Consumer Surplus Factor (CSF) Workflow

Data Collection

- Sales data from IRI, Nielsen, IMRB etc
- In-house sales data (Primary or Secondary)
- Promo

Data Preparation

- Identify the scope of project
- Prepare modelling ready data (predefined structure)

EDA and Data validation

- EDA dashboard (Power-BI or Webapp)
- Validate the data with Client

Modelling

- Feature creation
- Build multiple combinations using the created features
- Build models using various statistical and machine-learning methods for each combination

Model Selection

- Filter models using statistical benchmarks
- Select final model based on business context

Model Results and outputs

- Compute MCV, CSF and MSPs at scope level
- Calculate RPI curves, Inflection point and recommended price

Presentation

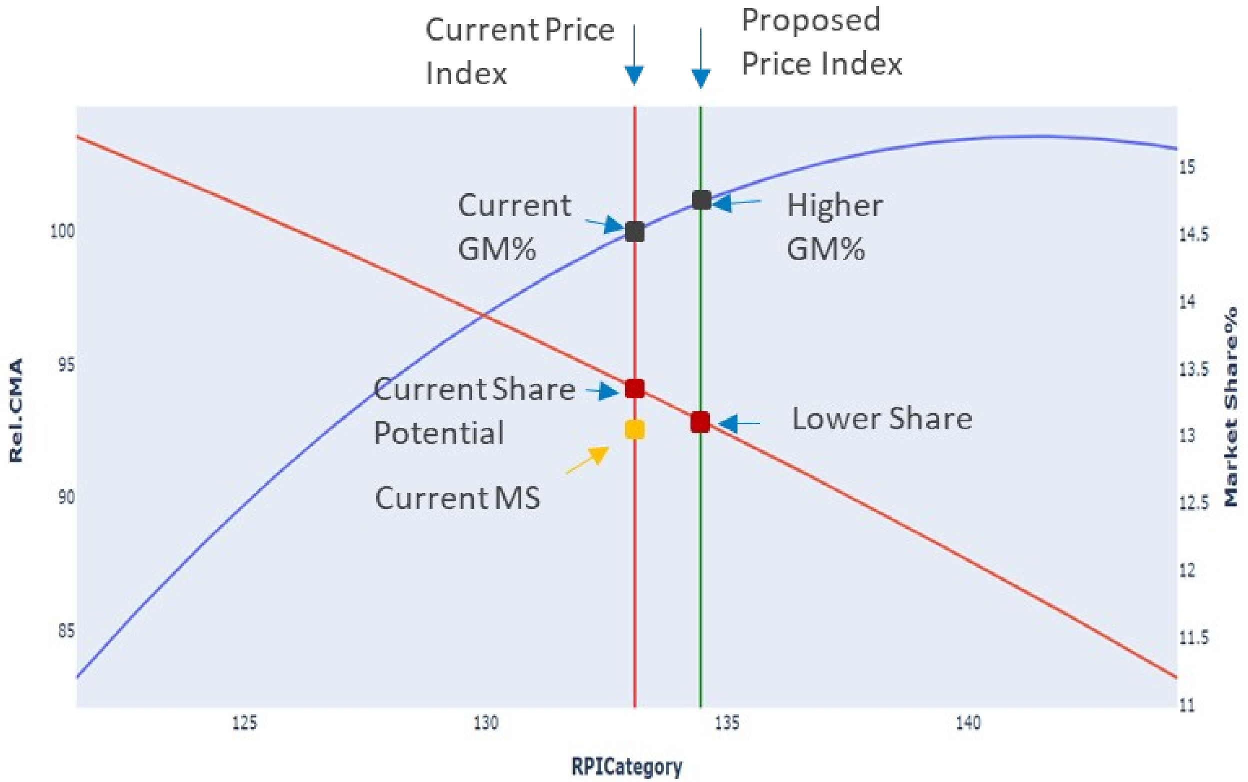
- PowerPoint presentation
- Scenario planner (Excel based)
- Webapp (in-future)

Setting a Strategic Price Index using CSF outputs

Optimal strategic price is the outcome of a scenario planner than enables us trade off between:

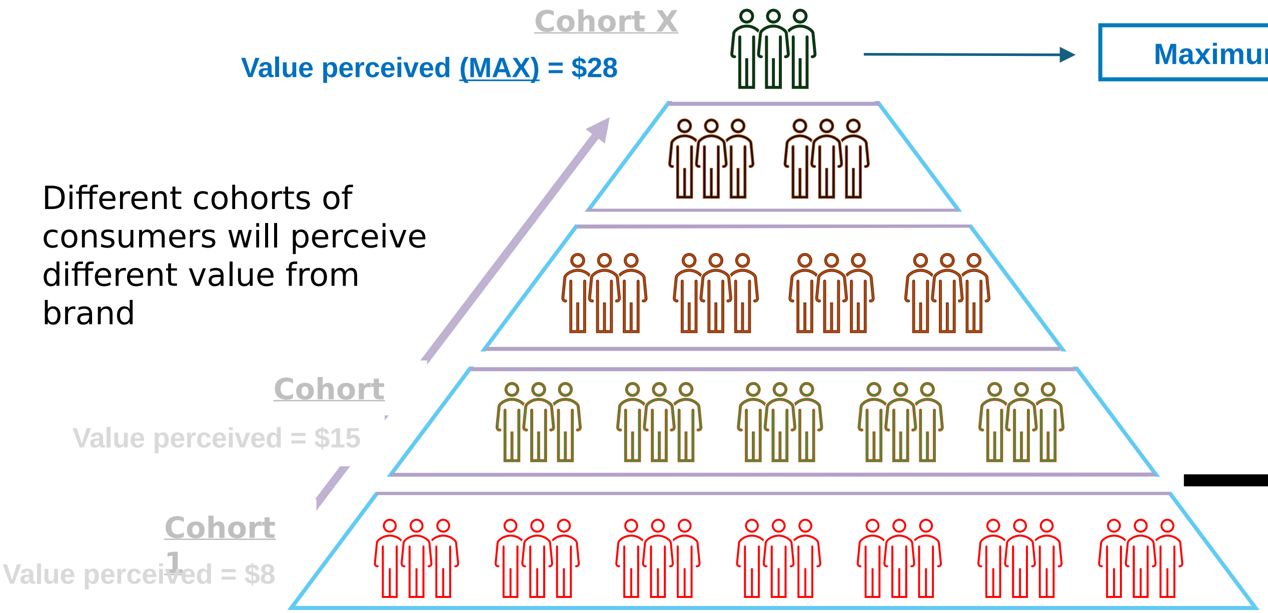
1. Market Share Ambition
2. Volume
3. Gross or Contribution Margin
4. Revenue

Impact of Increase in Price Index



CSF is a measure of value left on the table

How much is a consumer willing to pay Vs. How much are we charging today?



Maximum Consumer Value (MCV)

Consumer Surplus Factor (CSF) = $\dfrac{\text{Max Consumer value (MCV)}}{\text{Price to consumer}}$

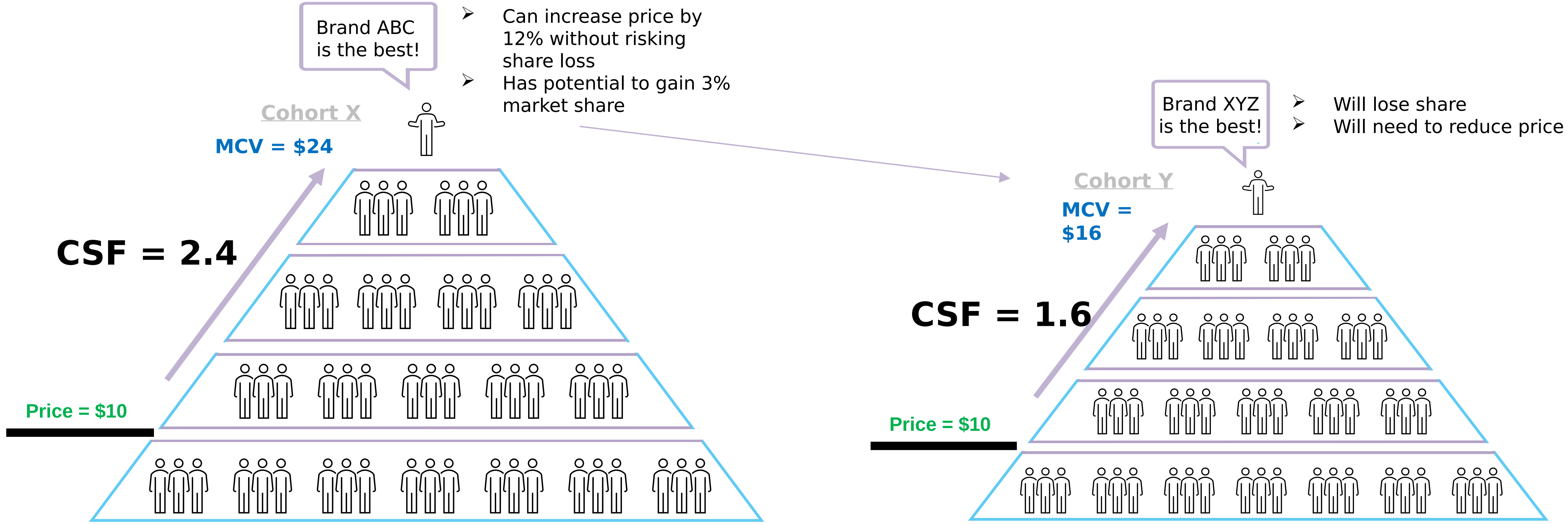
Price to consumer

> **MCV is a measure of $ value of emotional and functional attributes, perceived by consumer**

> **People whose perceived value from brand is less than price charged will not be consumers**

> **People whose perceived value from brand is more than price charged will be consumers**

Brands with higher CSF can lead price increase and/or target higher market share



> **Strategic price recommendation from this analysis triangulates perceived value, competitive advantage and market share potential**

> **Brands with higher surplus i.e. ratio of max perceived value to price will be in a position to gain market share**

> **Brands with higher surplus can also increase price without risk of losing market share**