Strategic Pricing

A vital approach to driving value in challenging times

In-store profit faces many headwinds these days.

Supply chain disruption, inflationary pressure, and increased labor costs have us all wondering how to close the profit gap. As consumers continue to find contentment “nesting” at home, this has reduced the number of trips they are making to brick and mortar stores.

For convenience retailers, these two trends translate into “must solve” opportunities – how to:

1. ***Create value in the wake of cost increases***
2. ***Grow the average basket size amid declining in-store trips***

The Good News!

Strategic pricing tactics can drive trips ***and*** increase basket size while protecting in-store margin.

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Don't Take the Easy Road…

As cost increases flood the desks of category managers, the easiest response is to pass along the increase in the form of raised retails to protect margin rate. With this approach, a retailer might find themselves with shelves of "irrational price points." This could inadvertently push highly elastic items past critical pricing thresholds and cause a decline in unit sales.

Reshape The Value Proposition

Knowing specifically which products to invest in price and which to garner incremental margin is the art to optimizing your category portfolio. Here are a few high-value pricing strategies to consider:

1 **Set Rational Price Points**
This is not the time to let pricebook margin rules set pricing without oversight. Be sure category managers review all cost increases to ensure new retails are rational and respect critical pricing barriers.

2 **Self-fund "2-For" Promotions**
Avoid crossing pivotal dollar thresholds particularly on price sensitive items. If unavoidable, consider increasing single retails to rational price points and reinvest incremental margin back into an everyday discount on a purchase of two. *This tactic not only protects the single unit margin, but also drives a larger basket ring.*

3 **Portfolio Management**
Take a broader approach rather than covering every cost increase on a "1-for-1" basis. A 10¢ cost increase within a particular product line does not necessarily need to be covered with a direct 10¢ increase in retail. Consider raising retails in products with lower elasticity and avoid incurring unit loss for price sensitive items.

By implementing Impact 21 pricing models, clients have improved gross margin dollars of 2-5%, with no loss in overall transactions.

While there is no one-size-fits-all approach, our pricing solution aligns your brand and category strategies with competitive pricing. We customize the optimal pricing strategies, execute a pilot to measure success, and fully implement the strategies across your stores.

Are you ready to create value and drive baskets? Let's chat!

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