

Willard Bishop's Opportunity Pricing Solution



Improving Your Competitive Position While Increasing Margins

To combat marketplace dynamics, retailers have elevated the importance of understanding their competitive price position. Competitive price comparisons, whether done in-house or through third party services, have become paramount. Additionally, Known Value Item (KVI) portfolios have become an essential ingredient in the retailer's price positioning.

While the importance of a strong price position is undisputed, what's absent from the effort is intelligence. More specifically, actionable intelligence. Retailers need better visibility into their existing competitive data to identify prices and KVIs that are "out-of-sync" with their specific market. This includes isolating everyday prices and KVI prices that are too high – and perhaps more importantly – identifying prices and background items that can be increased to capture additional margin, without jeopardizing their overall price position.

Existing approaches do not extract actionable insights or identify opportunities for improvement

- Are not dynamic or granular
- Do not consider base prices and promoted prices
- Are unable to provide multi-level benchmarking
- Cannot determine current price position
- Lack the ability to identify opportunities by market
- Do not provide adequate insights for use in master pricing strategies
- Do not provide trend analyses

Opportunity Pricing enables retailers to capture additional margin while improving their competitive price position within their defined markets



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Opportunity Pricing Solution (OPS) Detail

Willard Bishop's Opportunity Pricing Solution (OPS) is an affordable, subscription-based service that identifies current pricing **opportunities for gaining margin** and where **pricing exceeds the immediate market**.

OPS routinely assesses competitive price position by market and provides competitive benchmarking by:

- Conducting multi-level analyses with roll-up reporting by total store, department, category, and item group
- Analyzing regular prices, promoted prices, Known Value Items and background items

Reporting with Drill-Down Capabilities

The example below starts with total store, then drills down into the category and item levels.

In the example below (Totals Section), overall the client retailer is 3.3% (103.3) higher than Kroger [A]. Current prices for their KVIs are higher on a total store basis (106.3) [B] than the background SKUs (102.4) [C]. This phenomenon is not uncommon as many retailers, attempting to increase margin, raise prices on their fastest turning items.

Department Name	# of Items	Current Store Price Index (Includes Promotions)	Regular Store Price Index	Promotion Index Gap	KVI			Background		
					# of Items	Current Store Price Index (Includes Promotions)	Regular Store Price Index	# of Items	Current Store Price Index (Includes Promotions)	Regular Store Price Index
Totals	12,784	A 103.3	102.8	0.5	3,976	B 106.3	105.1	8,808	C 102.4	100.8
Center-Store Totals	11,951	102.5	102.8	-0.3	3,605	106.4	106.2	8,346	100.7	100.1
Perishables Totals	833	104.5	102.8	1.7	371	106.1	103.4	462	105.3	102.1

This report also identifies a potential opportunity within the Grocery department, which has a KVI index of 105.0 versus an index for background items of 98.3.

Department Name	# of Items	Current Store Price Index (Includes Promotions)	Regular Store Price Index	Promotion Index Gap	KVI			Background		
					# of Items	Current Store Price Index (Includes Promotions)	Regular Store Price Index	# of Items	Current Store Price Index (Includes Promotions)	Regular Store Price Index
11 - Grocery	5,598	100.8	102.5	-1.7	1,464	▶ 105.0	107.7	4,134	▶ 98.3	98.9
24 - Dairy	767	104.0	100.3	3.7	337	107.7	102.4	430	101.3	99.2
26 - Frozen Food	1,425	106.3	105.3	1.0	696	108.0	108.3	729	108.0	99.1
12 - Taxable Grocery	1,084	103.0	101.7	1.3	308	110.7	108.9	776	102.4	99.2
13 - Pop & Candy	1,054	107.8	102.2	5.6	391	111.1	103.8	663	101.8	99.8
16 - Beer and Wine	129	93.3	106.6	-13.3	9	97.7	102.3	120	92.2	106.3
30 - Health & Beauty Aids	1,830	105.8	104.8	1.0	386	108.2	109.3	1,444	105.3	103.8
33 - General Merchandise	64	109.3	103.3	6.0	14	98.9	101.2	50	116.6	114.6

Drilling down into the data, the report reveals KVIs that are priced too high in the Applesauce category.

CATEGORY	KVI CURRENT PRICE INDEX	BACKGROUND CURRENT PRICE INDEX
11 - GROCERY 11070000 - APPLESAUCE	113.9	94.7

Drilling down further into the item level, we see KVIs are higher indexed than their background SKUs.

UPC / ITEM	ITEM TYPE	CLIENT CURRENT PRICE	COMPETITOR CURRENT PRICE	COMPETITIVE INDEX
89000000110 GOGO SQZ APPLESAUCE ON GO	KVI	\$2.89	\$2.19	131.9
37323115820 MUSS CHUNKY APPLESAUCE	BGD	\$3.09	\$3.19	96.9

Leveraging KVIs

Willard Bishop's Opportunity Pricing Solution (OPS) identifies your KVIs by analyzing your POS data to see what's selling inside your stores, syndicated data (as available) to see how well specific SKUs are selling across the immediate market, transaction level (Tlog) data to isolate the price sensitivity of each SKU and category designations to identify category importance and strategy.

Department	Total Department		KVI (Known-Value Items)				
	Item Count	Dollars	Line Count	# of Items	Item % of Dept.	Total Line Sales	Sales % of Dept.
11 - Grocery	13,622	\$99,508,220	203	1,759	13%	\$32,463,605	33%
12 - Taxable Grocery	2,292	\$24,642,374	47	402	18%	\$6,748,666	27%
13 - Pop & Candy	2,269	\$21,072,580	23	460	20%	\$12,248,362	58%
16 - Beer & Wine	2,664	\$19,637,094	5	22	1%	\$1,769,369	9%
18 - Service Case Meats	309	\$6,750,831	8	8	3%	\$2,553,293	38%
20 - Meat	1,353	\$49,298,189	46	146	11%	\$18,465,541	37%
22 - Produce	2,129	\$44,005,467	54	189	9%	\$18,090,961	41%
23 - Salad Bar	18	\$3,767,115	0	0	0%	\$0	0%
24 - Dairy	2,032	\$46,823,853	39	419	21%	\$11,925,556	25%
26 - Frozen Food	3,117	\$26,839,812	51	790	25%	\$9,260,854	35%
28 - Deli	1,905	\$33,813,993	28	71	4%	\$5,105,060	15%
29 - Bakery	882	\$12,942,591	17	40	5%	\$3,539,962	27%
30 - Health & Beauty Aids	5,010	\$11,876,066	92	658	13%	\$2,588,029	22%
32 - Seafood	375	\$5,627,838	17	21	6%	\$1,127,910	20%
33 - General Merchandise	1,800	\$3,409,628	9	29	2%	\$331,212	10%
Total	39,777	\$410,015,648	639	5,014	13%	\$126,218,381	31%

As illustrated above, KVIs represent ~13% of all items and ~31% of the retailer's sales volume. Background items represent the remaining ~87% of all items and ~69% of the retailer's sales volume. OPS also uses KVI analytics to develop an actionable KVI pricing framework (below). This ensures the retailer's KVI portfolio remains relevant to its shoppers and aligned with the market.

Recommended Price Index Targets vs. Actual Price Index by Department
(Retailer vs. Kroger)

Department Name	Target					Actual					Variance			
	Current Price Index Targets (Includes Promotions)	Regular Price Index Targets	Promotion Index Gap	KVI Regular Price Index Targets	Background Regular Price Index Targets	# of Items	Price Index with Promotions Actual	Regular Price Index Actual	KVI Regular Price Index Actual	Background Regular Price Index Actual	Price Index with Promotions	Regular Price Index	KVI Regular Price Index	Background Regular Price Index
11 - Grocery	102.5	104.5	-2.0	102.8	106.0	5,598	100.8	102.5	107.7	98.9	1.7	2.0	-4.9	7.1
24 - Dairy	103.5	102.5	1.0	101.1	103.9	767	104.0	100.3	102.4	99.2	-0.5	2.1	-1.3	4.6
26 - Frozen Food	103.5	102.5	1.0	101.1	104.4	1,425	106.3	105.3	108.3	99.1	-2.8	-2.8	-7.3	5.4
12 - Taxable Grocery	102.5	101.5	1.0	100.6	102.0	1,084	103.0	101.7	108.9	99.2	-0.5	-0.2	-8.3	2.8
13 - Pop & Candy	102.5	101.5	1.0	100.8	103.2	1,054	107.8	102.2	103.8	99.8	-5.3	-0.7	-3.0	3.5
16 - Beer and Wine	95.0	105.0	-10.0	103.1	105.3	129	93.3	106.6	102.3	106.3	1.7	-1.6	0.8	-0.9
30 - Health & Beauty Aids	105.5	105.0	0.5	103.1	105.7	1,830	105.8	104.8	109.3	103.8	-0.3	0.2	-6.3	1.9
33 - General Merchandise	108.0	110.0	-2.0	108.0	110.8	64	109.3	111.0	104.2	114.6	-1.3	-1.0	3.7	-3.8
20 - Meat	105.0	101.0	4.0	100.4	101.8	314	105.7	102.1	103.3	100.6	-0.7	-1.1	-2.9	1.2
22 - Produce	104.0	107.0	-3.0	105.4	108.5	309	103.3	106.0	108.0	102.1	0.7	1.0	-2.5	6.5
28 - Deli	110.0	106.0	4.0	104.5	107.5	115	111.2	105.1	102.7	106.7	-1.2	0.9	1.8	0.8
29 - Bakery	103.0	104.0	-1.0	103.0	106.4	67	92.5	96.4	100.2	87.2	10.5	7.7	2.8	19.2
18 - Service Case Meats	108.0	106.0	2.0	105.5	108.8	8	99.4	100.0	102.6	97.6	8.7	6.1	2.9	11.2
32 - Seafood	107.0	104.0	3.0	103.4	106.2	20	97.6	89.8	81.1	126.3	9.4	14.2	22.2	-20.1
Totals	103.7	103.9	-0.2	101.3	104.6	12,784	103.3	102.8	105.1	100.8	0.4	1.0	-3.8	3.8
Center-Store Totals	102.4	103.5	-1.1	101.4	104.4	11,951	102.5	102.8	106.2	100.1	-0.1	0.7	-4.8	4.4
Perishables Totals	105.9	104.4	1.4	101.2	104.7	833	104.5	102.8	103.4	102.1	1.3	1.6	-2.2	2.6