



Case Study:
Pricing Strategy in Retail

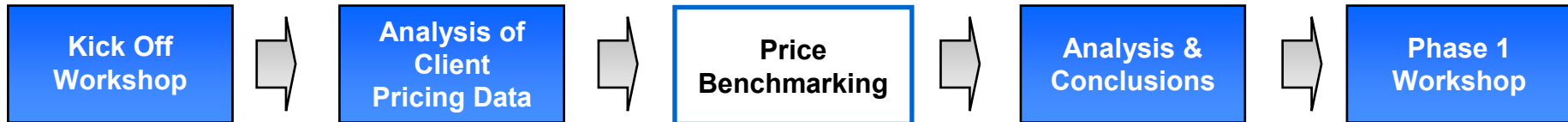
www.whitespaceinsight.com

Case study: Development of a new pricing strategy for a ‘Big 4’ Grocer, based on competitor analysis...

Client	Major UK Grocer
Issue	Development of pricing strategy for Convenience store format
Approach	<ul style="list-style-type: none">• Board-level pressure was forcing our client’s Convenience business to reduce prices – the Convenience business wished to take an alternative route, but required evidence to protect higher price points• We conducted internal, competitor and customer analysis to directly inform the development of an alternative strategy in line with competitor pricing and customer price perceptions• Competitor research included price benchmarking between the client and three competitors, across different store formats and geographies• Customer research included an exit survey (n = 1,000) and 6 focus groups, analysing perceptions of pricing by our client and its competitors
Results	<ul style="list-style-type: none">• We compared actual prices with customers’ perceived prices, and mapped out the true price differentials between different competitor store formats• This clearly demonstrated that our client did not need to decrease prices – the real challenge was changing customer price perceptions using other means

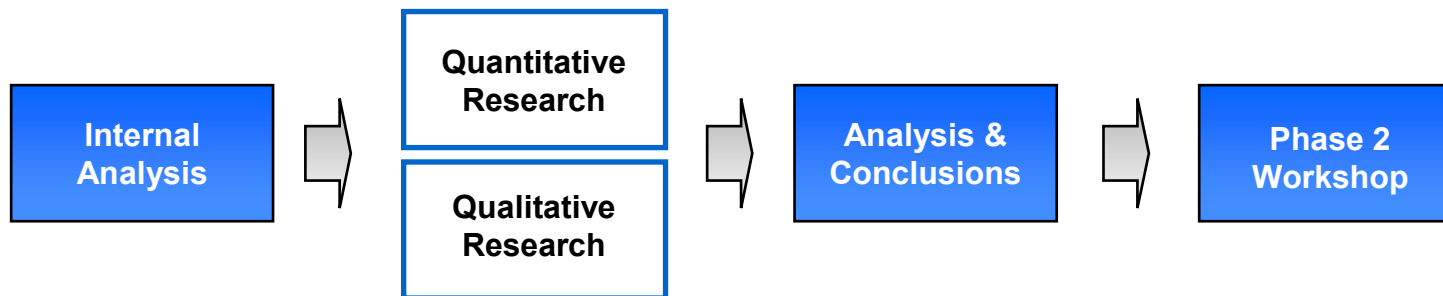
The project involved two phases, analysing the client's competitors and customers to drive strategy development...

Phase 1: Competitor Analysis



Phase 1 focused on analysing the actual price points used by major competitors across 4 store formats: *"What do competitors charge?"*

Phase 2: Customer Analysis



Phase 2 focused on understanding customer perceptions of price points: *"What do customers think our client and competitors charge?"*

This allowed us to recommend a pricing strategy in line with competitor positioning and customer perceptions of this

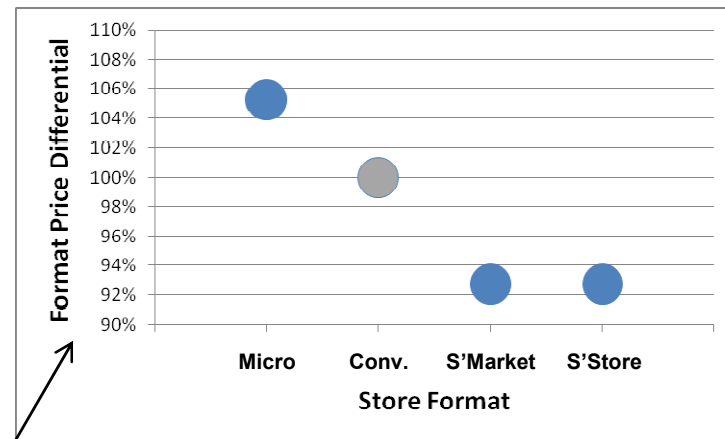
Phase 1 included detailed price benchmarking, analysing differentials between store locations and categories...

Source data collected from a survey of competitor pricing across store formats and geographical locations – 300 representative SKUs across 10 categories and 4 store formats per competitor

Personal Health: Competitor A

	Microstore	Convenience	Supermarket	Superstore
SKU 1	£4.49	£4.32	£4.12	£4.12
SKU 2	£1.29	£1.09	£0.88	£0.88
SKU 3	£3.29	£3.17	£2.98	£2.98
SKU 4	£1.39	£1.39	£1.12	£1.12
SKU 5	£2.29	£2.21	£2.08	£2.08
SKU 6	£1.99	£1.93	£1.69	£1.69
SKU 7	£0.79	£0.76	£0.62	£0.62
SKU 8	£1.99	£1.89	£1.76	£1.76
SKU 9	£2.29	£2.13	£2.01	£2.01
SKU 10	£6.29	£6.26	£5.83	£5.83
SKU 11	£1.19	£1.09	£1.01	£1.01
SKU 12	£0.45	£0.39	£0.32	£0.32
SKU 13	£2.75	£2.43	£2.54	£2.54
SKU 14	£2.15	£1.91	£1.78	£1.78
SKU 15	£0.99	£0.99	£0.89	£0.89
AVERAGE	£2.24	£2.13	£1.98	£1.98
	105%	100%	93%	93%

Selection and comparison of SKUs informed by analysis of client’s internal range and pricing data

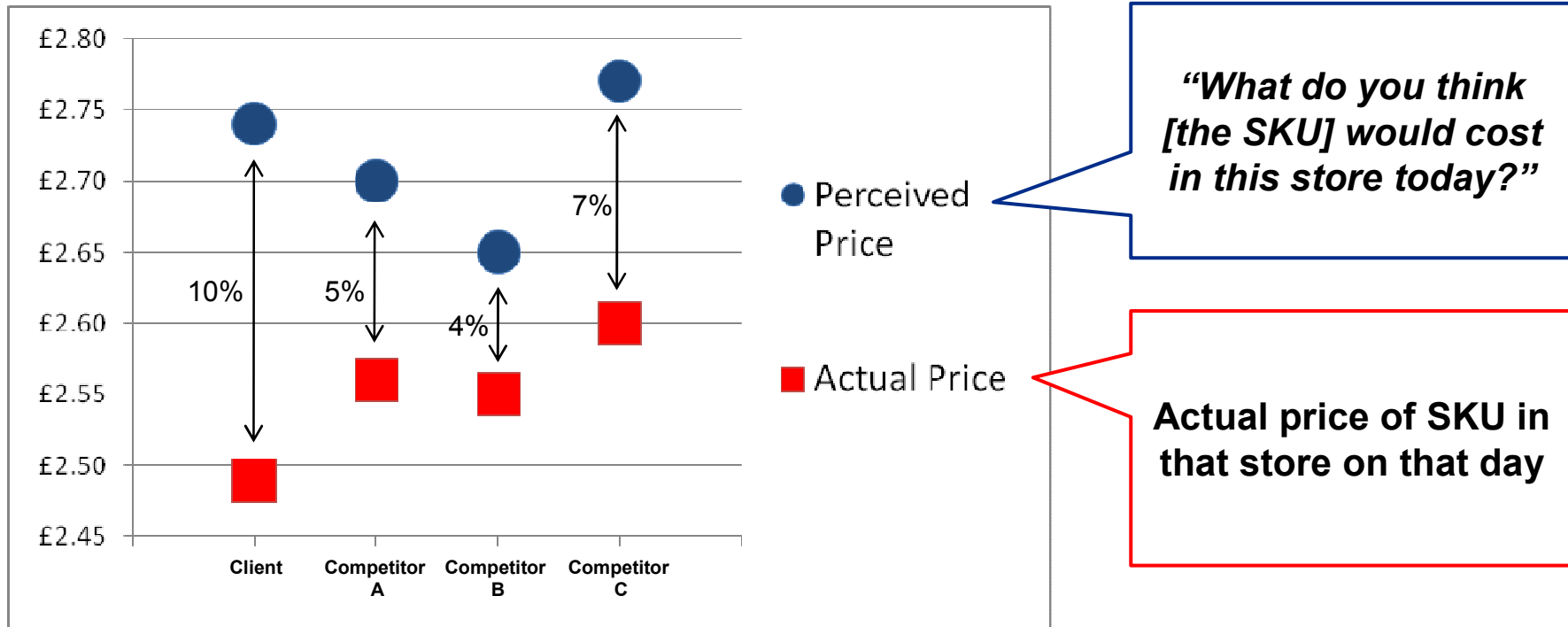


Competitor A has the same prices in Supermarket and Superstore formats, which are 7% lower than in Convenience

This analysis was repeated across 10 categories, 3 competitors and 3 regions, revealing price differentials between categories, formats and regions

Phase 2 revealed that customers perceived our client to be the second most expensive Convenience grocer, but they had the lowest actual prices...

Average Price: All Convenience SKUs



This indicated that the client should not decrease Convenience prices, but focus on changing perceptions through other means – We repeated this analysis at a Category level, supporting development of a new Convenience pricing strategy