

LIFECYCLE PRICING: **Blending the Art and Science of Dynamic Pricing Strategies**

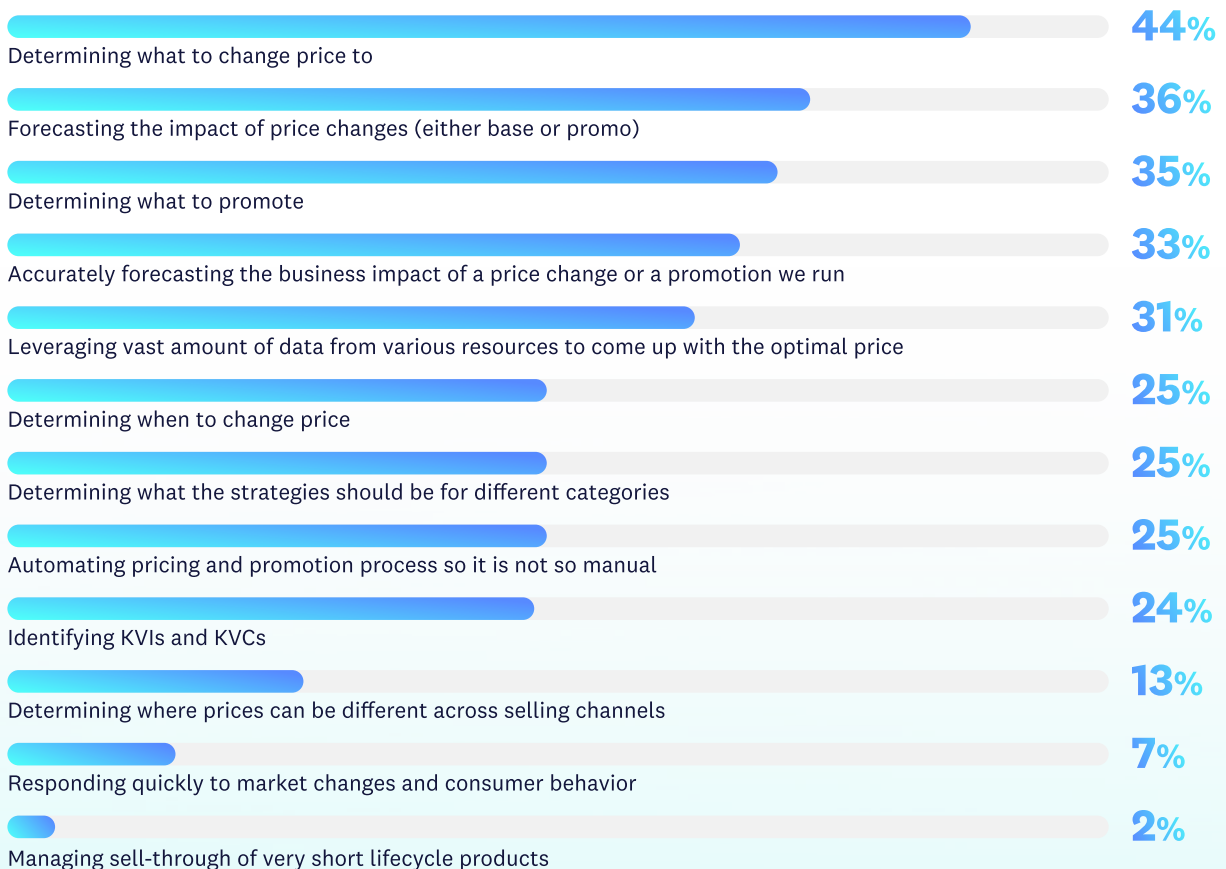
What you need to know to
maximize margins and enable
employees to drive results

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A recent study by Retail Systems Research (RSR) showed that two-thirds of the biggest challenges facing fast-moving consumer goods (FMCG) retailers are related to macroeconomic factors — inflation and supply chain limitations.¹ To remain competitive, retailers need to find new ways to perfect their pricing and maximize margins.

What are the TOP THREE most challenging aspects of pricing and promotion for your organization?



All Retailers

Source: RSR Research, February 2024

Unlock more survey findings in the [2024 FMCG Retail Readiness Report](#).

Leveraging a tool like total lifecycle pricing that can provide forecasts tied to the latest data and enable dynamic pricing optimization across an entire store will help retailers overcome these economic factors and continue to provide customer-centric pricing.

Here are answers to some of the most common questions related to total lifecycle pricing and tips to enhance your employee artistry, within the realm of pricing, to help achieve your corporate pricing goals.

Q. Why should we leverage total lifecycle pricing tools when we're happy with our price optimization?

Price optimization tools have long been accepted by FMCG retailers, and the impacts have been positive because of the ability to leverage data and trends to determine if the right price is being set. The latest RSR research shows that **51% of high-performing retailers (>5% YoY sales growth) leverage price optimization tools to inform their pricing initiatives, compared to only 35% of average-performing retailers.**² With the average grocery store managing thousands of products, the focus on base price optimization makes sense, given human bandwidth and tools. But imagine taking that further and expanding those methodologies beyond your identified key value items or known value items (KVIs) and the base price.

This is where total lifecycle pricing tools come into play. They enable retailers to expand their pricing optimization beyond base price and KVIs. Now, with demand science and analysis, retailers can augment all items within a store and review the impacts of various promotions and markdowns while simultaneously continuing to leverage the knowledge and insights of their seasoned employees who have conquered the art of managing and enhancing their KVI prices.

Q. Why do I need a tool to support lifecycle pricing?

Taking the concept of expanding analysis and optimization beyond KVIs and base price, retailers are successfully identifying the right strategies for their businesses and focusing on important targets. However, when it comes to execution, time and resource constraints inhibit retailers' ability to augment systems to remain competitive. This time restraint prevents even the most efficient employees and businesses from scaling these optimizations across an entire retail enterprise without a properly integrated toolset to analyze all combinations and permutations of the best price.

Utilizing lifecycle pricing tools permits retailers to put some of the analysis on autopilot and enables them to find incremental margin in places that typically would've been overlooked. With 44% of FMCG retailers claiming that determining what price they should be setting for their products is one of their top three challenges related to pricing and promotions, total lifecycle pricing tools have a big opportunity to impact the industry.³ Retailers want their category managers and pricing strategists working on their KVIs, but this often means non-KVIs are optimized on base price only with little thought about how they could get more from those products.

These lifecycle pricing tools also allow for broader collaboration across all facets of pricing — everyone from category managers to corporate strategists has access to the same data with visibility into the impacts their decisions play on the overall price and margin for each product.

Q. How can a lifecycle pricing tool support my corporate pricing strategy?

Lifecycle pricing tools bring retailer dynamic pricing strategies to scale. They are not meant to tell you what strategy you should follow. Instead, they provide you with resources and analysis to show you how best to support your pricing priorities. Lifecycle pricing tools help retailers execute their strategy, which can then be translated into rules for process automation.

Q. Will a lifecycle pricing tool eliminate the need for human insights?

No. These technologies are here to make jobs easier and more efficient, but they still rely heavily on experts. Pricing is more nuanced than what the tools can analyze today. The years of pricing expertise built by managers remain a competitive advantage and a necessary complement to lifecycle pricing tools to maximize a strategy.

Q. What additional insights will I gain from a lifecycle pricing tool?

In a suite of tools like [DemandTec Total Lifecycle Pricing](#), the vendor is also in the conversation. As a result, the tools go beyond being a retail standalone system. They provide smart recommendations, allowing users to fully understand their financial implications for every price zone, promotion, and strategy using data science and insights from the entire supply chain.

Another strategic benefit is that during the implementation process, these tools help form the right price zones so that retailers can efficiently execute on a granular basis.

Overall, the DemandTec Total Lifecycle Pricing suite of tools is a passive price point recommendation engine. It's constantly learning from consistent imports like volume and competitor pricing to provide new recommendations and forecasts based on the latest updates. It enables retailers to add their own insights, algorithms, and modeling techniques with open APIs to generate incremental revenue on all items by automatically showing where a price adjustment may be needed to generate additional profit.

What are you planning to do to maximize revenue through your pricing?

Given the competitive nature of markets, margins will remain tight, so leveraging every opportunity to find incremental changes that can deliver additional revenue is imperative. Total Lifecycle Pricing tools ensure every item on your shelf is always working to grow gross margin, satisfy your shoppers, and efficiently build volume. Whether it's selling at regular price, on a temporary price reduction, or being discontinued, it will work harder for your goals all the while empowering your employees to continue prioritizing complex and highly profitable areas of your pricing strategy.



To learn more about the latest FMCG retail pricing trends, read the [full RSR report](#).

Sources:

¹ Retail Systems Research, Pricing & Promotions: The Burning Platform, 2024.

²⁻³ Ibid.

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About
demandtec
by **acoustic**

A pioneering leader for decades, DemandTec continues to usher in a new era of retail pricing technology. With its ML-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.

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