DemandTec
by acoustic

CASE STUDY

Conad Nord Ovest

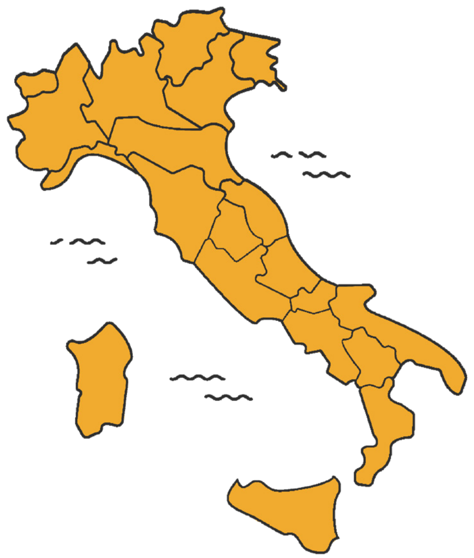
Conad Nord Ovest Leverages DemandTec Price Optimization for Business Agility, Competitive Price Leadership and Enhanced Margins

Conad Nord Ovest

LARGE-SCALE RETAIL TRADE

Overview

Conad Nord Ovest was born from the merger between Conad del Tirreno and Nordiconad. With 381 owner entrepreneurs and more than 16,000 employees, it operates in the territories of Piedmont and Valle d'Aosta, Liguria, Emilia (province of Modena, Bologna and Ferrara), Tuscany, Lazio (provinces of Rome and Viterbo), Lombardy (province of Mantua) and Sardinia. The cooperative is worth 4 billion euros in annual turnover with a consolidate net worth of 573 million euros.

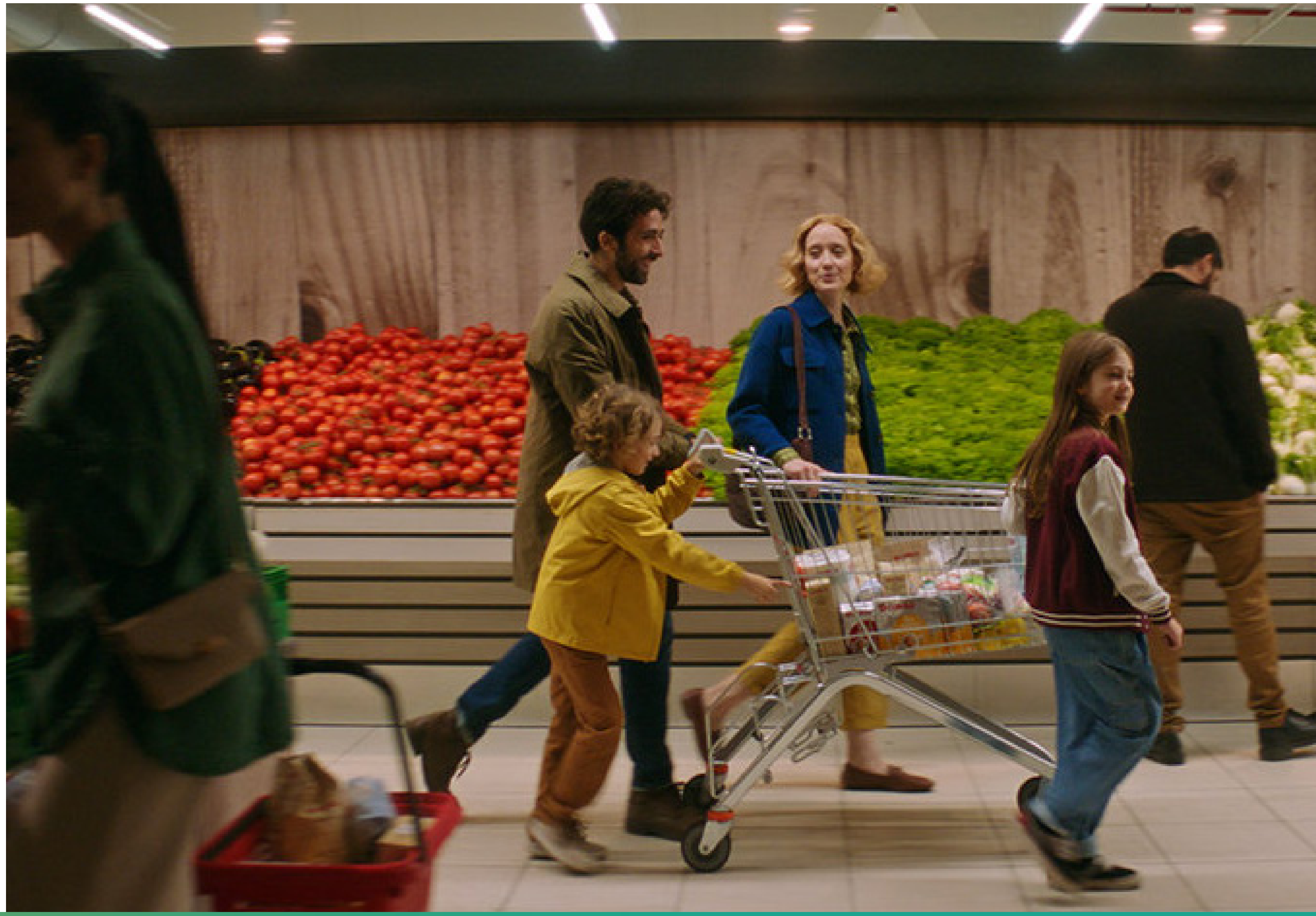


Challenge

In 2007, Conad del Tirreno began a strategic initiative to become more sophisticated and proactive in its pricing. Director of Innovation and Systems Maurizio Barsacchi, who was one of the sponsors of the initiative, notes,

> **At that time we were a smaller entity trying to stay price competitive with two very strong retailers in our region. We embarked on an assessment of price optimization solutions in order to be more targeted and agile in our pricing, while at the same time maintaining healthy margins for the long-term success of the cooperative.**
>
> **Maurizio Barsacchi**
> Director of Innovation and Systems

Maurizio also recognized that Conad was feeling the limitations of its reliance on manual processes. "We had 28 different people involved in creating manual price recommendations across our range of formats, from convenience outlets to hyper-markets. Manual constraints meant we could only reprice 25% of our assortment each week, so when we wanted to respond to competitive price changes, it could take us on average 18 days to do the analysis and recommend and deploy new prices. The result was that we were in reactive mode. In addition, the competitive landscape was increasing in complexity across our various geographies and formats, with up to 60 competitors that we had to factor into our manual analysis. We recognized the need for automated, science-based pricing processes."



Solution

DemandTec Price Optimization

The Conad del Tirreno team began a detailed assessment of several different price optimization vendors. They looked for a partner who could help them improve price competitiveness, leveraging science to achieve targeted, strategic price optimization, while also supporting store zoning and category management profitability capabilities.

Conad del Tirreno embarked on a pilot of DemandTec Price Optimization in six product categories across a subset of its hypermarkets. Additionally, CEO Ugo Baldi made a visit to the United States to personally engage with two major retailers using DemandTec, which gave him significant insights into best practices and roadmaps for successful deployment and adoption. Ultimately, on the recommendation of Baldi and key commercial managers, the central executive board formally approved to decision to license DemandTec Price Optimization organization-wide. The DemandTec solutions was ultimately implemented across 10,000 SKUs, including grocery, fresh, frozen and general merchandise.

Business Impact

The team involved into the project was excited to measure significant business impact for Conad. "Within 18 months we delivered positive return on investment, including improving our competitive position by 3 points while at the same time increasing gross margin by about 1.5%," he notes. "We pretty swiftly achieved our goal of lower prices on the items that are most important to customers and delivering healthier margins. Initially we had to work closely with some category managers who were tempted to override price recommendations, but over time the solution has earned trust across the teams, and they have strong confidence in the DemandTec price recommendations."

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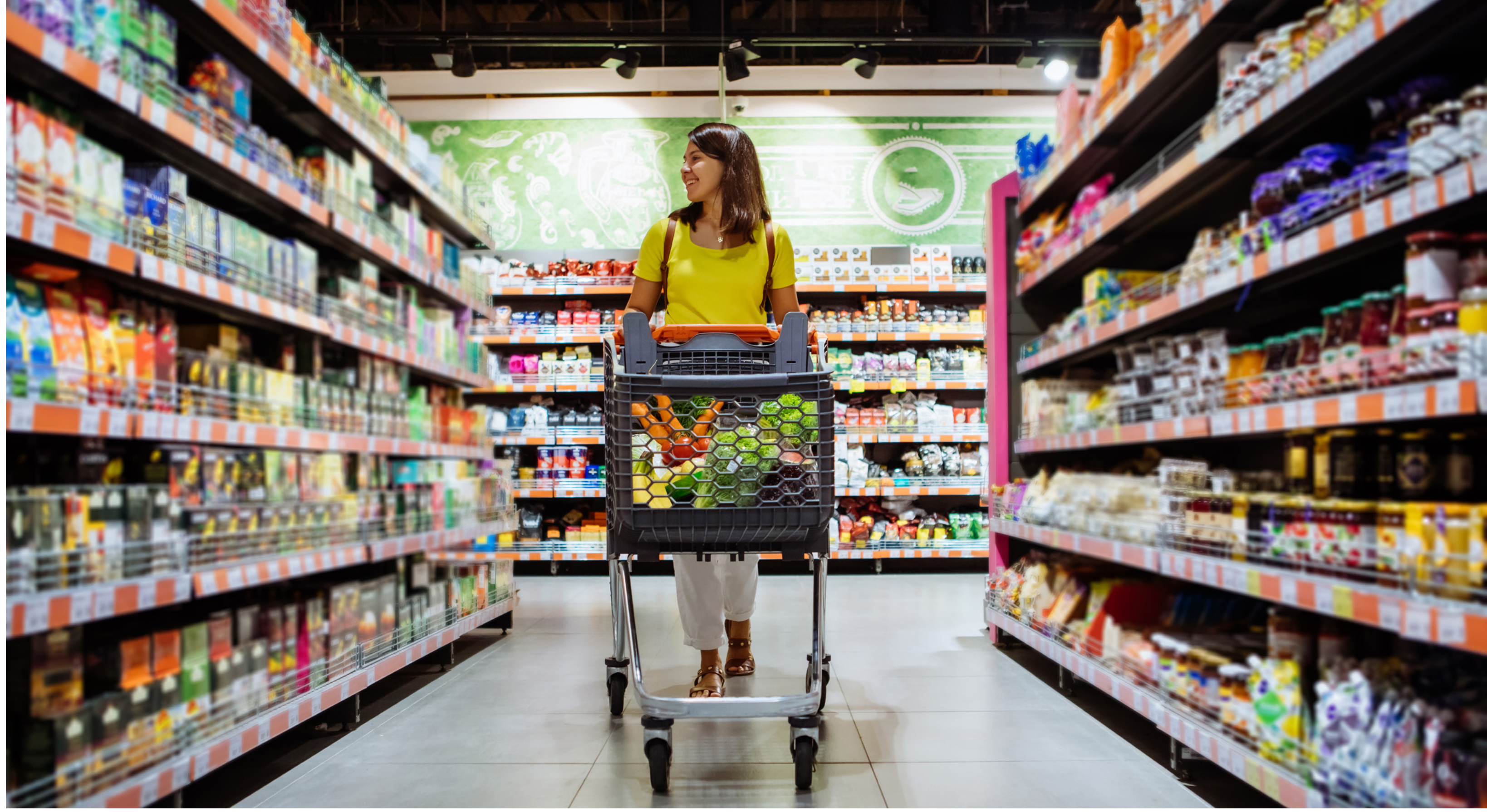

A profound transformation has been accomplished, he explains. "We set out to change our culture and transform our organization's approach to managing pricing. We have hundreds of owners in the cooperative, and we had to win their trust in the new approach. We had to prove that there was measurable return in an investment that we were strategically committing to. We have won their confidence that this is the best way to move from a position of being weaker than our competitors to being fully competitive or even stronger. We progressed beyond rules-based pricing to leapfrog past our competitors and create a gap with them using pricing science. This has delivered a strong, multi-year competitive advantage."

The Conad team has continued to unlock value from the system as their usage has matured and the business has expanded, Maurizio reports. "Over the last 10 years, we've gotten very sophisticated at scenario analysis and simulation. Since the October 2019 merger of Conad del Tirreno and Nordiconad, we have expanded from 350 to 580 stores. Now we are extending DemandTec adoption to the additional 230 stores. With the new stores where we can measure impact from a fresh baseline, we anticipate additional significant business results. In addition, we've recently acquired 17 stores from Auchan Italy – 10 supermarkets and 7 hypermarkets – and we'll utilize price optimization there too."

The pricing team has become more strategic and sophisticated in their approach to pricing. “Price optimization has brought us to a different knowledge of price dynamics – elasticity, what are the wheels and levers of pricing, and how to optimize the way our people work. The technology plays an important role in the organization, and the decisions we took when we introduced DemandTec have withstood the test of time. Sometimes we override system recommendations but it happens only when we really need to do it. We try to manage it so that it can be only an exception.”

Maurizio also describes Conad Nord Ovest’s transformation in its competitive approach. “It’s been a big change from where we started, when we were clearly a price follower. Now, instead of responding to competitive price changes 2-4 weeks later, we respond consistently within a week across all 580 stores. In one region, we have actually become a price leader; we are now the ones setting the pace and defining the market, all of which we manage with price optimization. Now our competitors are trying to follow us.”

The organization also has developed more business agility. “Today we continuously align to competitor prices. In addition, the tool has helped our knowledge of how to approach pricing with localization. Now we take a scientific approach to pricing rather than relying on individuals’ beliefs or assumptions.

We can leverage science to evaluate and make the best decisions for new areas, new stores, new zones – what is the right pricing and competitive level to get us to a target margin in any given store? It’s part of our everyday processes and philosophy; the team uses the solutions every day. It has transformed our approach to price management. We don’t have to talk and debate about prices; we can instead focus on what targets we want to achieve in terms of competitive index for a category or item, and what are the target gross margins. It’s a more strategic conversation at the price positioning level.”

Maurizio summarizes the long-term mindset of the collaboration with DemandTec: “We’ve grown in sophistication and value over our years-long relationship, and we are pleased at the long-term partnering approach both our organizations continue take. It’s a productive and constructive approach that continues to unlock additional value for Conad Nord Ovest as we have evolved and grown across our markets.”

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Maurizio Barsacchi
Director of Innovation and Systems

DemandTec’s Price Optimization Pilot:

10,000
supported SKUs across multiple merchandise sectors

6
product categories used AI and data science to achieve strategic price optimization

580
stores allowed quick response to competitive pricing

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About DemandTec

A pioneering leader for decades, DemandTec continues to usher in the new era of retail pricing technology. With its AI-powered pricing, promotions, markdowns, and collaboration solutions, CPG and retail partners can balance real-time shopper demand with business objectives to drive sustainable, profitable revenue growth.

To learn more, **visit www.demandtec.com**