

Retail Simulation Suite | Price Engine 2.0

Price Management and Optimization of the new Generation

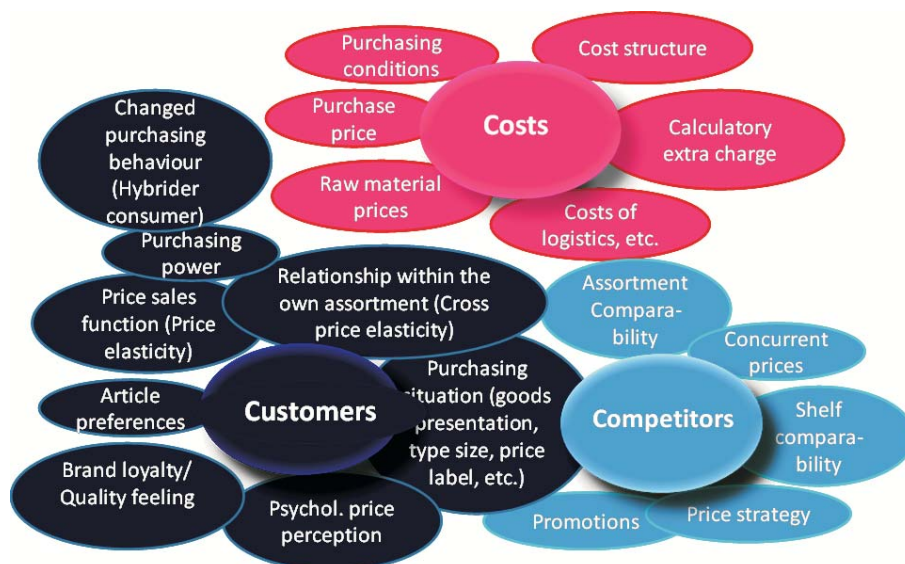
The Price Engine as a component of the Retail Simulation Suite developed by Dacos[®] supports a pro-active price management that considers product categories as a whole, that takes into account the strategic price policy pursued by the retailer and that enables to react quickly to price events.

Permanent prices as the key to increased profit

Regardless of spectacular price actions and discount battles it is still the standard price that the retailer generates most profit with. For numerous articles the retailers' assortments are composed of the pricing leaves much room for manoeuvre.

Complexity of finding the right price

- ▲ How is it possible to ensure the potential yield by maintaining a good and long-term stable price image?
- ▲ How are fixed prices for key articles in well-sorted product categories that are especially important for the positive price perception of these categories paired with less prominent articles targeted at customers with varying quality standards and habits?
- ▲ What role do A- and B- brands, the often particularly price-sensitive store brand and the peripheral assortment play in the process of daily pricing?
- ▲ How are used different psychological price thresholds (e.g. prices ending with a 5/9) and what potential can be achieved by tapping these possibilities to an optimum degree?
- ▲ What tools allow the full-line distributor and the specialist retailer to find the optimum price on a daily basis in the complex network of costs, competitors and customers?



Complexity of pricing

So as to be able to realize behind these or similar questions optimization potentials to increase the profit while simultaneously enhancing the price image, you need substantiated consulting services and a tool tailored to your requirements. This challenge can only be met by a retailer when using a tool with a high degree of automation that is able to forecast the customer's reaction to price changes and to determine automatically the appropriate prices.

Tailor-made tool

New: The Price Cockpit aimed at controlling, monitoring and verifying sales prices.

For the first time the new Price Engine developed by Dacos enables an event-driven price management. Based on price events such as changing purchase prices or alterations in prices effectuated by competitors an efficient, adaptable and automatical price adjustment process will be launched. The software allows to define free from any constraints new price events that are to be reacted to. The event-driven price alignments save a lot of time to the purchasing manager, as they support him comprehensively in his daily work, thus assuring his long-term margin targets.

Event-driven Price
Management

The Price Engine 2.0 generates a gross profit increase for the retailer by optimizing the prices of complete product lines. The optimization takes into account the customer's purchasing behaviour based on existing sales data. A new feature of the Price Engine 2.0 consists in the rule-based price optimization of complete product lines that contrary to only optimizing the prices of substitutable items also allows to respect dependencies existing between individual articles that do not show any direct substitutability. In addition the software indicates what impact the optimized prices will have on the revenue and sales volume development.

Optimization of complete
product lines

Another new feature consists in comprehensively respecting price rules which guarantee that the user will abide by all restrictions imposed on the price optimization. This price control equipment comprises a noticeably higher number of adjustable screws that range from rules applied to individual articles up to rules used for complete product lines. Moreover the software allows on the one hand a flexible mapping of regional or product line specific price zones and their interdependencies and on the other hand the respect of price rules applied to with regard to concurrent prices. This process enables to exhaust the possibilities of price differentiation to a maximum degree.

Comprehensive respect of
price rules

More transparency and control by means of price monitoring

An integral part of the software is the price monitoring function that provides the user with a maximum degree of transparency and control. The sales prices and margins are continuously monitored by the Price Engine 2.0; in case of plan deviations the user will be given recommendations how to proceed. The software thus allows an active and event-driven detection and indication of price optimization potentials. After the optimization has been completed, the realized prices and the yielded margins can be verified at any time.

Continuous disclosure of
optimization potentials

New user interface – clear arrangement and intuitive use

The new user interface of the Price Engine 2.0 trumps up with a clear arrangement and an intuitive handling. The easy-to-use interface allows a quick pricing process. Required training in using the software has been reduced to a minimum, thus allowing the retailer to embed the software knowledge within his company simply and sustainably according to the Train-the-Trainer concept.

Quick pricing processes

Practice-oriented tool

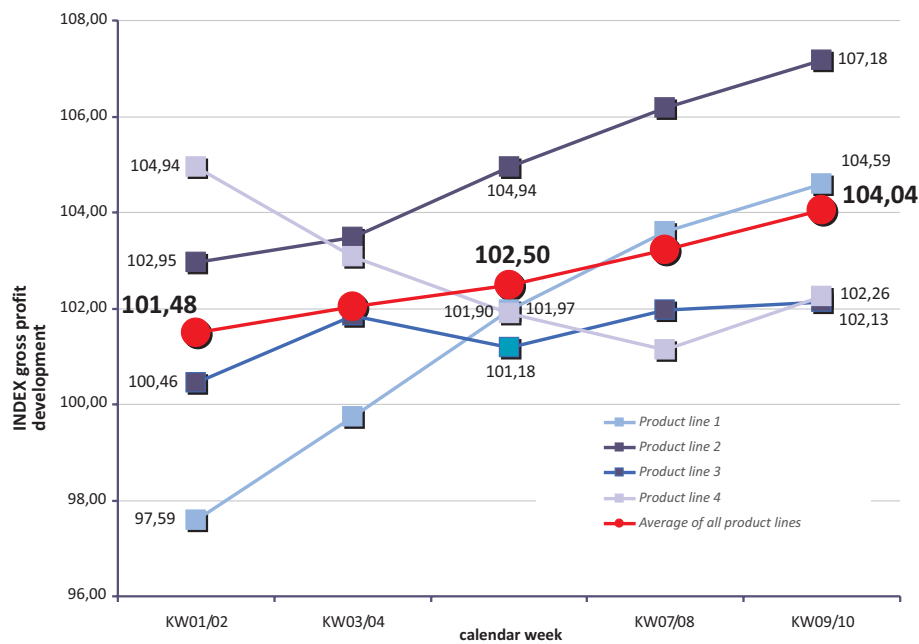
- ▲ The price optimization maintains and enhances the positive overall price perception of a product line. Suggestions for „extreme“ price changes, especially those in key articles, are eliminated, price increases are automatically balanced out by initiating beneficial price reductions for alternative products.
- ▲ Both important psychological price thresholds and the company's own price strategy („all prices exceeding one Euro end with a 5 or a 9“) are not only taken into consideration, but even skillfully used to their full capacity.
- ▲ Prices can be optimized based on regional differences. To do so, the price model integrated into the Tactical Price Optimization uses different customer preferences and given differences in the offered product range to calculate regionally optimum product lines.

Clever and tactical price game

Sustained assurance of the gross profit

By simply optimizing the permanent prices, an average gross profit increase amounting to two to four percent can be achieved for almost all appropriate product lines. Especially in the neglected product lines belonging to the peripheral assortment, you can often find unused potential allowing an even more distinct gain. The Price Engine allows you to pursue a sustainably thought-out price strategy that helps you considerably increase your gross profit by ensuring your competitive advantage. Generally the Return on Investment of the Price Engine will be achieved within one year.

Measurable gross profit increases by two to four percent



Average gross profit increase of 4 %

Alignment to the existing process

The Price Engine 2.0 offers any retailing company the possibility to find its individual entrance. Different requirements to be met in the pricing process can be adjusted without any difficulties. If the daily price questions the retailer is confronted with only differentiate between key articles and peripheral assortment, this process will receive an optimum event-driven and automatic support. Depending on the assortment depth and breadth, it may be useful to realize a more detailed differentiation with regard to the role definition of A/B brands, store bands, key articles and the peripheral assortment. In this way the Category Manager is able to deposit a clear target system effective for the different price roles held by individual articles or product lines. By means of this approach the software guarantees the respect of a pre-defined Category Management process.

Integration into the daily work of the Category Manager

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