consenso

SUCCESSFUL SAP PROJECTS

Intelligent Pricing

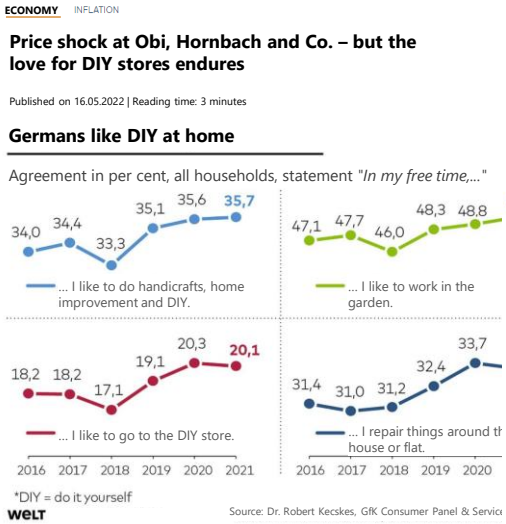
Increase digital maturity and generate measurable benefits immediately!

STARTING POSITION RETAIL

What is currently on retailers' minds?

Stagnation to inflation and cost increases (energy)

- **Procurement**: Disproportionate number of price changes and conditions (**factor 10x**)
- **Sales**: Price adjustments (amount & number unthinkable before 2021, in some cases **>20%**)
- Price and cost changes pose a risk to the **gross profit situation** (**doubling of energy costs in some cases**)
- Due to the **coronavirus phase**, information on **price/sales reactions** in recent years is only of limited value



MOTIVATION AND BENEFITS FOR RETAIL/TRADE

Business motivators

- **Standard assortment** – optimisation of KPIs
- **Promotion** – optimisation of placement in advertising media
- **Promotional prices** – effect on the assortment module
- **Store-clusters / Store-specific** – price optimisation and references, as well as regionalities (margin improvement, customer reference see above)
- **Seasonal pricing** – optimisation of prices and sales rules (see also amortisations)
- **Markdown management** – zero stock, rapid product range changes and profit maximisation
- **Discount, rebate and bonus behaviour:** known customers – revenue optimisation and comprehensible structures (set of rules e.g. customer cards / apps)

MOTIVATION AND BENEFITS FOR RETAIL/TRADE

Resources motivators

- **Demographic development** (increasing skill shortage)
- **Relieving the business department – suggested values** for support/relief for essential and interesting activities (**employee retention**)
- **Successive automation –** clear cases in pricing (reference customer with approx. **2,000,000** price changes per year and ~ **60% automation potential**)

MOTIVATION AND BENEFITS FOR RETAIL/TRADE

Technological motivators

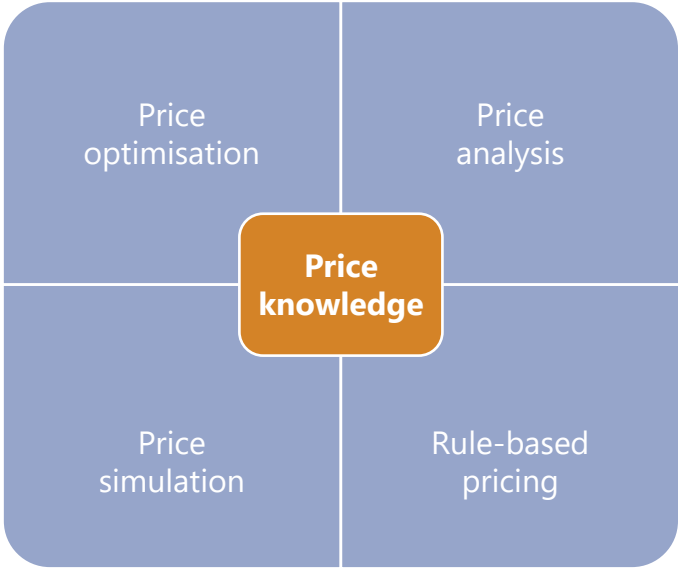
- Use of **data lakes**
- Integration of **external data sources and influencing factors** (GFK, weather, inflation rate, market prices, search engines, etc.)
- Building **AI scenarios** also learning for other situations (e.g. anomaly detection – e.g. prices from suppliers)
- Introduction to **automation** for support and relief

Price Engine

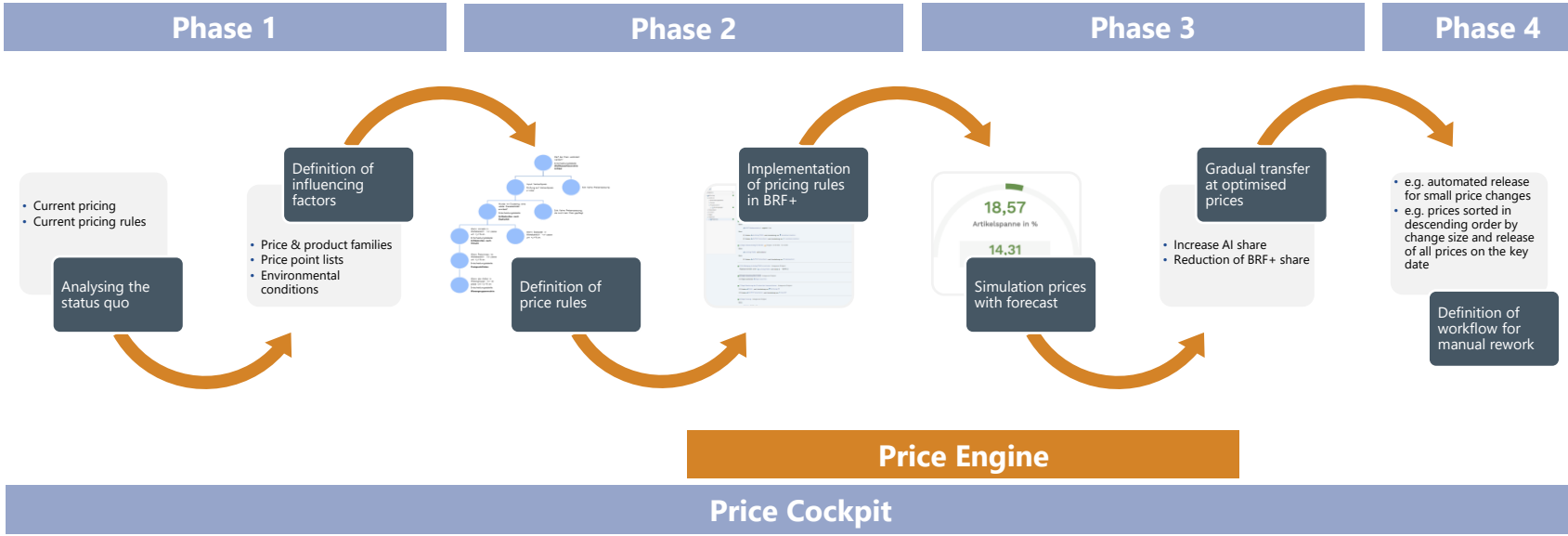
MODULARISATION PRICE ENGINE

Price knowledge in the organisation is the basis for all actions

- This price knowledge forms the basis for defining rules that enable automatic price changes.
- Sales forecasts (simulations) can be created for each potential price.
- Once a price-elastic sales forecast has been established, it can be used to calculate optimised prices.
- A rigorous historical analysis is required to evaluate previous pricing (e.g. precision or recall).

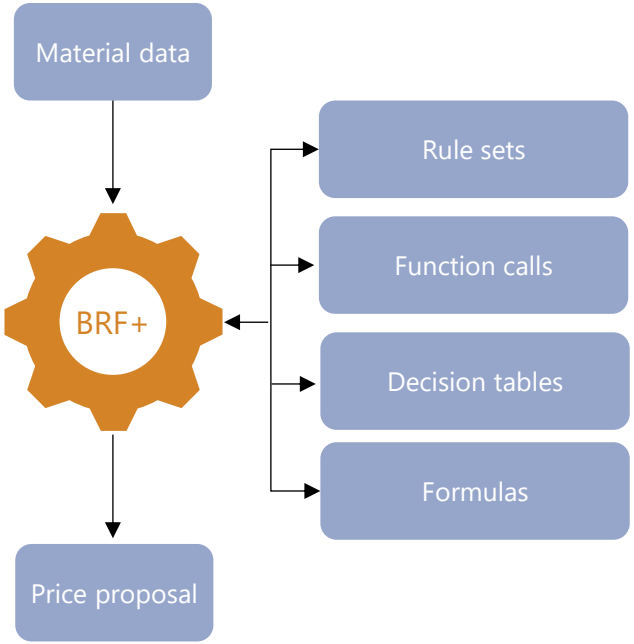


PRICE COCKPIT AND PRICE ENGINE IN OUR PHASE MODEL



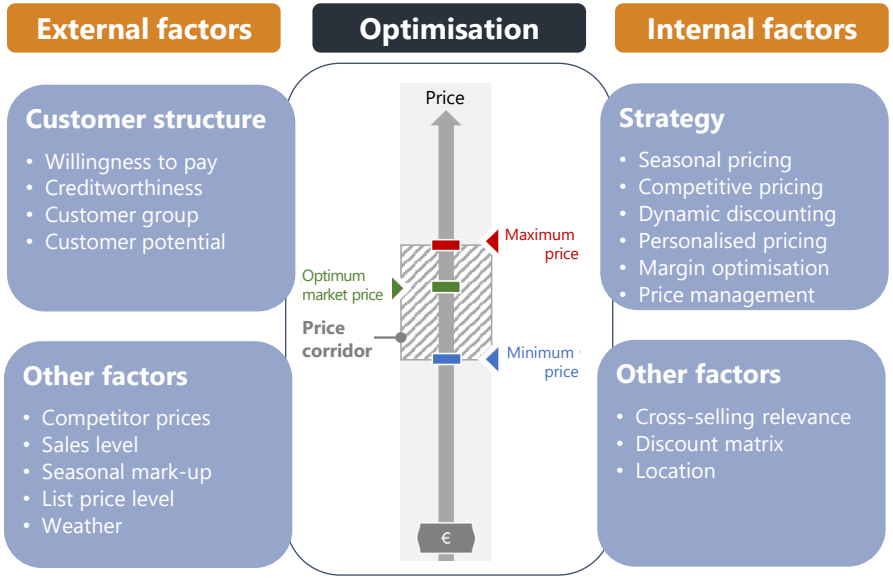
RULE FRAMEWORK

- Uses master and transaction data from different sources
- Accepts inputs with a specific structure
- Any rule sets with function calls, decision tables or mathematical formulas can influence the output
- Structured output of price proposal data



PRICE OPTIMISATION

- Historical sales as a basis for forecasting
- Price Engine calculates prices based on external and internal factors
- What-if analyses determine price corridor
- Demand analyses support the evaluation
- Factors are interchangeable



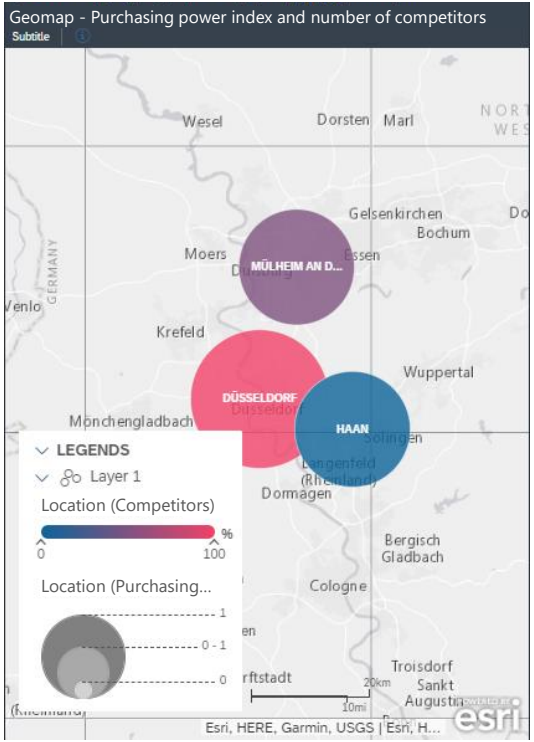
Price Cockpit

PRICING WITH STRATEGY

Analysis of location-specific indices

- Prices should reflect the purchasing power of the location and the competitive pressure prevailing there
- For high-priced articles, higher prices can generate more profit in areas with higher purchasing power
- With a higher number of competitors, more consideration must be given to competitive prices

→ **Analysis of purchasing power index / competitive pressure**

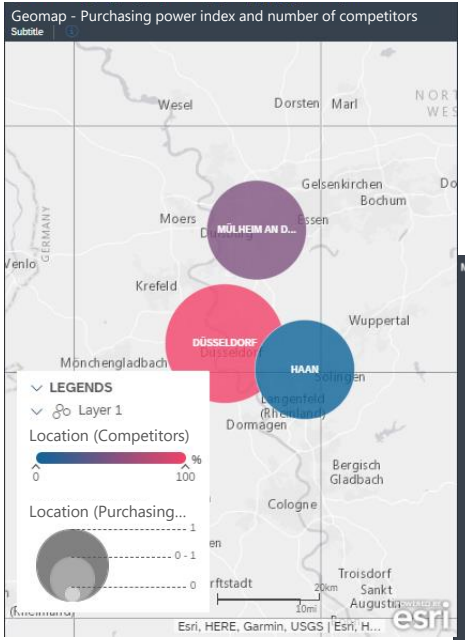


Price Cockpit: : Geomap of location-specific indices

PRICING WITH STRATEGY

Price coherence

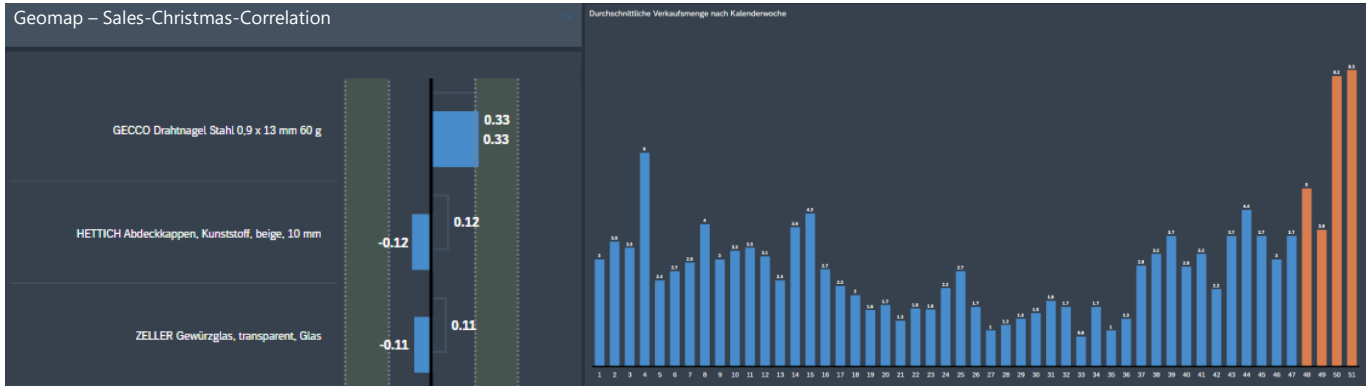
- The prices are shown in price families in order to analyse the coherence of these families.
- Thus, the integrity of the brand perception is guaranteed.
- Once brand perception has been violated, it is difficult to restore it



PRICING WITH STRATEGY

Seasonalities

- Seasonalities can be recognised by means of a correlation analysis
- This requires known seasonal periods to be defined
- The higher the correlation coefficient, the higher the correlation



Price Cockpit: Correlation between sales and Christmas

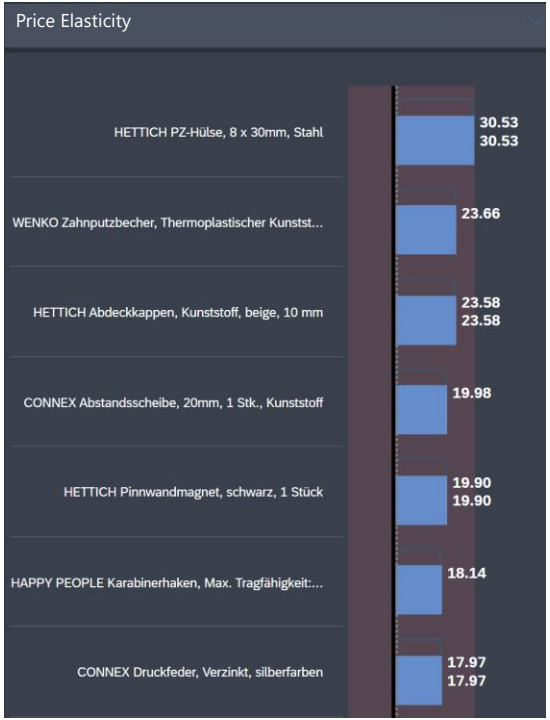
PRICING WITH STRATEGY

Analysis of price elasticities

- Price changes cause changes in demand
- Inelastic articles must be identified for price optimisation
- Enables price increases without a sharp drop in demand

→ Potential for significant profit increases!

$$Price\ Elasticity\ of\ Demand\ (PED) = \frac{\%\ \Delta\ in\ Qd}{\%\ \Delta\ in\ P}$$



Price Cockpit: Calculated price elasticity per product location

PRICING WITH STRATEGY

Analysis of price elasticities

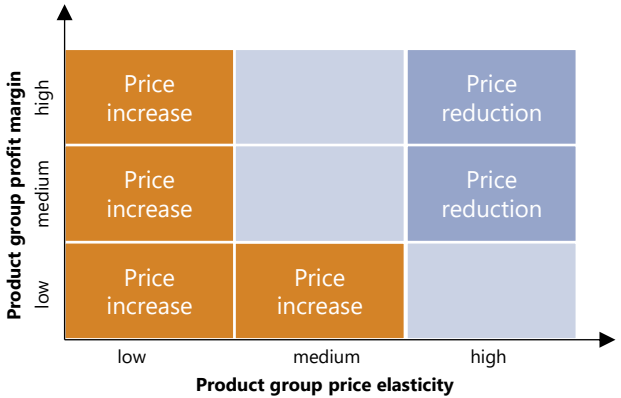
- Price changes cause changes in demand
- Price increases usually result in low demand, while the ROI per unit increases
- But has the price increase paid off overall?

→ **ROI viewed over a fixed time interval**

PRICING WITH STRATEGY

Analysis and reporting

- A value is calculated for each influencing factor
- The value represents the strength of the correlation
- Articles and locations can thus be classified
- Rules can be defined based on the various class combinations
- e.g. non-seasonal, price-insensitive, fast-moving, low profit margin



Use Cases

REFERENCE EXAMPLES FROM AGRICULTURE, FOOD, FASHION

RULE-BASED
- Use of business rules for automated price creation and price supply
- Article matching and integration of competitor prices
- Price crawling

TARGETED REPORTING
- Checks on current prices as well as their influence and development
- What-if price forecast incl. sales development
- Checking for cannibalisation

AI-SUPPORTED
- Data forensic investigations to determine article price elasticity
- Determination of prices for price-elastic articles
- Sales forecast with what-if analyses for e.g. promotions

ANALYSIS OF DEMAND INFLUENCING FACTORS
- AI-supported examination of historical data to identify the influencing factors with the highest impact on the price per article and product group
- Use of the results for future pricing

AGRICULTURE TRADE. EFFICIENT PRICE CALCULATION

INITIAL SITUATION

The customer wants to integrate the price calculation (in terms of process and architecture) into SAP without changing the defined set of rules.

SOLUTION

INTRODUCTION OF THE NEW PRICE ENGINE

- Flexible pricing rules
- Easy to expand
- Integrated in SAP
- No system breaks
- Ad-hoc price calculation

COSTS
Significant reduction in the manual workload of the customer's employees

TIME
10 months

QUALITY
- Increased performance
  - Prices for about 24 million articles are calculated in less than a minute
- Simple expandability and flexible mapping of price rules

FASHION RETAIL. REDUCTION IN MARKDOWN RATE

INITIAL SITUATION

Until now, prices could only be reduced on the generic article. With a new price engine, however, it should also be possible to reduce prices at option level - in this case "colours".

SOLUTION

INTRODUCTION OF THE NEW PRICE ENGINE

- Introduction of price reductions at option level (colours)
- Replacement of the price planning workbench
- Complete integration into SAP

COSTS
Better coordination between business departments thanks to the elimination of system breaks. System integration simplifies the overall process.

TIME
8 months

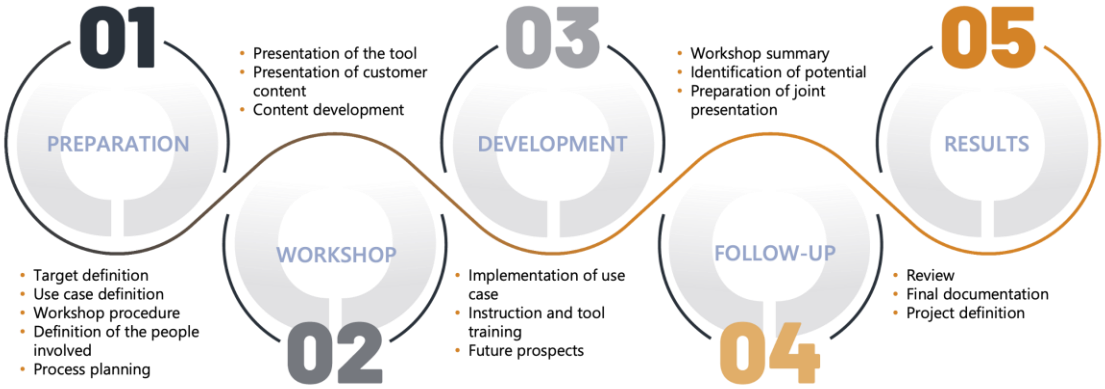
QUALITY
- Fewer price discounts (strategic goal in the product range area) thanks to optimised markdown management
- Reduction of media breaks
- Securing the future viability of markdown management

Our Offer

OUR OFFER

Proven benefit in 6 weeks

- Added value at the end of the process chain is greatest when the benefits of a business model are already known before project development and there is certainty that the new product will address customer needs.
- consenso's proof of value offers both technical feasibility and added business value.
- We work on the basis of jointly defined objectives to be achieved with the solution in terms of quality, efficiency, costs, revenue and much more.
- The results are jointly evaluated based on the formulated KPIs.



CONSENSO. INTELLIGENT PRICING

Advantages of our solution

- The **solution modules** can be integrated independently of each other **in their entirety or in parts** (and combined with existing solutions).
- The **order of implementation may vary** depending on customer requirements.
- The solution is designed to be **customer-specific** (**USP**) - no rigid products.
- The modules are perfectly harmonised and **integrated** into the **SAP Suite**.

Thank you very much!

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