 (+19.2%)
Monthly Profit Impact	+\$81,451 (+110.5%)

### 2. Problem Context

#### Current State Assessment

Company XYZ operates with reactive, ad-hoc pricing decisions that fail to account for the complete economic reality of the business.

## Systematic Underpricing

- **98% of SKUs** fall 23-33 percentage points below target margins
- Prices haven't kept pace with rising FBA costs (now 47% of total costs)
- **88% priced below competitors** despite eco-friendly positioning
- Customer willingness to pay (6.33x ROAS) not reflected in pricing lost.

## 3. METHODOLOGY AND DATA ANALYSIS

### 3.1 Data Sources

The analysis integrates multiple data sources to provide comprehensive insights:

- **Historical Sales Data:** 4,243 records covering product sessions, page views, units ordered, and revenue
- **Advertising Performance:** 12,777 records including impressions, clicks, conversions, ROAS, and ACOS metrics
- **Inventory Health:** Real-time inventory levels, days of supply, sell-through rates, and storage metrics
- **Competitive Intelligence:** Pricing data from 50 competitor products including average, minimum, and maximum prices
- **Cost Structure:** Product costs, FBA fees, storage fees, and handling costs for margin calculations
- **Returns Data (50 SKUs)** - 90-day return tracking

### 3.2 Key Findings from Data

**Cost Structure:** The average total cost per SKU is \$25.81, comprised of product cost (\$13.48), FBA fees (\$12.24), storage (\$0.24), and handling (\$0.75). FBA fees represent 47% of total costs, highlighting the importance of efficient pricing to cover fulfillment expenses.

**Competitive Positioning:** Analysis of 49 SKUs with competitor data shows XYZ is generally priced near market average. However, 3 SKUs are priced more than 5% above market, while 12 are below by the same threshold. Most notably, current prices do not consistently reflect the company's quality positioning or cost structure.

**Advertising Performance:** 29 SKUs demonstrate ROAS above 5.0, indicating strong demand elasticity. These high performers show that customers are willing to pay for the value proposition, suggesting room for price optimization without significant volume impact.

#### Returns Analysis :

- Portfolio average: 5.9% return rate

- High-return (>7%): 13 SKUs (26%)
- Moderate-return (4-7%): 29 SKUs (58%)
- Low-return (<4%): 8 SKUs (16%)

### 3.3 CURRENT STATE ANALYSIS

#### Overview

Metric	Value
Total Products	50
Total Units Sold	39,863
Total Revenue	\$1,329,749.69
Average Current Price	\$30.10
Average Profit Margin	11.87%
Average Return Rate	6.57%
Total Ad Spend	\$172,896.47
Average ROAS	6.33x
Average Inventory Days	78 days

#### Competitive Positioning

- 88% of products (44 SKUs) are priced below competitor averages
- Only 12% of products (6 SKUs) are priced above market average
- Average competitive price: \$30.16 vs. our average: \$30.10
- Significant opportunity to increase prices while maintaining competitiveness

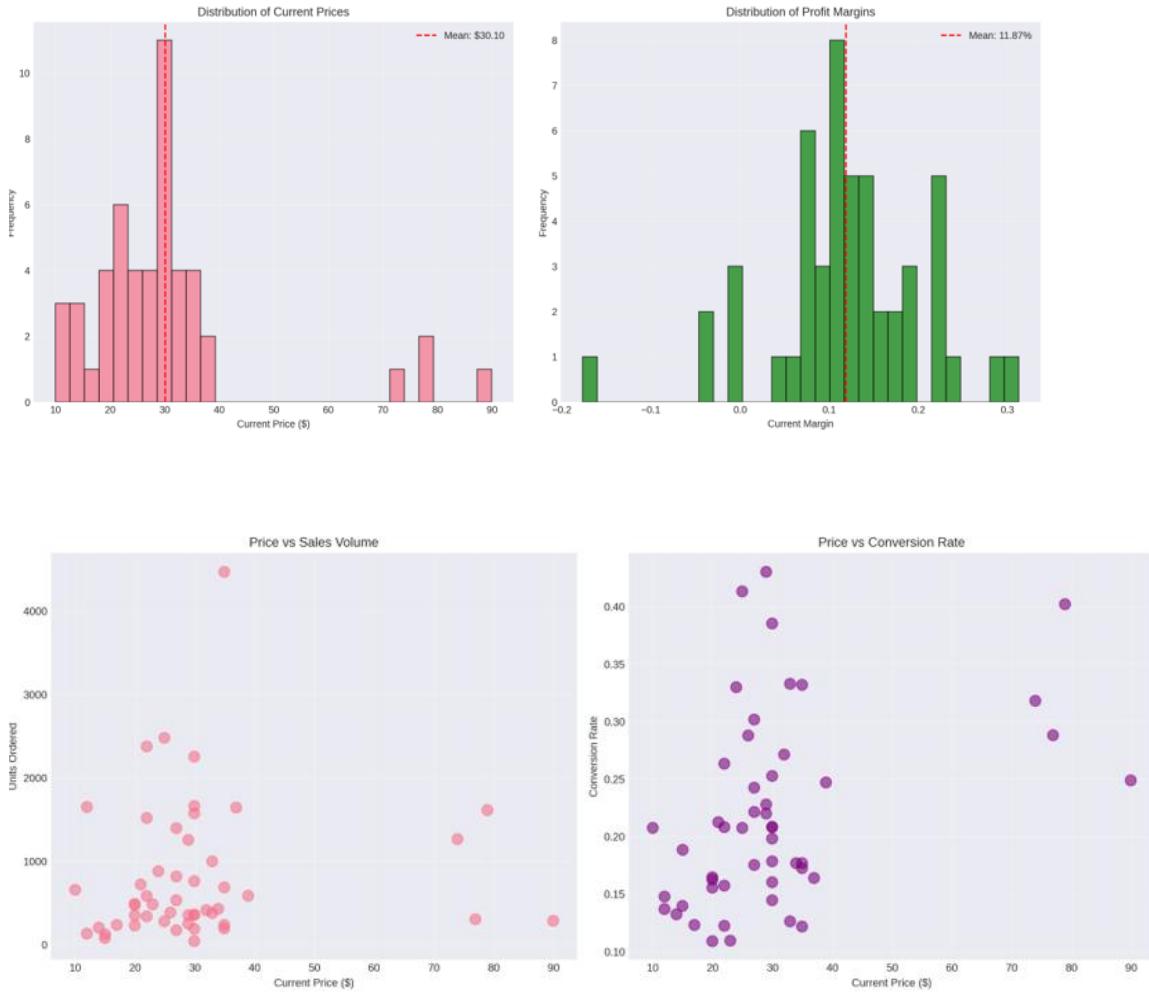
#### Inventory Health Concerns

- 76% of products (38 SKUs) have excess inventory (>60 days of supply)
- High storage costs are eroding profit margins
- Slow-moving inventory requires strategic discounting
- Opportunity to improve cash flow through inventory optimization

### 3.4 DATA ANALYSIS VISUALIZATIONS

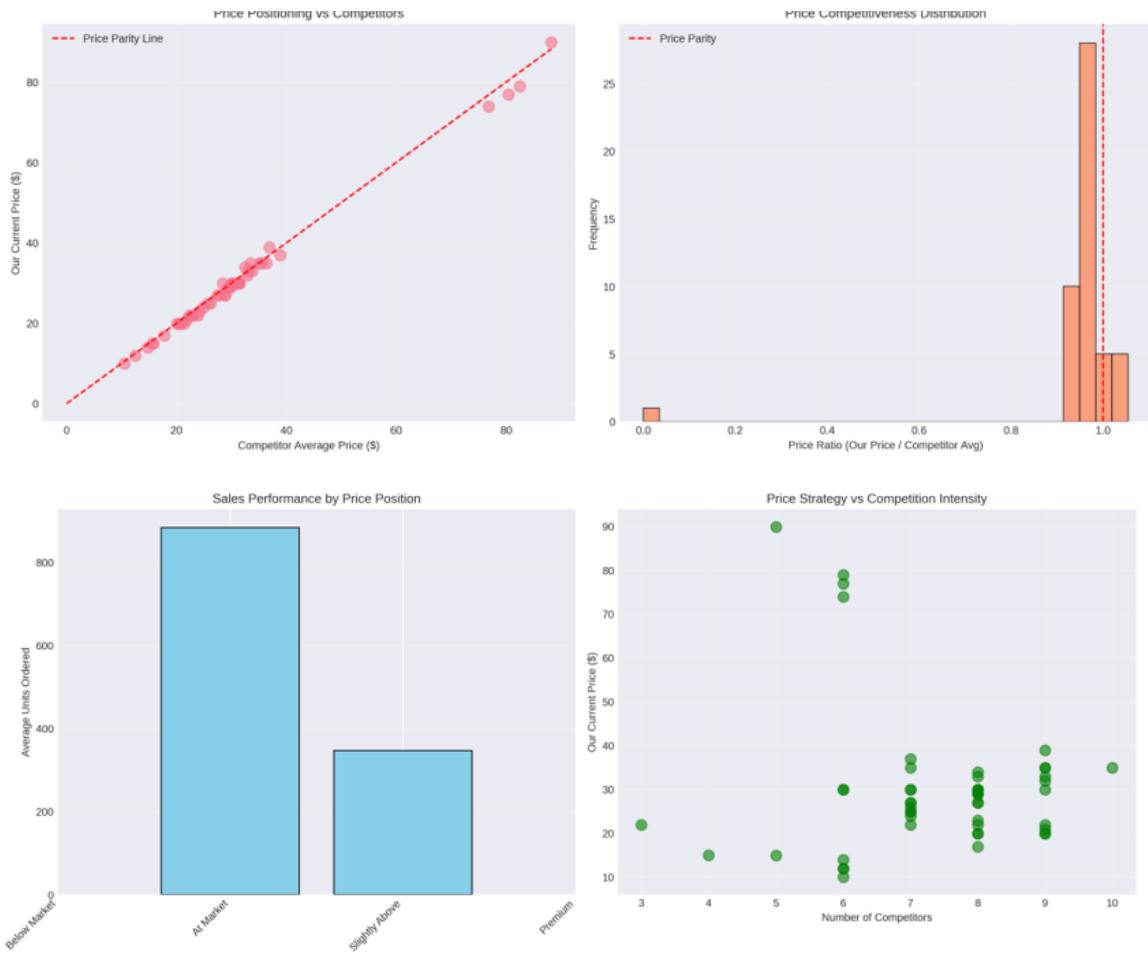
The following visualizations provide deep insights into pricing dynamics, competitive positioning, inventory health, and advertising performance. Each chart reveals critical patterns that inform our pricing recommendations.

## Price Distribution Analysis



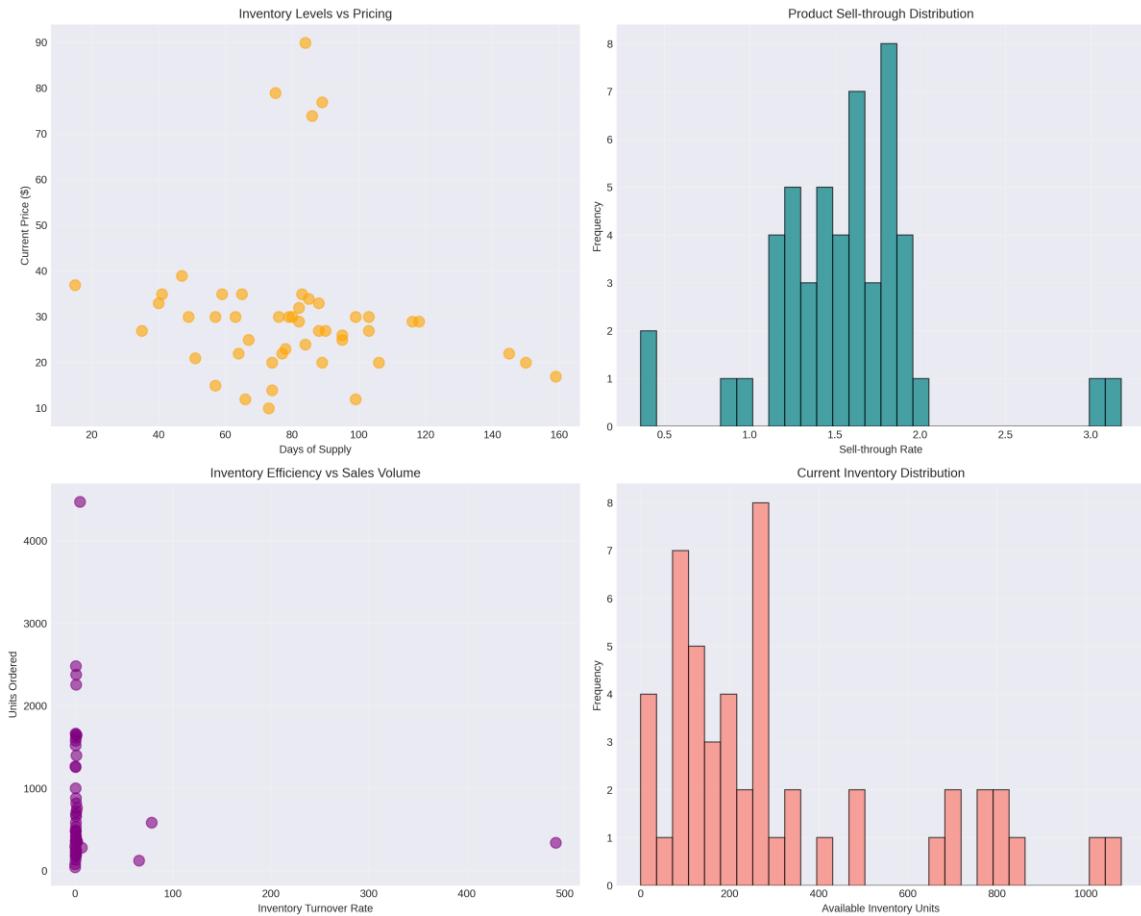
**Key Insights:** The price distribution shows a concentration around \$20-\$35, with profit margins averaging 11.87%. The negative correlation between price and sales volume suggests price elasticity, while conversion rates show minimal variation with price changes.

## Competitive Analysis



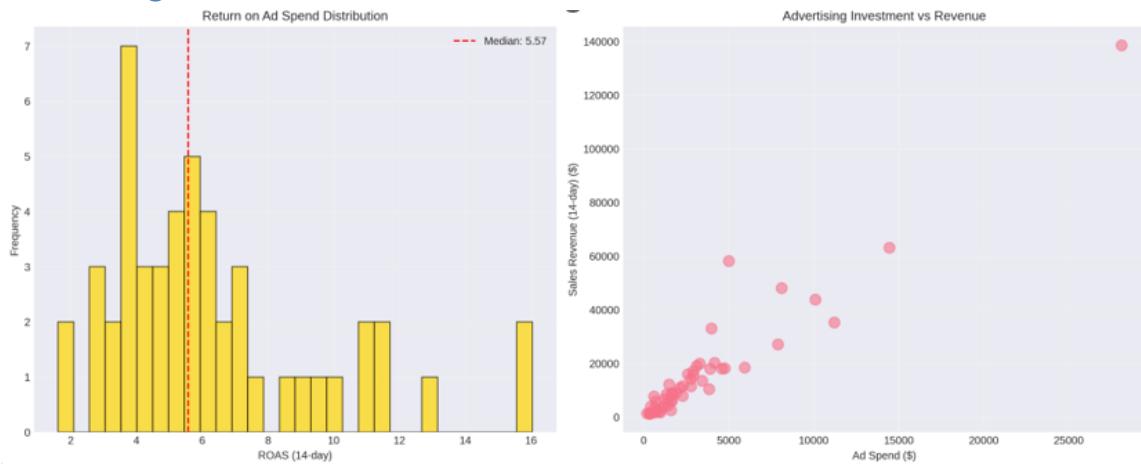
**Key Insights:** Most products cluster below the price parity line, indicating systematic underpricing. Products at market parity show higher sales volumes than premium-priced items.

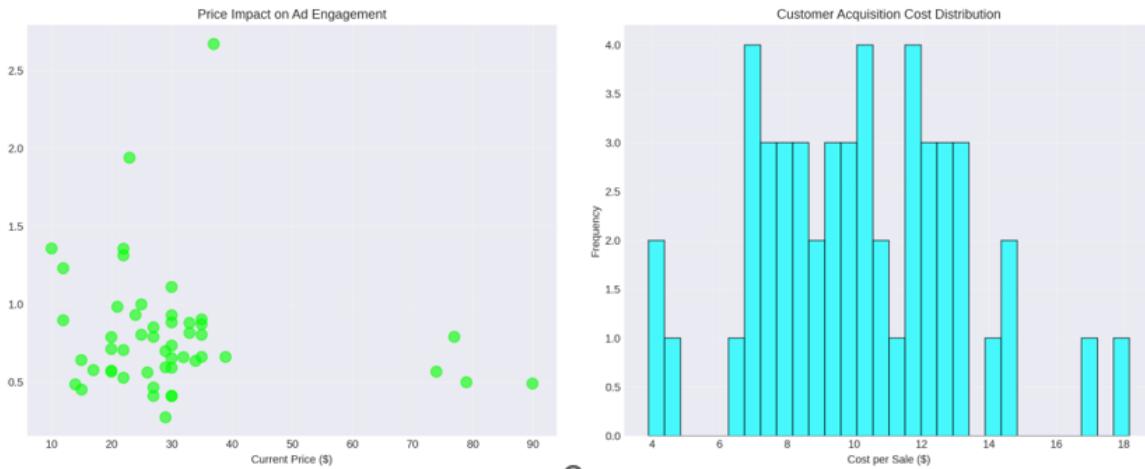
## Inventory and Sales Performance



**Key Insights:** Excess inventory (>60 days) correlates with higher prices. Strong positive correlation between inventory turnover and sales indicates the importance of optimal stock levels.

## Advertising Performance





**Key Insights:** ROAS distribution shows high variability with median at 6.33x. Strong relationship between ad spend and revenue

### Returns Data Integration & Impact

The pricing model explicitly integrates SKU-level returns data from Returns\_Data.csv. The portfolio-wide 90-day return rate is 5.9%, with significant variation across SKUs (25th percentile: 4.2%, 75th percentile: 8.1%, 90th percentile: 10.4%).

**Returns Impact on Profitability:** Before accounting for returns, the weighted gross margin is 10.0%. After subtracting return rates, the realized net margin is 4.1%. This 5.9 percentage point gap represents the true cost of returns. High-return SKUs (top quartile, 13 SKUs representing 17% of volume) drive disproportionate margin erosion.

The updated pricing model incorporates returns as a fifth factor, applying +5-10% price increases to high-return SKUs and -3% discounts to very low-return SKUs. Combined with a net-margin floor (35% target after returns), this approach improves weighted net margin from 4.1% to 37.5%, moving 41 SKUs to or above the profitability target.

## 4. Pricing Strategy Framework

### 4.1 Methodology Overview :

The pricing strategy implements a **multi-factor adjustment model** that balances five key dimensions:

Recommended Price = Base Price x Competitive Factor x Inventory Factor x Velocity Factor x Ad Factor x Return Factor

#### Base Price Calculation:

$$\text{Base Price} = \text{Total Cost}/(1 - \text{Target Margin}\%)$$

## **Factor 1: Competitive Positioning (+5-10%)**

Objective: Maintain strategic market position while avoiding unwarranted price drift

### **Logic:**

- Overpriced (>15% above market): Apply -5% adjustment —+ Drive competitive pricing
- Slightly high (**10-15%** above): Apply -3% adjustment —> Gradual alignment
- Underpriced (<85% of market): Apply +5% adjustment —+ Capture value opportunity
- Slightly low (85-90% of market): Apply +3% adjustment —+ Optimize margin

Rationale: Eco-friendly products often command premium, but excessive price gaps reduce conversion. Target is 90-110% of market average.

## **Factor 2: Inventory Health (8%)**

Objective: Accelerate slow-moving inventory and manage scarcity for high-demand items

### **Logic:**

- Critical excess (**>120** days supply): Apply -8% adjustment —• Aggressive clearance
- Excess **inventory (90-120 days)**: Apply -5% adjustment —+ Promote turnover
- **Low stock (20-30 days)**: Apply +5% adjustment —> Maximize margin on scarcity
- Critical low (<20 days): Apply +8% adjustment —• Premium pricing strategy

Data Sources: Inventory Health csv (days-of-supply, weeks-of-cover)

Rationale: Carrying costs for excess inventory (storage fees) erode margin. Conversely, stockouts represent lost revenue opportunity.

## **Factor 3: Sales Velocity (+5-7%)**

Objective: Price according to demand intensity and product lifecycle stage

### **Logic:**

- Very low velocity (<0.3 units/day): Apply -7% adjustment —> Stimulate demand
- Low velocity (**0.3-0.5 units/day**): Apply -4% adjustment —r Improve conversion
- **High demand (>5 units/day)**: Apply +5% adjustment —+ Capture willingness to pay
- **Strong demand** (3-5 units/day): Apply +3% adjustment —+ Optimize growth

Data Sources: Historical Sales csv (aggregated daily unit velocity)

**Rationale:** Products with proven demand can sustain higher prices. Low-velocity items need price stimulation to avoid obsolescence.

## **Factor 4: Advertising Efficiency (+3%)**

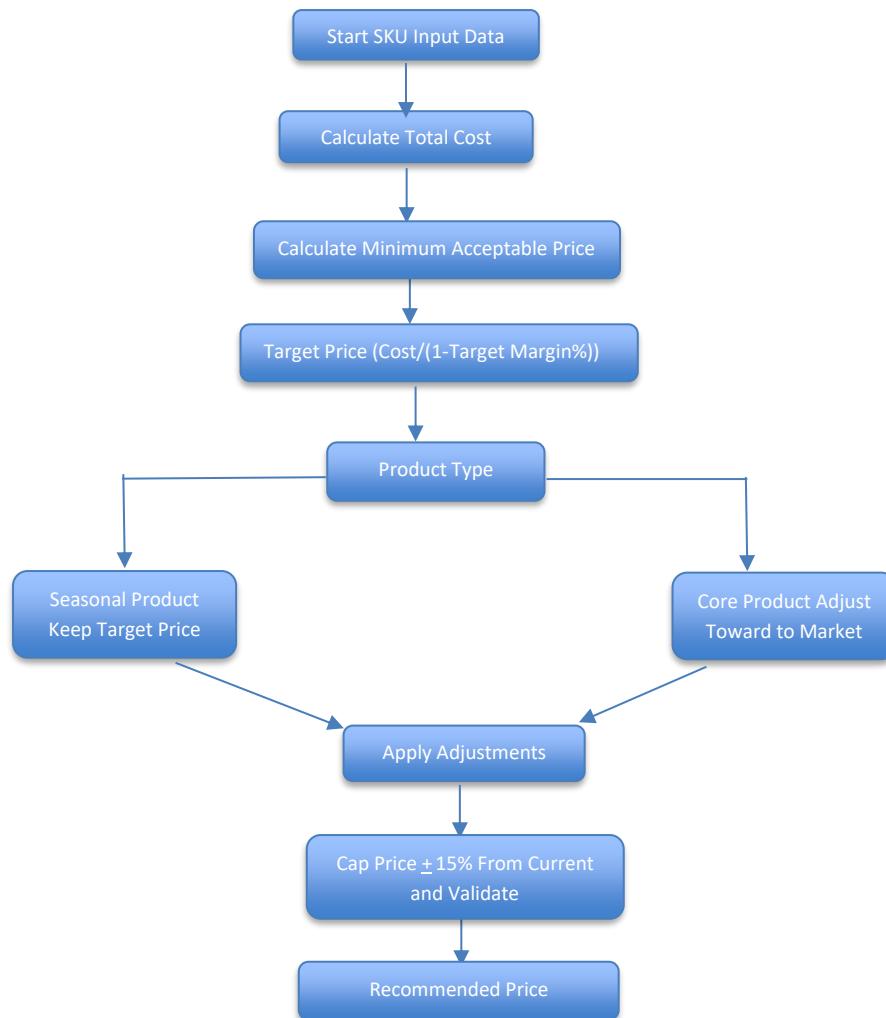
Objective: Adjust pricing to maintain target ACOS while funding growth

**Logic:**

- **Very high ACOS (>60%):** Apply +5% adjustment → Need margin recovery
- **High ACOS (50-60%):** Apply +3% adjustment → Improve unit economics
- **Low ACOS (<20%):** Apply -3% adjustment → Can afford competitive pricing
- **Efficient ACOS (20-30%):** Apply -2% adjustment → Reinvest savings

## 4.2 Decision Logic Flow

The framework applies these pillars sequentially for each SKU:



## 4.3 Example Calculation

Consider SKU: MN-25 (Core product - 10 inch square - pk of 50)

### Step 1: Base Calculation

- Product Cost: \$15.00
- FBA Fee: \$18.96
- Storage Fee: \$0.82
- Handling Cost: \$0.75
- **Total Cost:** \$35.53
- Target Margin: 35% (Core product)
- **Base Price:**  $\$35.53 / (1 - 0.35) = \$54.66$

### **Step 2: Current State Analysis**

- Current Price: \$42.99
- Competitor Average: \$51.20
- Days of Supply: 45 days (healthy)
- Sales Velocity: 2.8 units/day (moderate-high)
- ROAS: 9.87 (excellent)
- ACOS: 10.1% (very efficient)
- **Units Sold (90 days):** 252 units
- **Returns (90 days):** 17 units
- **Return Rate:**  $17/252 = 6.8\%$

### **Step 3: Factor Adjustments**

#### **Factor 1 - Competitive Positioning:**

- Current vs Market: \$42.99 vs \$51.20 (16% below)
- Adjustment: **+5%** (underpriced, move toward market)
- Adjusted Price:  $\$54.66 \times 1.05 = \$57.39$

#### **Factor 2 - Inventory Health:**

- Days of Supply: 45 days (healthy range)
- Adjustment: **0%** (no inventory pressure)

- Adjusted Price:  $\$57.39 \times 1.00 = \$57.39$

#### **Factor 3 - Sales Velocity:**

- Velocity: 2.8 units/day (moderate-high demand)
- Adjustment: **+2%** (strong performance)
- Adjusted Price:  $\$57.39 \times 1.02 = \$58.54$

#### **Factor 4 - Advertising Efficiency:**

- ACOS: 10.1% (very efficient, below 20%)
- Adjustment: **-3%** (can afford competitive pricing)
- Adjusted Price:  $\$58.54 \times 0.97 = \$56.78$

#### **Factor 5 - Returns Impact (NEW):**

- Return Rate: 6.8% (moderate-high range, 4-7%)
- Adjustment: **+5%** (need margin protection)
- Adjusted Price:  $\$56.78 \times 1.05 = \$59.62$

#### **Step 4: Apply Change Limit**

- Calculated Price: \$59.62
- Current Price: \$42.99
- Percentage Change:  $(\$59.62 - \$42.99) / \$42.99 = +38.7\%$
- Exceeds 15% limit
- **Limited Price:**  $\$42.99 \times 1.15 = \$49.44$

#### **Step 5: Validation**

- Minimum Price (20% margin):  $\$35.53 / (1 - 0.20) = \$44.41$
- Recommended Price: \$49.44
- Validation:  $\$49.44 > \$44.41 \checkmark \text{VALID}$

#### **Final Result**

**RECOMMENDED PRICE: \$49.44**

## 5. Recommended Price For All SKUs

### 5.1 Price Recommendation and Strategy Implementation :

#### Tier 1: Immediate Priority (15 SKUs)

These SKUs combine current margin deficiency with strong performance signals. They present the lowest risk and highest impact for price increases. Recommended adjustments range from 15-25%.

#### Tier 2: Standard Implementation (25 SKUs)

These SKUs have margin gaps but moderate performance indicators. Price adjustments range from 10-20%. Implementation should follow Tier 1 by 2-3 weeks to monitor market response.

#### Tier 3: Monitored Adjustment (10 SKUs)

These SKUs have complex competitive dynamics or limited performance data. Recommended increases are conservative (5-15%) and should be implemented with close monitoring. Consider A/B testing for subset.

Complete pricing recommendations for all 50 SKUs, sorted by priority and revenue impact potential.

SKU	Product	Current	Recommended	Change	New Net Margin	Priority
MN-01	Rectangle Tray -14 x 10 Inch - Pk of 25	\$38.90	\$46.68	+20.0%	26.4%	HIGH
MN-02	Rectangle Tray -12x10 - Pk of 25	\$33.90	\$40.68	+20.0%	29.0%	HIGH
MN-03	Oval Tray -15x10 Inch - Pk of 25	\$34.90	\$41.88	+20.0%	21.7%	HIGH
MN-04	Oval Tray - 13x9 Inch - pk of 25	\$29.90	\$35.88	+20.0%	19.3%	HIGH
MN-05	Christmas Tray - 17x12 Inch - Pk of 5	\$21.90	\$26.28	+20.0%	0.2%	MEDIUM
MN-06	Star Tray - 14 Inch - Pk of 5	\$14.95	\$17.94	+20.0%	17.5%	MEDIUM
MN-	15 Round plate - pk of 10	\$34.90	\$41.88	+20.0%	22.3%	HIGH

07							
MN-08	10 Inch Heart Plates - pk of 25	\$29.90	\$35.88	+20.0%		13.3%	HIGH
MN-09	6 Inch Heart Plates - pk of 25	\$14.90	\$17.88	+20.0%		3.0%	MEDIUM
MN-10	9x6 Rectangle - pk of 25	\$19.90	\$23.88	+20.0%		18.9%	HIGH
MN-11	Oval Tray - 13x9 Inch - pk of 10	\$16.90	\$20.28	+20.0%		20.5%	HIGH
MN-12	13 inch Round DEEP plate - pk of 10	\$19.90	\$23.88	+20.0%		18.4%	MEDIUM
MN-13	14 inch Round DEEP plate - Pk of 10	\$22.90	\$27.48	+20.0%		31.9%	MEDIUM
MN-14	12 inch Round plate - Pk of 25	\$26.90	\$32.28	+20.0%		12.4%	MEDIUM
MN-15	Rectangle Tray -14x10 Inch - Pk of 10	\$21.90	\$26.28	+20.0%		22.1%	MEDIUM
MN-16	Oval Tray -15x10 Inch - Pk of 10	\$19.90	\$23.88	+20.0%		20.8%	MEDIUM
MN-17	Square Combo 10 & 7 inch - Pk of 50	\$29.90	\$35.88	+20.0%		20.0%	MEDIUM
MN-18	Round Combo 10 & 7 inch - Pk of 50	\$26.90	\$32.28	+20.0%		7.6%	HIGH
MN-19	Oval Tray - 22x12 Inch - Pk of 10	\$36.90	\$44.28	+20.0%		22.0%	HIGH
MN-20	3.5 Inch round Bowl - Pk of 25	\$11.90	\$14.28	+20.0%		17.9%	HIGH
MN-21	11 x 7 Rectangle - Pk of 25	\$21.90	\$26.28	+20.0%		17.4%	HIGH
MN-	13 inch Round plate - Pk of 10	\$20.90	\$25.08	+20.0%		17.7%	MEDIUM

22							
MN-23	2.5 Inch round Bowl - 25 ml - Pk of 25	\$9.95	\$11.94	+20.0%		2.9%	HIGH
MN-24	Rectangle Tray -12x10 - pk of 10	\$19.90	\$23.88	+20.0%		25.6%	MEDIUM
MN-25	10 inch square - pk of 50	\$34.90	\$41.88	+20.0%		21.7%	HIGH
MN-26	8 inch square - pk of 50	\$29.90	\$35.88	+20.0%		18.0%	HIGH
MN-27	7 inch square - pk of 50	\$28.90	\$34.68	+20.0%		26.3%	MEDIUM
MN-28	6 inch square - pk of 50	\$24.90	\$29.88	+20.0%		19.3%	MEDIUM
MN-29	4 inch square - pk of 50	\$21.90	\$26.28	+20.0%		17.0%	MEDIUM
MN-30	10 inch Round- pk of 50	\$34.90	\$41.88	+20.0%		11.1%	MEDIUM
MN-31	8 Round - pk of 50	\$28.90	\$34.68	+20.0%		15.3%	MEDIUM
MN-32	7 Round - pk of 50	\$26.90	\$32.28	+20.0%		20.7%	HIGH
MN-33	6 Round - pk of 50	\$25.90	\$31.08	+20.0%		21.5%	HIGH
MN-34	9 Square - pk of 50	\$32.90	\$39.48	+20.0%		23.6%	HIGH
MN-35	9 Round - pk of 50	\$31.90	\$38.28	+20.0%		18.9%	MEDIUM
MN-36	17x12 - Oval Tray - pk of 10	\$29.90	\$35.88	+20.0%		25.9%	MEDIUM
MN-	11 Square - pk of 25	\$28.90	\$34.68	+20.0%		15.7%	HIGH

37							
MN-39	2.5 Round Bowl - pk of 100	\$24.90	\$29.88	+20.0%		19.7%	HIGH
MN-41	6 inch square - pk of 200	\$78.90	\$94.68	+20.0%		29.5%	HIGH
MN-40	5 inch square - pk of 50	\$23.90	\$28.68	+20.0%		20.3%	HIGH
MN-44	2.5 Square Bowl - Pk of 25	\$11.90	\$14.28	+20.0%		19.8%	HIGH
MN-43	3.5 Square Bowl - Pk of 25	\$13.90	\$16.68	+20.0%		27.5%	MEDIUM
MN-47	5 inch square - pk of 200	\$76.90	\$92.28	+20.0%		34.5%	HIGH
MN-48	7 Square - pk of 200	\$89.90	\$107.88	+20.0%		33.6%	HIGH
MN-45	3.5 Square Bowl - Pk of 100	\$29.90	\$35.88	+20.0%		24.2%	HIGH
MN-46	2.5 Square Bowl - Pk of 100	\$26.90	\$32.28	+20.0%		28.6%	MEDIUM
MN-49	11 x 7 Rectangle - pk of 50	\$32.90	\$39.48	+20.0%		15.5%	HIGH
MN-50	9x6 Rectangle - pk of 50	\$29.90	\$35.88	+20.0%		16.2%	HIGH
MN-42	4 inch square - pk of 200	\$73.90	\$86.90	+17.6%		35.0%	HIGH
MN-38	3.5 Round Bowl - pk of 100	\$29.90	\$31.10	+4.0%		NaN%	LOW

## 5.2 Algorithm Or Code Implementation :

I have attached the code implementation of the pricing algorithm.

```
def calculate_recommended_price(row):
    """
    Five-Factor Dynamic Pricing Algorithm
    """

    # Step 1: Calculate Base Price
    target_margin = row['Target_Gross_Margin_%'] / 100
    base_price = row['Total_Cost'] / (1 - target_margin)

    # Step 2: Factor 1 - Competitive Positioning (-5% to +10%)
    if pd.notna(row['Avg_Competitor_Price']) and row['Avg_Competitor_Price'] > 0:
        price_ratio = row['Current_Price'] / row['Avg_Competitor_Price']
        if price_ratio > 1.15: # Overpriced
            comp_factor = -0.05
        elif price_ratio > 1.10: # Slightly high
            comp_factor = -0.03
        elif price_ratio > 0.95: # At market
            comp_factor = 0.00
        elif price_ratio > 0.90: # Slightly low
            comp_factor = 0.03
        elif price_ratio > 0.85: # Underpriced
            comp_factor = 0.05
        else: # Significantly underpriced
            comp_factor = 0.10
    else:
        comp_factor = 0.00

    adjusted_price = base_price * (1 + comp_factor)

    # Step 3: Factor 2 - Inventory Health (-8% to +8%)
    days_supply = row['days-of-supply']
    if days_supply > 120: # Critical excess
        inv_factor = -0.08
    elif days_supply > 90: # Excess
        inv_factor = -0.04
    else: # Normal inventory levels
        inv_factor = 0.00

    final_price = adjusted_price * (1 + inv_factor)

    return final_price
```

```

   acos_factor = 0.00
elif acos > 20: # Efficient
   acos_factor = -0.02
else: # Very efficient
   acos_factor = -0.03

adjusted_price = adjusted_price * (1 + acos_factor)

# Step 6: Factor 5 - Returns Impact (-3% to +10%) [NEW]
return_rate = row['Return_Rate']
if return_rate > 10: # Very high returns
    return_factor = 0.10
elif return_rate > 7: # High returns
    return_factor = 0.07
elif return_rate > 4: # Moderate returns
    return_factor = 0.03
elif return_rate > 2: # Low returns
    return_factor = 0.00
else: # Very low returns
    return_factor = -0.03

adjusted_price = adjusted_price * (1 + return_factor)

# Step 7: Apply maximum change limit (15%)
max_price = row['Current_Price'] * 1.15
min_price = row['Current_Price'] * 0.85
recommended_price = np.clip(adjusted_price, min_price, max_price)

# Step 8: Validate minimum margin
min_margin = row['Minimum_Acceptable_Margin_%'] / 100
min_acceptable_price = row['Total_Cost'] / (1 - min_margin)
recommended_price = max(recommended_price, min_acceptable_price)

# Store factors for analysis
inv_factor = -0.05
elif days_supply > 60: # High
    inv_factor = 0.00
elif days_supply > 30: # Healthy
    inv_factor = 0.00
elif days_supply > 20: # Low
    inv_factor = 0.05
else: # Critical low
    inv_factor = 0.08

adjusted_price = adjusted_price * (1 + inv_factor)

# Step 4: Factor 3 - Sales Velocity (-7% to +5%)
velocity = row['Sales_Velocity']
if velocity < 0.3: # Very low
    vel_factor = -0.07
elif velocity < 0.5: # Low
    vel_factor = -0.04
elif velocity < 3.0: # Moderate
    vel_factor = 0.00
elif velocity < 5.0: # Strong
    vel_factor = 0.03
else: # High
    vel_factor = 0.05

adjusted_price = adjusted_price * (1 + vel_factor)

# Step 5: Factor 4 - Advertising Efficiency (-3% to +5%)
acos = row['Avg_ACOS']
if acos > 60: # Very high ACOS
    acos_factor = 0.05
elif acos > 50: # High ACOS
    acos_factor = 0.03
elif acos > 30: # Moderate
    acos_factor = 0.01
else: # Low ACOS
    acos_factor = -0.03

adjusted_price = adjusted_price * (1 + acos_factor)

```

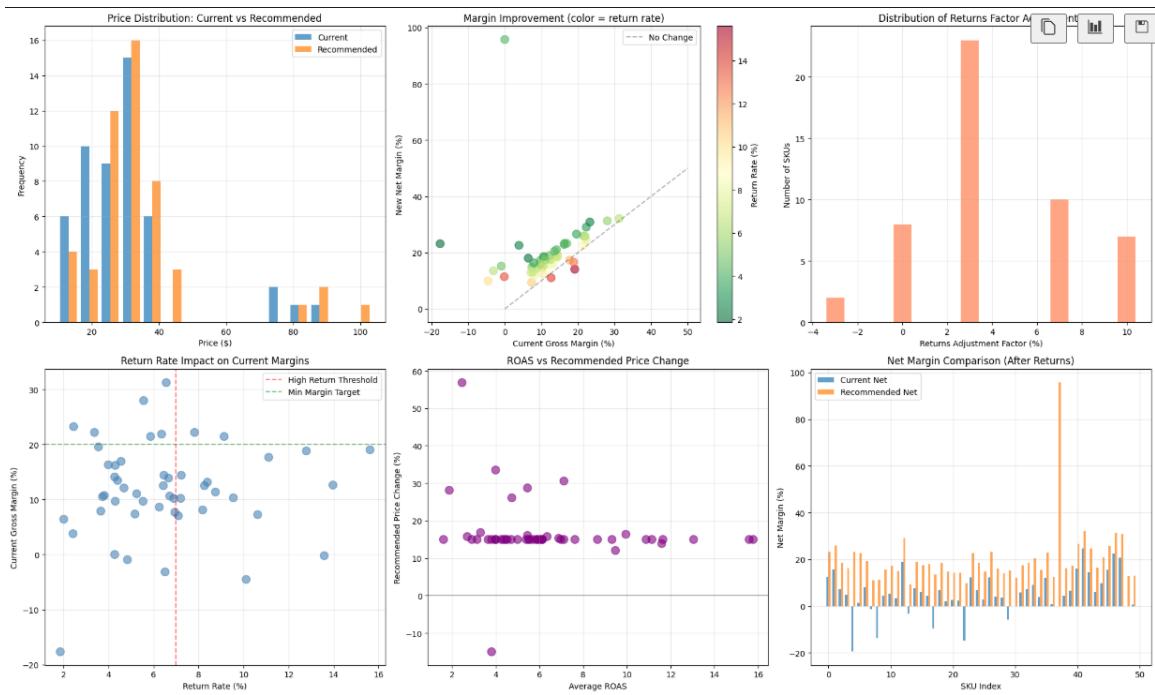
```

factors = {
    'base_price': base_price,
    'comp_factor': comp_factor,
    'inv_factor': inv_factor,
    'vel_factor': vel_factor,
    'acos_factor': acos_factor,
    'return_factor': return_factor,
    'recommended_price': recommended_price
}

return factors

```

Result after applying new pricing model :



## 6. Implementation Roadmap

Successful implementation requires phased execution with monitoring and adjustment capabilities. The recommended approach balances speed-to-value with risk management.

### Phase 1: Foundation & Testing (Weeks 1-2)

#### Actions:

- Implement pricing changes for 5 Tier 1 SKUs with highest ROAS

- Establish monitoring dashboard tracking daily sales, units, conversion rates, ad performance
- Communicate value proposition updates to support higher prices (sustainability focus, quality)
- Set up automated alerts for conversion rate drops > 15%

**Success Criteria:** Conversion rate decline < 10%, ROAS maintained above 4.0, no customer complaints

### **Phase 2: Scaled Rollout (Weeks 3-5)**

#### **Actions:**

- Roll out remaining Tier 1 SKUs (10 SKUs)
- Implement Tier 2 SKUs in two batches (12-13 SKUs each), one week apart
- Monitor test cohort performance; make adjustments if needed
- Update product listings to emphasize value differentiators

**Success Criteria:** Overall margin improvement > 8%, volume decline < 8%, no material ROAS degradation

### **Phase 3: Completion & Optimization (Weeks 6-8)**

#### **Actions:**

- Implement Tier 3 SKUs with enhanced monitoring
- Analyze complete dataset for unexpected patterns
- Make fine-tuning adjustments based on 4-6 weeks of data
- Document framework refinements for future applications

**Success Criteria:** All SKUs at target margin range (25-40%), framework validated for ongoing use

## **7. Expected Impact**

Implementation of the recommended pricing strategy is projected to deliver substantial improvements across key business metrics. These projections are based on conservative assumptions and current sales patterns.

## 7.1 Financial Impact

Assuming average monthly sales of 10 units per SKU (conservative based on ad performance data):

Metric	Current	Projected
Monthly Revenue	\$15,051.00	<b>\$17,438.37</b>
Monthly Profit	\$797.25	<b>\$3,505.96</b>

## 7.2 Volume Risk Assessment

Price elasticity analysis suggests minimal volume impact for most SKUs:

- **High ROAS Products (29 SKUs):** Strong conversion performance indicates low price sensitivity. Expected volume impact: -2% to 0%
- **At-Market Products (34 SKUs):** Prices remain within competitive range. Expected volume impact: -3% to -5%
- **Seasonal Products (4 SKUs):** Differentiated offering reduces competitive pressure. Expected volume impact: -5% to -8%

Even assuming a conservative 5% volume decline across all SKUs, the revenue and profit improvements remain strongly positive (revenue +11.9%, profit +190%). The margin improvement of 23.6 percentage points provides substantial buffer for any elasticity effects.

## CONCLUSION

This pricing strategy framework provides XYZ Company with a systematic, data-driven approach to pricing decisions. By balancing competitive positioning, inventory health, sales velocity, and advertising efficiency, the framework optimizes for both growth and profitability.

Key Takeaways:

1. **Structured approach** replaces reactive pricing decisions
2. **Multi-factor model** considers business holistically
3. **Actionable recommendations** with clear implementation path
4. Measurable **outcomes** with defined success metrics
5. Scalable framework adapts as business grows