



A Look into the Shoe Industry: What Drives Price

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Content guide

1. Overview: Questions to Consider	<i>What questions did we aim to answer with this analysis and what were our initial hypotheses?</i>
2. Why Pricing Matters	<i>Why is the question of price setting important?</i>
3. A Look at Overall Trends	<i>What can we learn about the difference between the women and men's shoe markets?</i>
4. Pricing Strategies: By Brand and Market	<i>How do individual brands price within their own product portfolio and compared to others?</i>
5. Features that Drive Price	<i>What are the predominant features that drive price of a shoe?</i>

1. Key Questions to Consider: Initial Hypotheses



Overall Market Trends

- Do women tend to have higher priced shoes?
- Does the delta in pricing across markets widen as you move from non-luxury to everyday luxury to luxury?

Pricing Strategies by Brand

- Do retailers within a market tier tend to price-match directly with competitors?
- Do retailers cater product portfolio based on customers' willingness to pay?

Drivers of Price

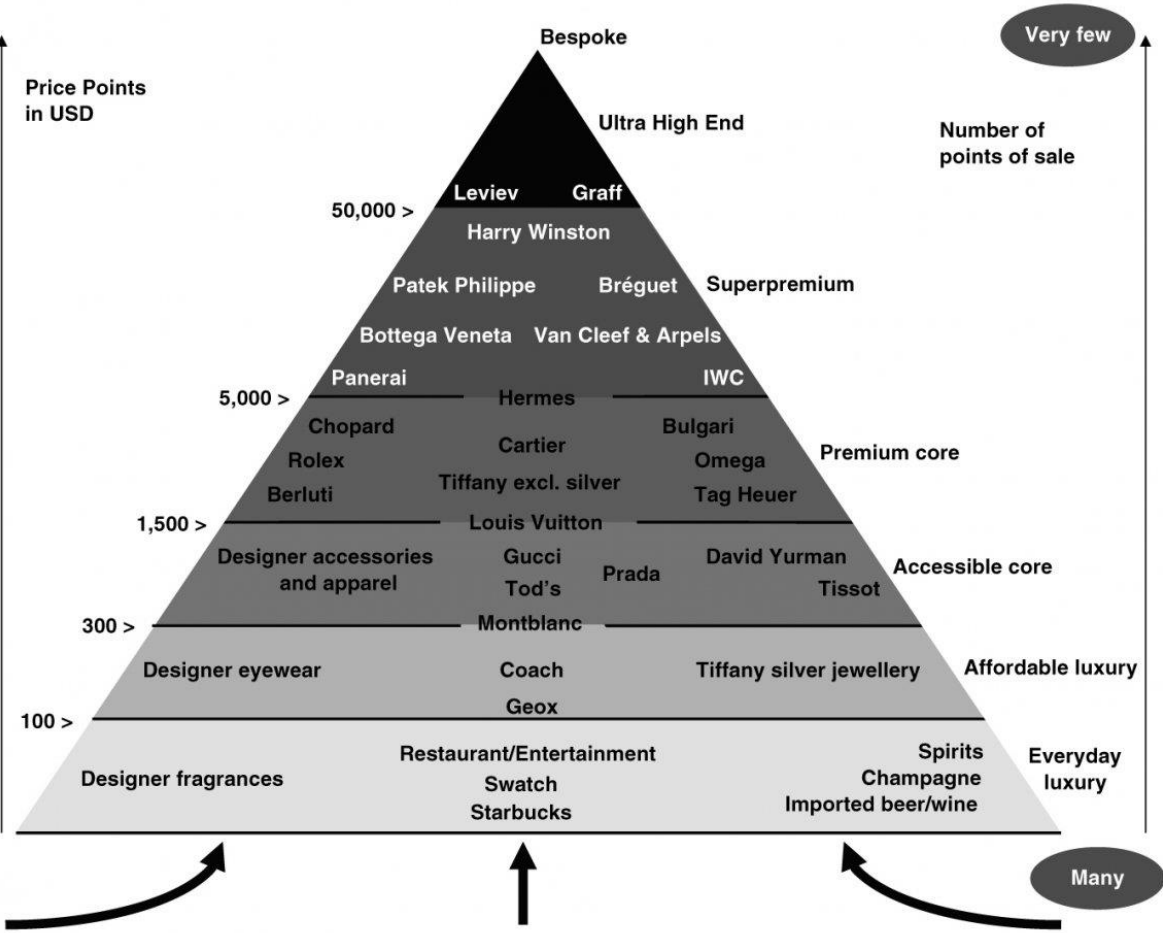
- Do specific types of shoes demand higher price?
- Do specific colors and features of shoes demand higher price?

2. Why Does Price Matter

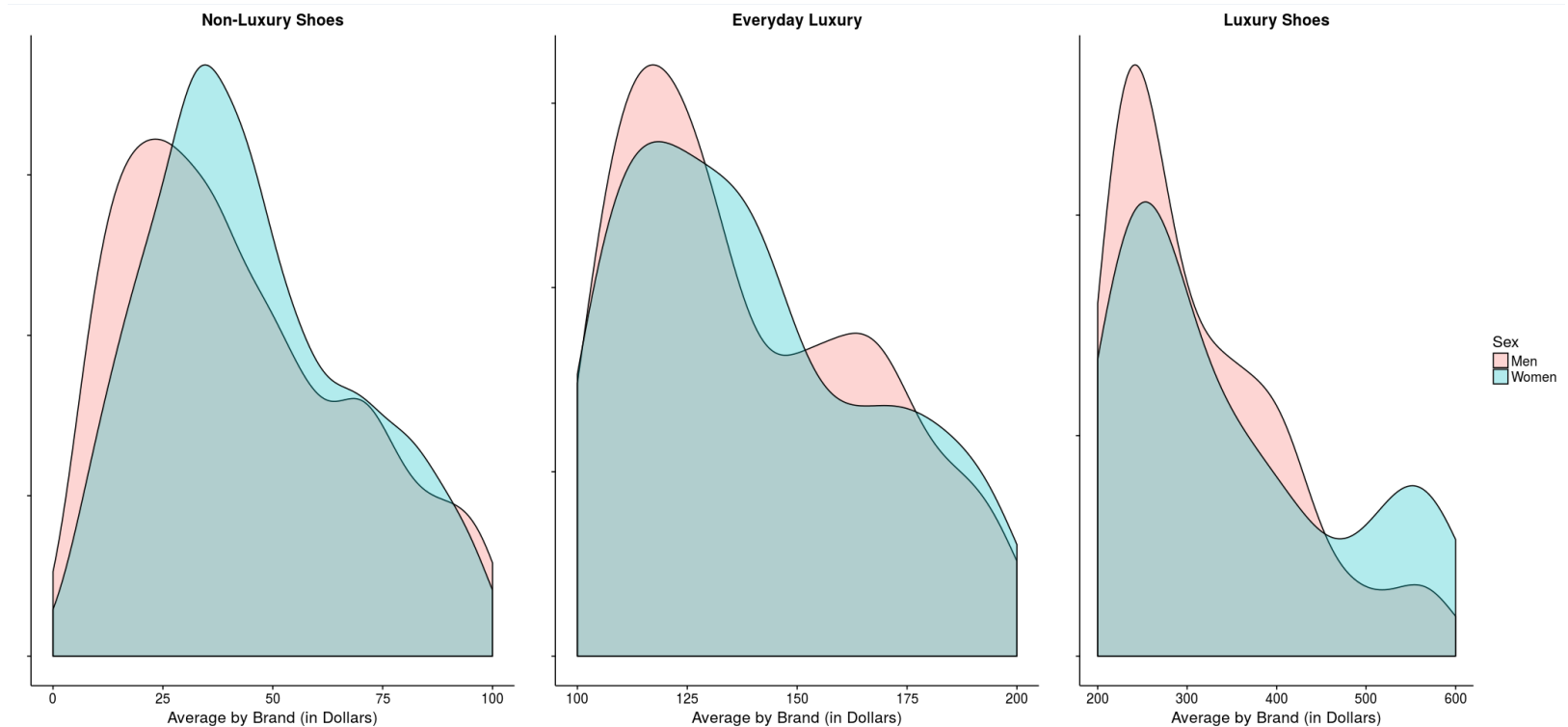
Pricing Strategy...

...is a key influencer of market position and penetration.

- Willingness to Pay
- Competitive Pricing
- Markup-based
- Market Penetration
- Economy Pricing
- Price Skimming
- Psychology Pricing
- Bundle Pricing
- Geographical Pricing
- Captive Product Pricing



3. Overall Market Insights



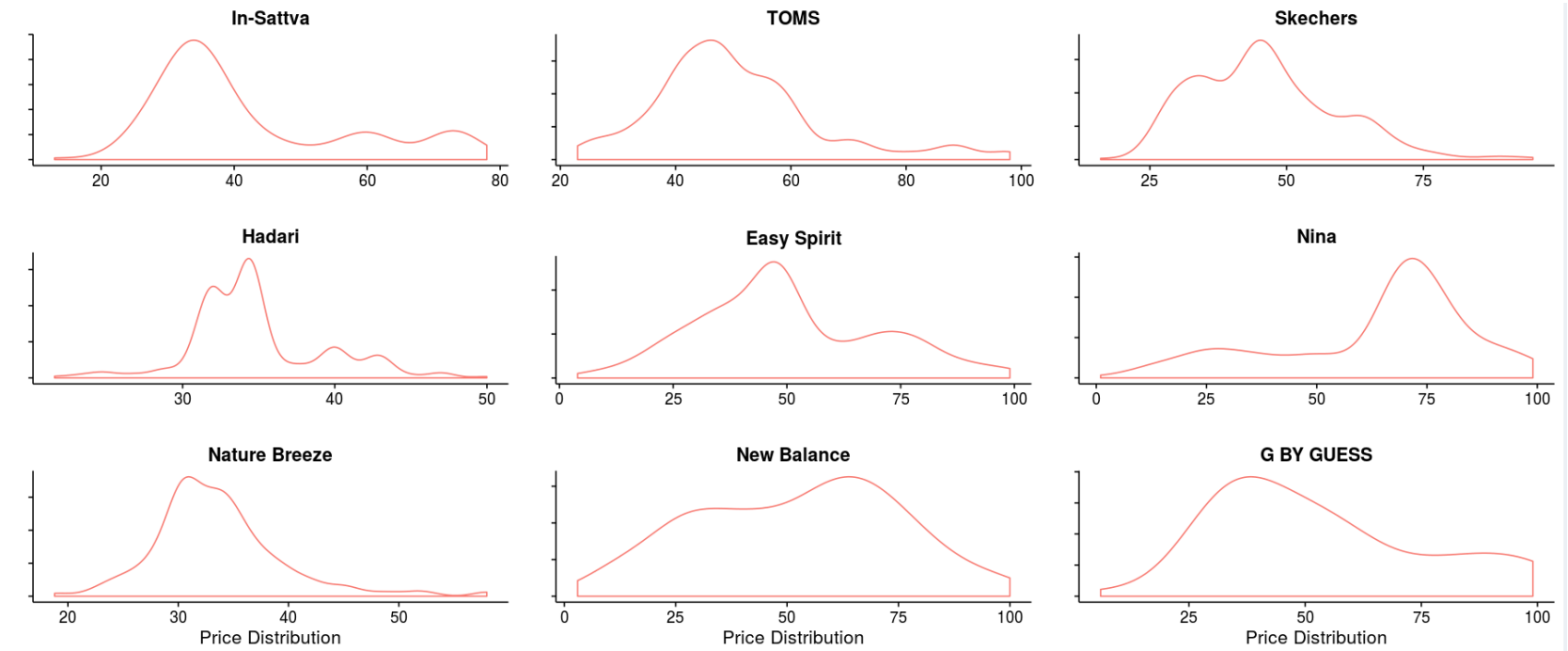
Customer Takeaways

- Across all three markets, **women's shoes are priced slightly above men's shoes.**
- The distribution's shift to the right implies a higher WTP and increased spend compared to men.
- The delta is most exacerbated in the luxury market.

Retailer Takeaways

- There is opportunity to identify highest willingness to pay between sexes across all three markets.
- Shifted distributions by sex suggests **profitability advantages in the women's market**, assuming cost of goods sold is equal.

4. Brand Strategy Insights: Non-Luxury Market



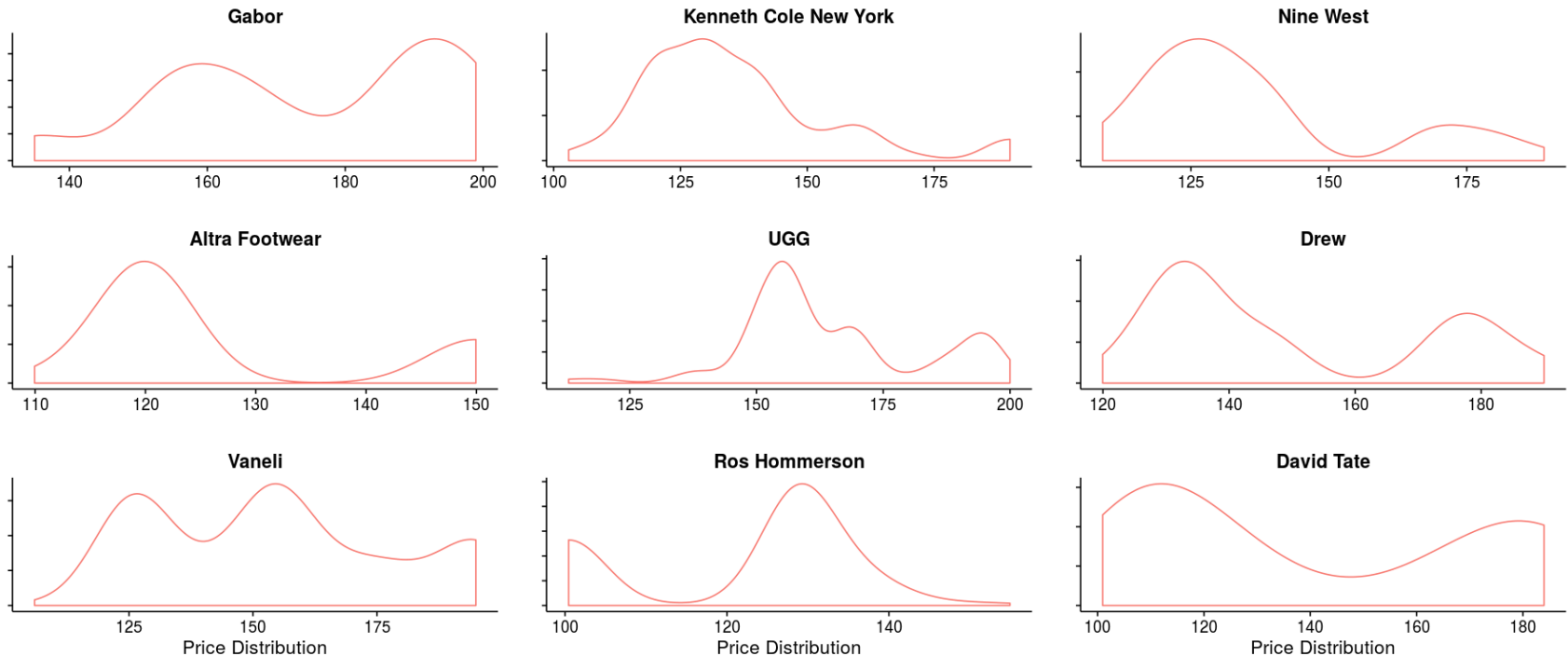
Customer Takeaways

- Non-luxury customers tend to have similar purchasing behavior – stick to one price band.
- These customers most likely have a **cap on willingness to pay** that cannot be surpassed.
- They are not trend seekers and buy for price convenience -- likely not brand loyal.

Retailer Takeaways

- These retailers focus their portfolio on a core set of products within one price range with an emphasis on volume over price optimization.
- An overly saturated non-luxury market implies retailers **price differentiate** across the full range of \$0-100 and have an opportunity to **steal share**.

4. Brand Strategy Insights: Everyday Market



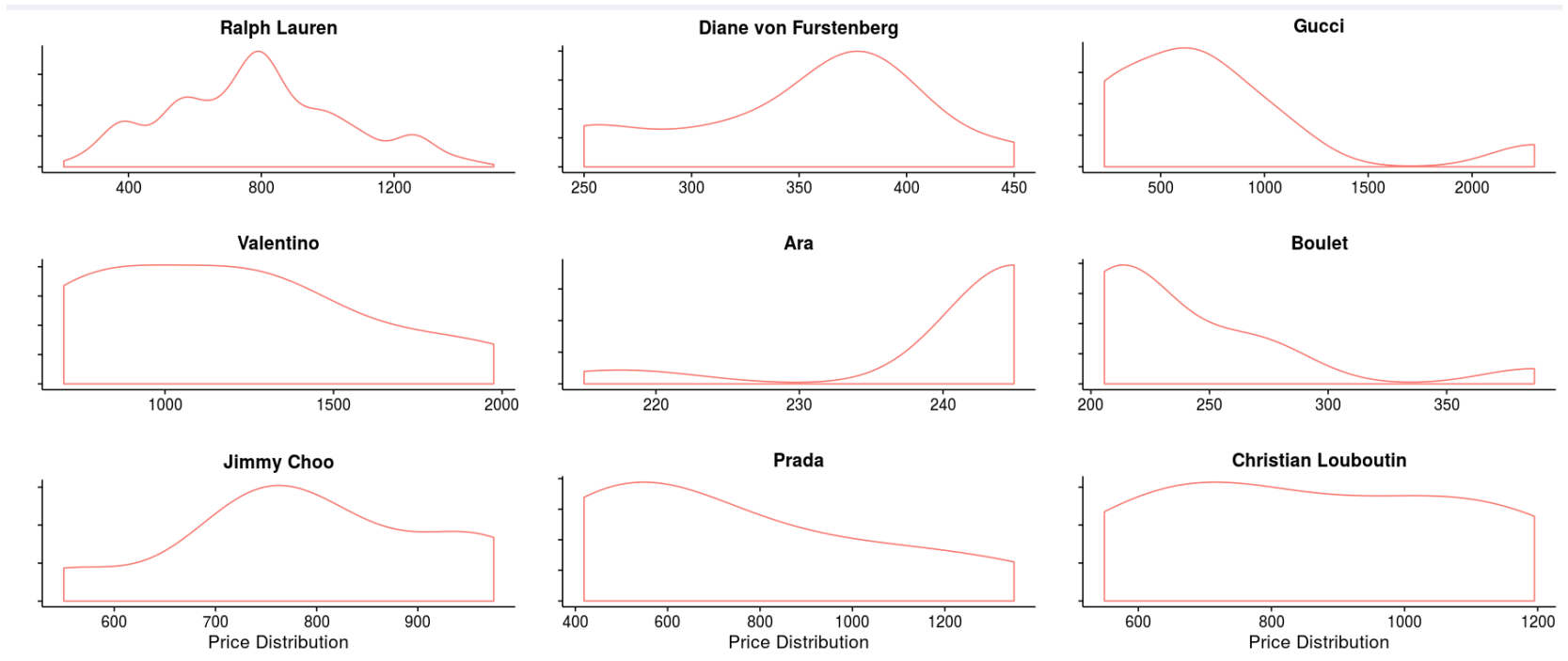
Customer Takeaways

- There are **2 distinct segments** in this market.
- Customers in the everyday luxury market have a higher ceiling on willingness to pay, as they more likely than not have the **ability to “buy up”** within their brand of choice.

Retailer Takeaways

- Retailers across the board have understood the everyday luxury market – the propensity to have 2 varying customer segments which require two distinct set of products.
- There is opportunity to **shift price “bumps”** within range and explore **multi-segmented pricing**.

4. Brand Strategy Insights: Luxury Market



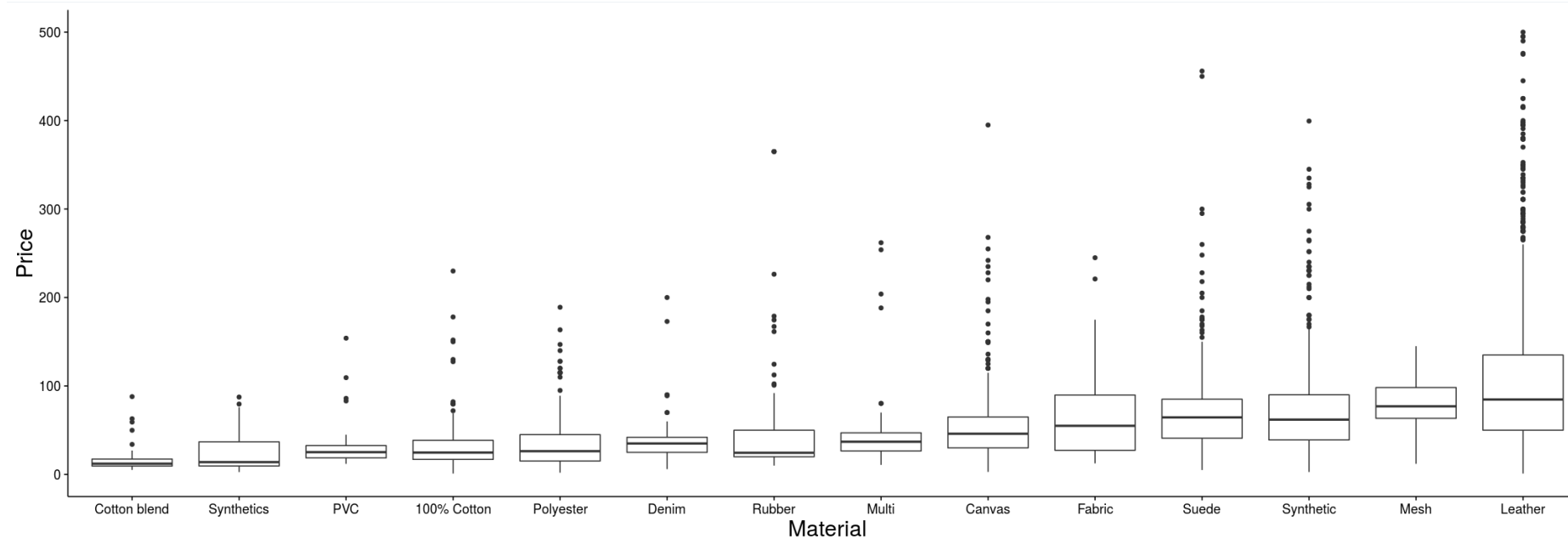
Customer Takeaways

- There is a **huge spectrum of customer types** within the luxury market.
- The band of willingness to pay in this market is much wider than in the non-luxury and everyday luxury markets.

Retailer Takeaways

- This market is predominantly driven by brand perception/premium pricing, with X00% markups.
- There is no real pattern in this market and a sense of **direct competition is somewhat lost**.
- Retailers tend to either clamp into one price band or carry a wide range of prices.

5. Feature Insights: What Drives Price



Customer Takeaways

- Leather, mesh, synthetic, and suede shoes are the highest priced shoe types.

Retailer Takeaways

- The **market overall tends to be cost of goods/expense driven** and has opportunity to identify willingness to pay regardless of shoe type.

Opportunities and Next Steps



Opportunities

1. Optimizing willingness to pay

- Shifting price bands within all markets to identify price elasticity
 - Testing bi/multi model pricing in non-luxury and everyday luxury markets

2. Testing price bands

- Within the everyday luxury and luxury markets, there is opportunity to create customized price bands based on buyer preferences.

3. Upselling where possible

- Within a particular brand, retailers have the opportunity to tighten price “bumps” to better upsell customers.



Next Steps

1. A Look into Customer Profiles

- What drives each customer group?
- What are their preferences and purchasing tendencies?

2. A Diagnosis on Pricing based on Channel and Retailer

- How does brand pricing change based on retailer? Wholesale vs. retail price?
- How does B&M and Ecommerce pricing differ?

3. An Analysis on Seasonality

- How is priced influenced by time of year?
- Do customer tendencies dictate market trends