

The background of the entire slide is a close-up, high-resolution photograph of dark brown, roasted coffee beans. The beans are scattered across the frame, with some in sharp focus in the foreground and others blurred in the background, creating a sense of depth. The lighting is soft, highlighting the texture and creases of the beans.

# **NORTHWINDS PRICING ANALYTICS**

Strategies  
And Tactics

R. Mih

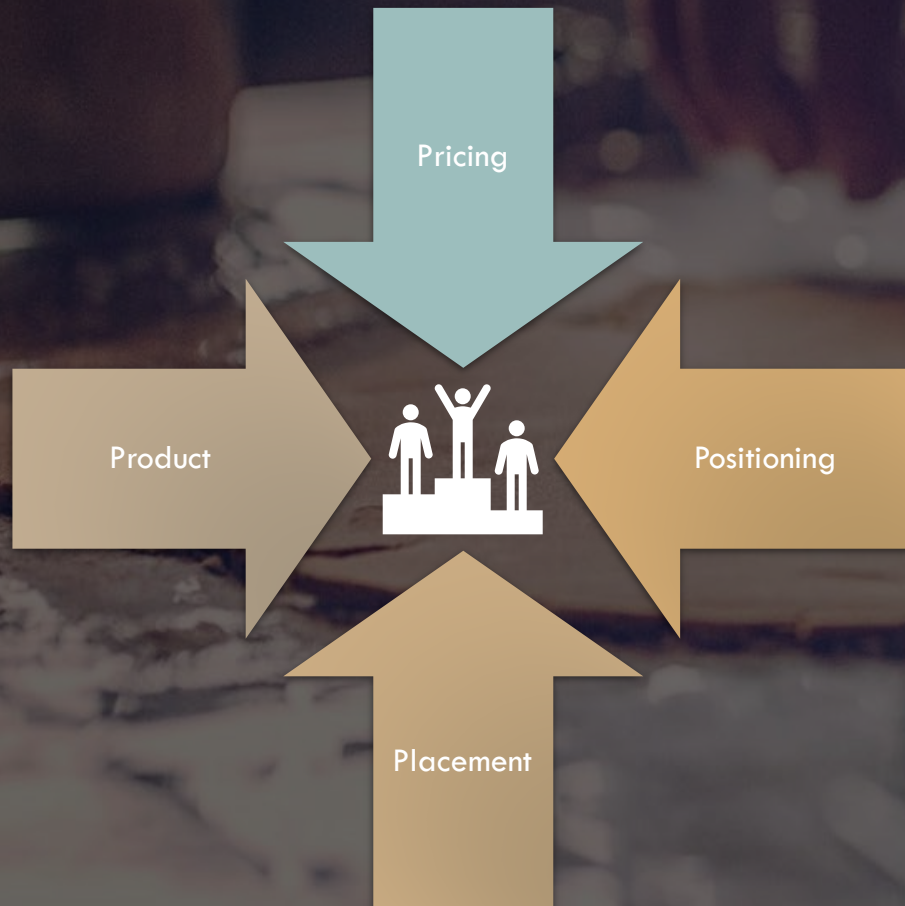


# 4PS OF MARKETING





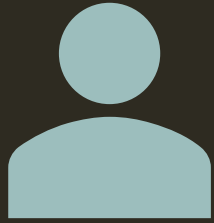
# 4PS OF MARKETING



Price is one of the most straightforward of the Ps. It's an evaluation of the value that the product brings, the current price points within the market, the price of your product (with relevant discounts), and how consumers will view the price.

But here's the problem. Most people put too little thought into optimizing their pricing. They think the whole process is straight forward. They look at competitor A and say something like *"They're charging X so we'll just undercut them by 5%."*

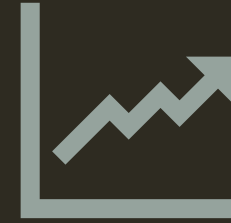
That's a huge missed opportunity. You've got to test your pricing options to ensure that you're making the most you possibly can.



Customer



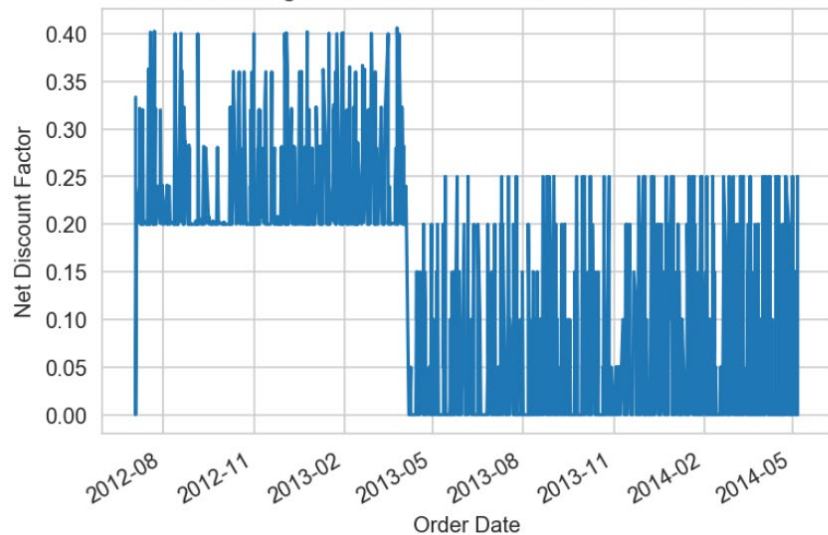
Competitor



Market

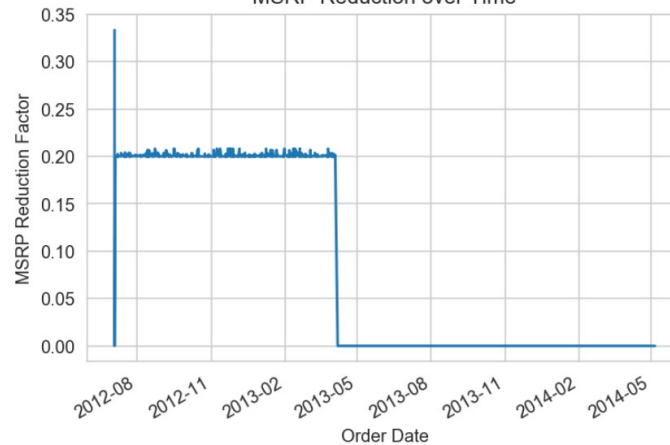
**OBJECTIVE: DETERMINE PRICING STRATEGY  
BASED ON STATISTICAL ANALYSIS**

Net Discount Including MSRP Reduction and Product Discounts over Time



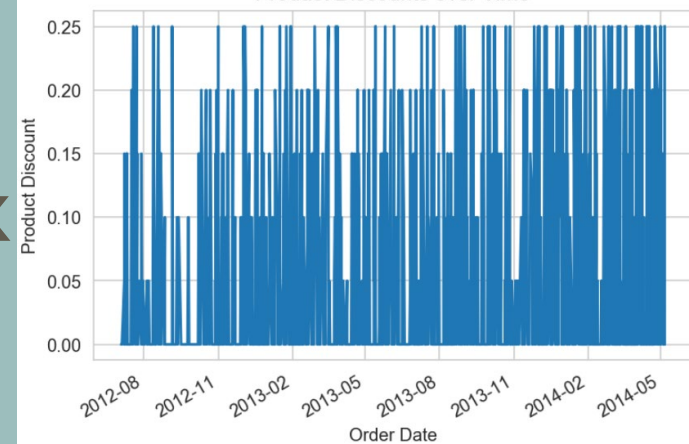
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MSRP Reduction over Time



X

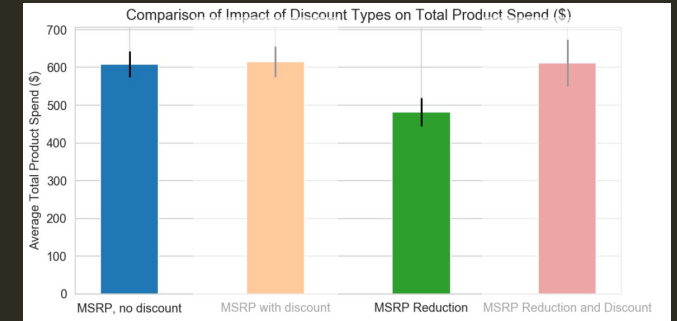
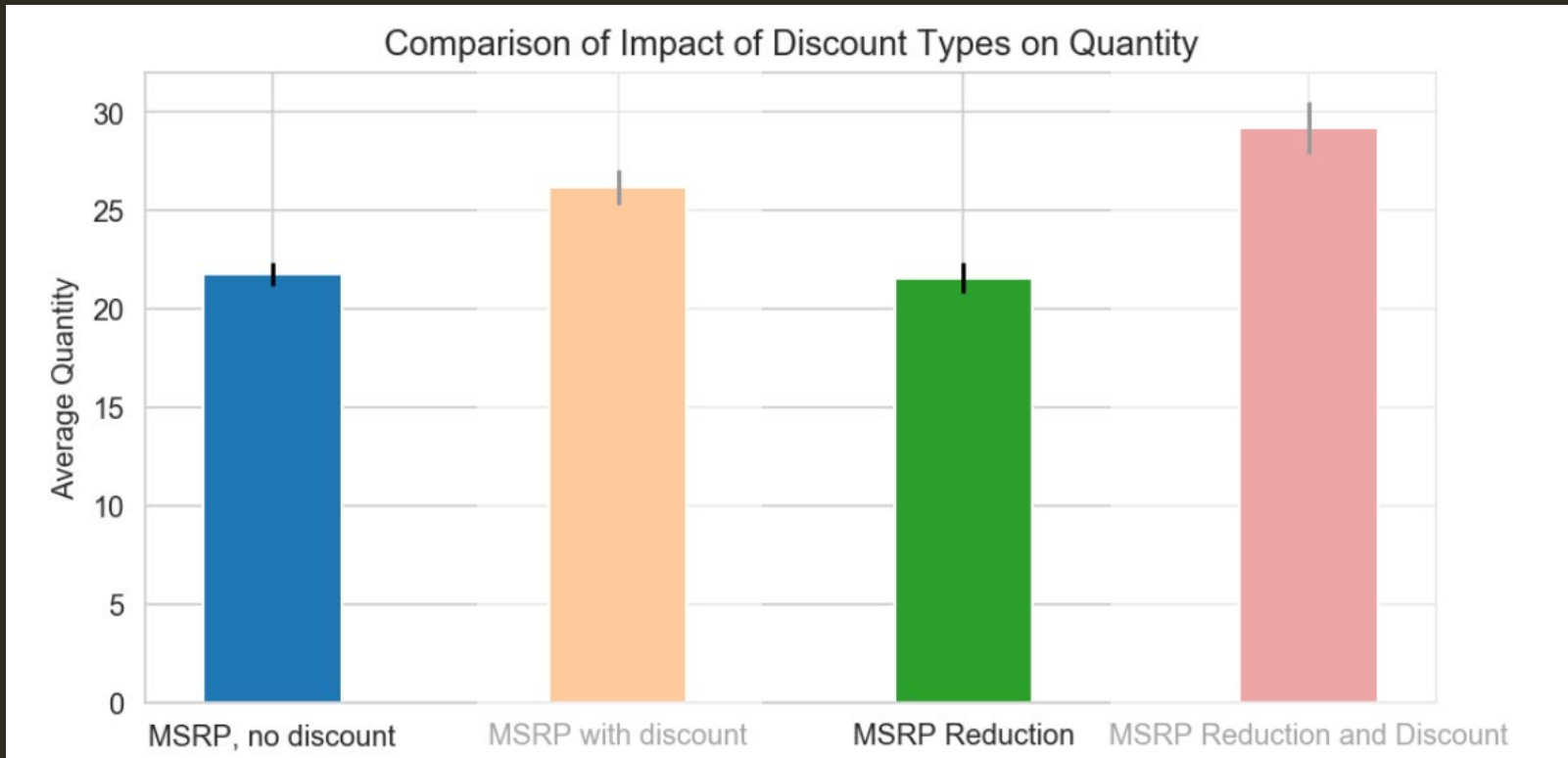
Product Discounts over Time



MSRP = Manufacturers Suggested Retail Price

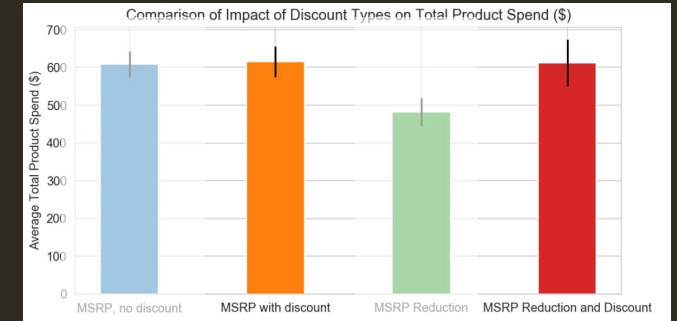
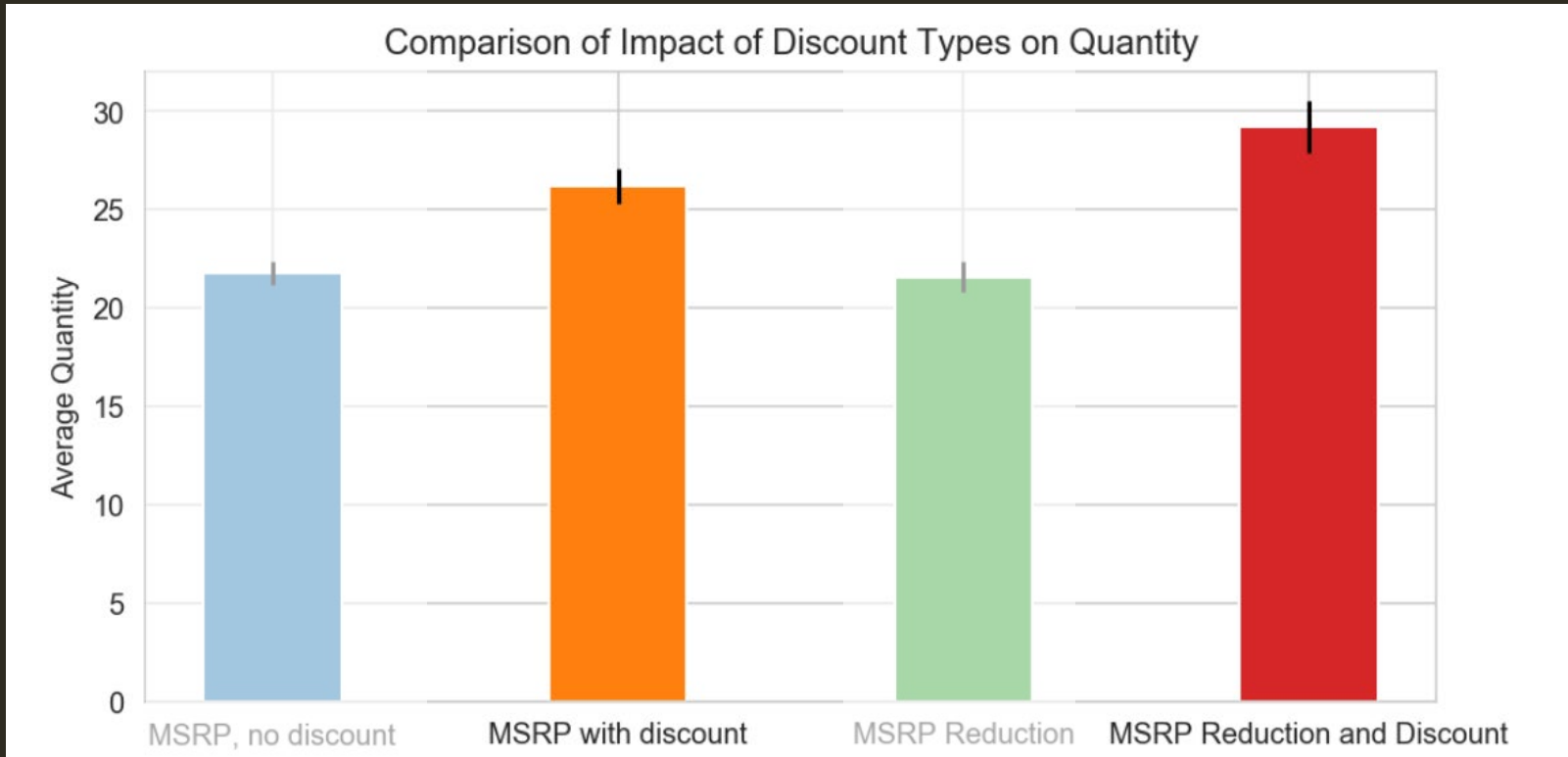
# IN MAY 2013 WE CHANGED THE PRICING STRATEGY

Elimination of MSRP Reduction  
Continuation of Product Discounts



**MSRP REDUCTION HAS NO SIGNIFICANT  
IMPACT ON QUANTITY ORDERED**

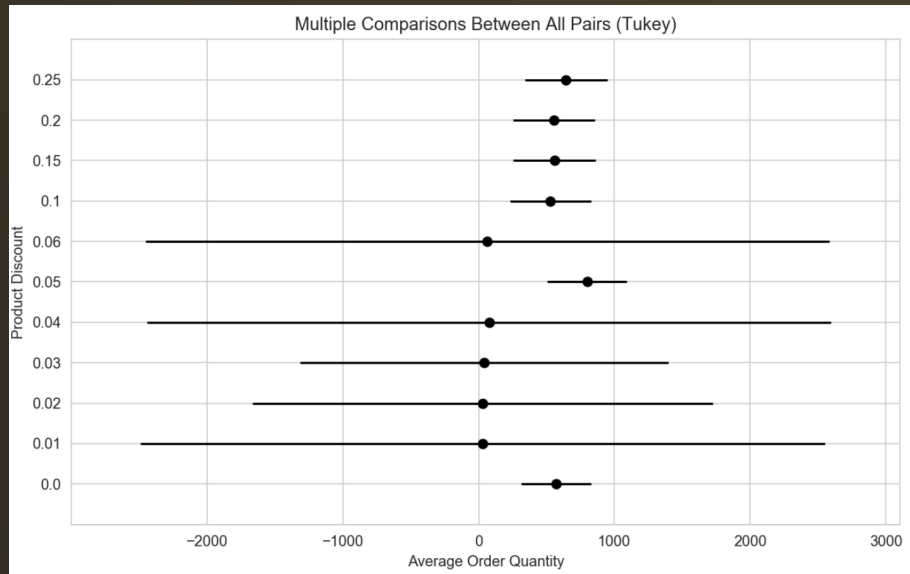
And Customer Spend is  
Lower for lower MSRP



**PRODUCT DISCOUNTS IMPACT ON  
QUANTITY ORDERED; USE DISCOUNTS  
DEFENSIVELY AGAINST COMPETITION**

Product Spend doesn't  
increase with Discount

The average Order Quantity sold, without Discounts is 21.715261958997722  
The average Order Quantity sold, with Discounts is 27.10978520286396



**PRODUCT  
DISCOUNTS  
POPULATION SHOWS  
AN INCREASE IN AVE  
QUANTITY SOLD BY  
~ 29%**

**THE MOST EFFECTIVE  
DISCOUNTS ARE 5%,  
15%, 20%, 25%  
INCREASING THE  
ORDER QUANTITY**

**(NOT ENOUGH DATA FOR  
DISCOUNTS FROM 1-4%, 6%)**

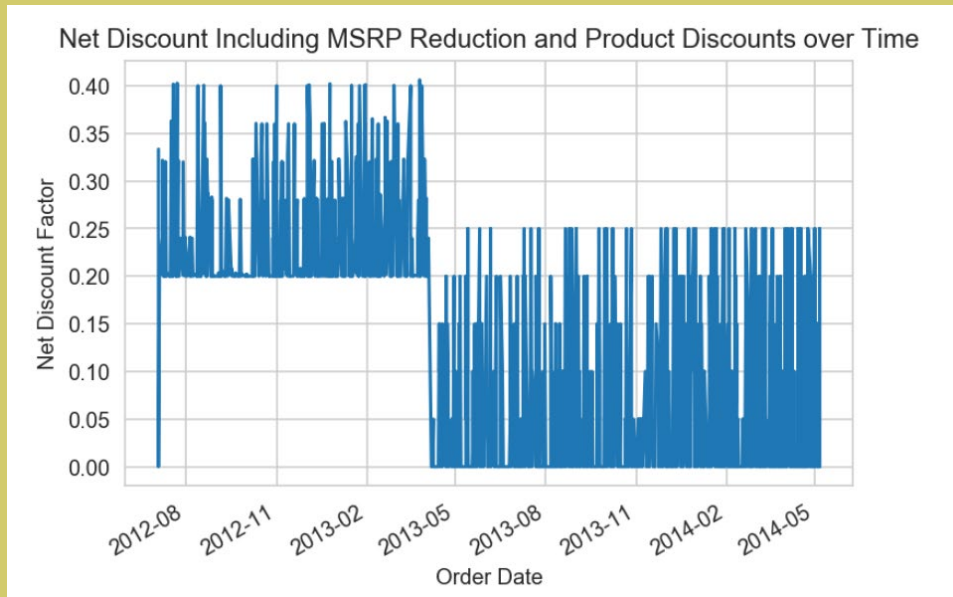


The average Total Product Spend (\$) sold, without Discounts is 570.0065375854215

The average Total Product Spend (\$) sold, with Discounts is 614.671156921241



**BUT AS SHOWN IN  
ANOVA ANALYSIS,  
THE INCREASE IN  
ORDERS DOES NOT  
HAVE A SIGNIFICANT  
IMPACT ON  
PRODUCT SPEND**



- Changing MSRP, particularly raising MSRP can be a difficult task because tMSRP is the price anchor point for consumers
- However, we show that this MSRP change was accepted by consumers, increasing quantities ordered by  $> 25\%$ , while maintaining the overall customer spend
- One explanation is that customers respond to “deals”, especially from competitors. We are able to offer continuous product discounts, without sacrificing product revenue

# CONCLUSION

Next steps:  
Analysis of Seasonal Price  
Changes

# THANK YOU



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