Case example: largest U.S. independent retailer of fine wine has leveraged Periscope by McKinsey to enable their pricing transformation

Client context

- **Set aggressive topline growth targets** as they open new stores in new markets
- **Extremely manual process** to manage pricing across all their stores
- **Complex regulations** in 23 states with varying regional pricing laws
- **Faced increasing competitive pressure** from other retailers
- **The analyses and tools being used to drive pricing strategy were outdated**:
  - Excel files
  - Buyer judgement
  - Non-reliable competitor store shop data

Client name: X
Team set-up: X
Fees Structure: X

Approach

- **Designed and rolled out Price Advisor across 60 categories and all states** to drive sales and margin growth in a highly competitive market
- **Price advisor enabled**
  - **Heuristic pricing across multiple forces (competitor, consumer demand, & internal economics)**
    - **Competitor indexing** with cleansed shop data & outlier detection (Market Vision)
    - **Econometrics-derived price elasticities** to drive pricing strategy
    - Market margin & item specific targets
  - **Rapidly adjust single store prices in response to localized competition.**
  - **Scenario models to allow fact-based simulations** of pricing changes on volume, revenue and profit
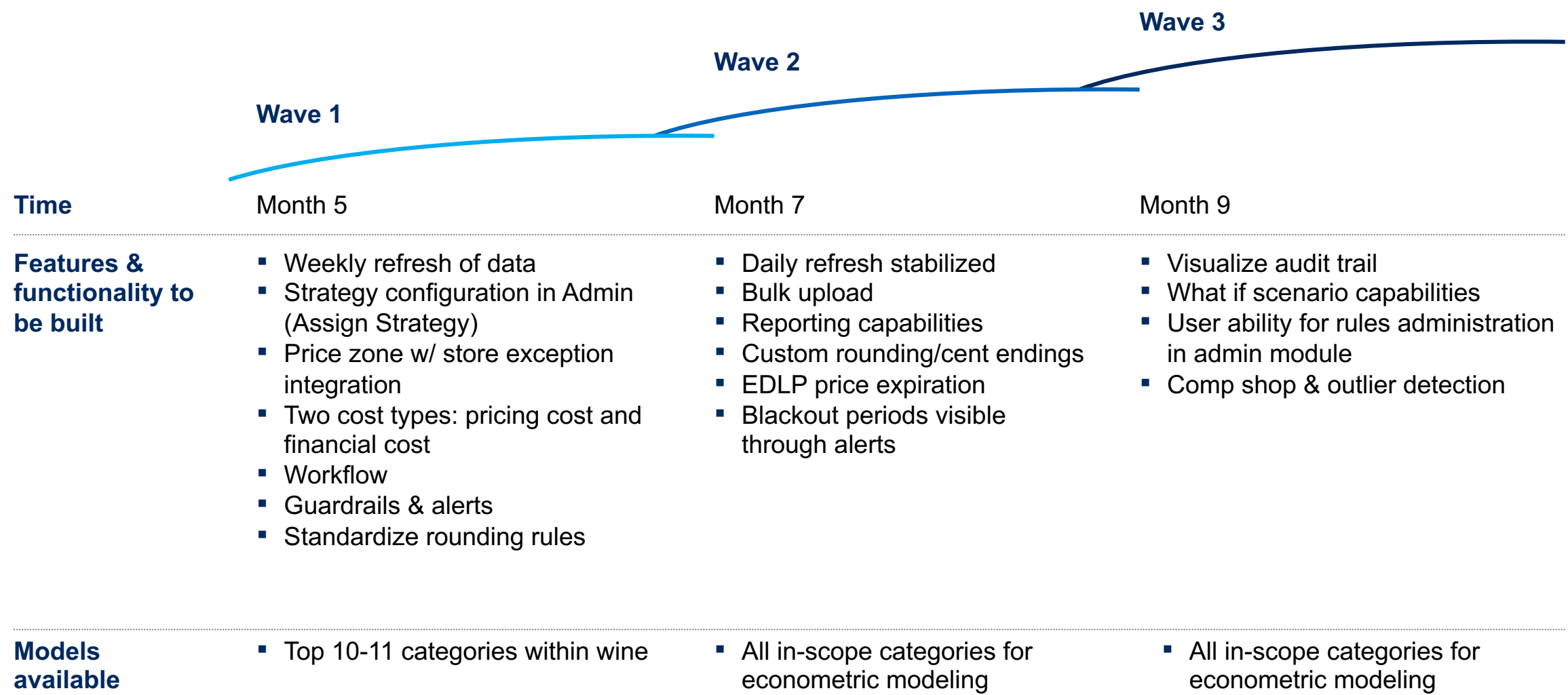
What was unique: X

Impact

>$40Mp/a & +1.5 to 4.5% ROS in year 1

projected in incremental revenue and margin delivered through the transformation initiative

Dramatically improved efficiency allowing much quicker repricing of markets

to maintain the methodologies/tools and to help extend the transformation to subsequent waves

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As a team, we successfully built and delivered full planned functionality across the entire scope of data in the timeframe expected

Wave 1

Wave 2

Wave 3

Time	Month 5	Month 7	Month 9
Features & functionality to be built	▪ Weekly refresh of data ▪ Strategy configuration in Admin (Assign Strategy) ▪ Price zone w/ store exception integration ▪ Two cost types: pricing cost and financial cost ▪ Workflow ▪ Guardrails & alerts ▪ Standardize rounding rules	▪ Daily refresh stabilized ▪ Bulk upload ▪ Reporting capabilities ▪ Custom rounding/cent endings ▪ EDLP price expiration ▪ Blackout periods visible through alerts	▪ Visualize audit trail ▪ What if scenario capabilities ▪ User ability for rules administration in admin module ▪ Comp shop & outlier detection
Models available	▪ Top 10-11 categories within wine	▪ All in-scope categories for econometric modeling	▪ All in-scope categories for econometric modeling

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Case example: Combining advanced analytics and robust solutions enable the client to drive and sustain impact across the entire pricing organization

🧪 Advanced Analytics
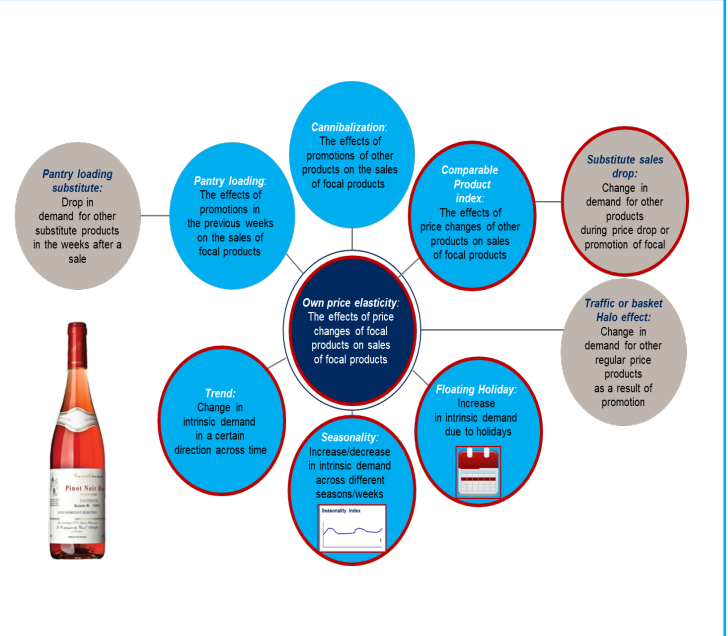
- Application of a econometric workbench to generate elasticity coefficients that drive volume forecast while taking inconsideration inter category cannibalization

💻 Tools

Periscope® By McKinsey

Create price strategies | Manage rules & guardrails | Manage pricing exceptions

- Systematically recommends SKU/Store level price changes for all 60 categories
- Streamlines pricing management and productivity
- Automates workflow managements and non-critical tasks
- Tracks pricing compliance and performance

Team (not comprehensive)

Initial Implementation: Brian Elliott, Channie Mize (alum), Kate Mandrell (alum), Filip Linmans, Mohit Diwan, Brad Cash, Eric Bunge, Ankur Goel, Christina Du, Lawrence Heath, John Euart, Marcus Herzog, Robert Baumgartner, Przemek Latka, Doron Fertig, Jun Xia, Mathanki Balu, Sugandh Tibrewal

Ongoing support: Peter Miles-Prouten, Ibrahim Barghouti, Amit Poddar, Nitesh Kumar, Kanav Sharma, Kanika Mahajan