

WHITEPAPER

INTERNET RETAILING



TABLE OF CONTENTS

Introduction	3
About Competitor Price Tracking	5
Essential Elements of Competitor Price Tracking	8
Market-Driven Price Changes	8
Promotional Price Changes	9
Seasonal Price Changes	9
Methods of Competitive Monitoring	11
Manual Price Tracking	11
Automated Price Tracking	12
Self-Service Automated Price Tracking	12
Full Service Automated Price Tracking	12
Conclusion	14





In an increasingly competitive and sophisticated market, no e-commerce brand can afford to take their eye off the ball when it comes to pricing - of all the pivotal moments in turning a visitor into a customer, it's one of the most important.

> Jay Radia, Yieldify CEO



"The moment you make a mistake in pricing, you're eating into your reputation or your profits." -

Katharine Paine

E-commerce managers are always looking for the next tactic to edge out the competition, and few factors are more important than the pricing strategy of their retail offerings. Time and time again, price has proven to be the most significant purchase influencer for consumers everywhere, regardless of what other values they consider when making their purchasing decisions.

Due to the powerful impact that price has on consumer purchasing decisions, an entire industry has rapidly grown with the express purpose of helping consumers find the lowest available prices for their desired products. Consumer price comparison is no longer limited to what's locally available, but instead has become a worldwide search through a constantly shifting set of competitors.

Google Shopping, Shopbot, Nextag - the list goes on and grows every day, and the industry's offerings also grow in both accuracy and comprehensiveness. With comparison-savvy consumers everywhere, the only way ecommerce managers can stay ahead of the competition is to ensure that competitor price monitoring plays a fundamental role in the execution of any e-commerce strategy.

This guide will explain:

- The role of competitor price tracking as a fundamental part of any e-commerce manager's sales growth and profit margin development strategy
- How competitor price tracking is currently deployed on a global scale
- How competitor price tracking can benefit a range of performance metrics from customer loyalty to profit margins

For a more general overview of the benefits of competitive monitoring strategies, be sure to read Part 1 of The E-Commerce Manager's Handbook from Competitor Monitor.

COMPETITORMONITOR.COM

0



ABOUT COMPETITOR PRICE TRACKING

✓ ABOUT COMPETITOR PRICE TRACKING

Competitor price tracking provides e-commerce managers with real-time data that creates immediate transparency on current competitor prices and pricing strategies, historical data around previous strategic and tactical pricing trends, and provides insight on recurring pricing strategy changes. When properly analysed, this data becomes an immensely powerful tool that provides both a snapshot of competitor's current goals while offering deeper insight into the supplementary strategies employed by the competition across range of factors, from supply chain and inventory to planned promotional offers and product launches.

There are several different rationales behind pricing strategy adjustments. They may be driven by promotional activity and seasonal influences or more common market-driven pricing strategy changes that occur based on external factors which are out of the control of even the most competent e-commerce manager. Regardless of the cause, each of these strategic rationales provide their own unique opportunities for retailers to gain a competitive advantage, provided that the data is accurately collected and effectively analysed.

Why Implement Competitor Price Tracking?

The most important reason to implement a competitor price tracking strategy is also the simplest: competitive pricing drives sales.

However, while price is the most important sales driver for consumers, this does not mean that simply undercutting the competition is the optimal response to marketplace pricing strategy shifts. Given a sufficient range of historical and real-time data, and depending on the e-commerce manager's strategy, they can use the competitor information provided to identify trends in pricing strategies that provide new strategic opportunities that avoid the race-to-the-bottom pricing which only minimises profit margins and harms all retail businesses involved. Properly implemented and executed competitor price tracking provides a number of opportunities for the forward-thinking and ambitious e-commerce manager, from maximising profit margins to anticipating upcoming promotional pricing events from competitors.

Case Study: Ethics vs. Price

A recent study commissioned by product sourcing analysts at Trade Extensions found that 80% of consumers polled in the US and the UK agreed that it was important for companies to behave ethically and sustainably in their product sourcing and other business dealings. However, when it came time to rank the three most important factors that governed their purchasing decisions, 40% of consumers ranked price as their most important consideration when making a purchase, well above 'value for money' which only 30% of respondents ranked first, and far ahead of 'quality' which 16% ranked first. Ethics and sustainability was only rated as the most important factor during a purchasing decision by a mere 2% of respondents. In addition to these opportunities, there are more subtle considerations. The globalised nature of retail supply chain drives most e-commerce retailers to seek opportunities to remain competitive by executing leaner operation plans and highlights the impact that shifts in the global currency markets can have on profit margins. If the Chinese yuan shifts in value against the Japanese Yen and the competition sources their inventory from China, a savvy e-commerce manager should press the advantage in a timely manner by undercutting the competition on popular products that already may operate on slimmer profit margins.

No examination of competitive pricing strategies would be complete without one final element to consider on the issue of pricing: perception of price. A study conducted in 2016 by Bain & Company and ROI Consultancy Services identified a phenomenon now known as 'pricing credit', where certain retailers are perceived to be offering better prices on average than their competition - even when the opposite is true.

Every business has a different strategy for maximising their profit margins and maintaining their competitive market share, but the decisive e-commerce manager can dramatically improve the effectiveness of any pricing strategy with more accurate pricing intelligence.

Case Study: Amazon, the Discount amazon Retailer That Wasn't

Online retail giant Amazon is widely perceived as having the best prices available online, regardless of whether or not the data actually supports this conclusion. This is largely because Amazon pricing strategies capitalise on the perceived price phenomenon among consumers.

Amazon carefully tracks popular products across all market sectors it participates in and consistently undercuts the competition on the most popular products in a given sector.

This practice arguably leads consumers to conclude that Amazon should be their first port of call when looking to make online purchases, and yet it is not uncommon for the retail goliath to do the opposite by actually increases the prices on less popular items that are supplementary purchases.

Because consumers are more likely to do price comparisons on popular big-ticket items such as televisions, they often infer that these same discounts apply to related purchases such as HDMI cables, speaker systems and other related audio/visual equipment. COMPETITORMONITOR.COM



ESSENTIAL ELEMENTS OF COMPETITOR PRICE TRACKING





✓ ESSENTIAL ELEMENTS OF COMPETITOR PRICE TRACKING

A comprehensive competitor price tracking strategy identifies three primary areas for data collection and analysis:



Each element provides a unique range of data-driven insights for the attentive e-commerce manager, and together they form a complete picture of the pricing strategies used by each competitor.

Market-Driven Price Changes

Market-driven price changes are some of the most difficult pricing adjustment strategies to predict, regardless of how much competitor pricing data is available. Most market-driven pricing changes predominantly reflect the impact of supply and demand pressures, which tend to fluctuate dramatically based on market factors that are not immediately identifiable.

These price changes could be made easier to track and predict through the implementation of consistent price monitoring initiatives, ideally by using automated price tracking solutions that provide customisation functions to ensure the competitor pricing data received are tailor made to provide immediate pricing intelligence.

Taking advantage of real-time pricing data from the competition and adjusting prices to match can ensure that previous customers stay loyal. Additionally, any supply chain issues affecting the competition can be capitalised on in order to maximise profits by offering attractive prices that are still above the average price but below what the competition is forced to charge.

Case Study: Desktop Computer RAM

In the past few years, the pricing trend for computer memory (RAM) products in the computer electronics marketplace has been a consistent decrease in overall cost. Q3 2016 experienced a sudden and sharp rise in the supply cost of RAM chips which naturally drove most retailers to increase their prices, passing on the cost to the consumer.

The rapid price increase was driven by supply issues associated with supplier manufacturing operations. Major power outages during production caused entire product batches to be discarded, creating a shortage.

E-commerce managers who carefully monitored the pricing increases realized that all existing inventory that had already been purchased could still be priced for consumers at the new, higher cost, leading to a surprising increase in sales volumes and profit margins, while those who were slower to react missed the opportunity.

Promotional Price Changes

Promotional pricing is one of the most potent tools available to the e-commerce manager when used and managed effectively. Many customers have grown so accustomed to purchasing items at a discount that they will withhold purchases until an appealing discount appears.

Case Study: Luxury Apparel Retail

The apparel industry is one of the largest in the world, worth over \$3 trillion dollars annually world-wide. A recent study by global marketing analytics firm Edited indicates that 114 U.S. fashion retailers mispriced their promotional discounts during 2016, which counterintuitively resulted in an extended period of time before the discounted items were purchased.

Items targeted to the luxury market actually last longer on the shelf when discounted between 50-60% off than those discounted just less This is a perfect example of how perception of value can dramatically impact sales numbers, as Edited calculated that over just the retailers they studied, nearly \$10 million USD was discounted unnecessarily over a single year.

A dedicated e-commerce manager could target their promotional prices to maximize sales, clear out old inventory and still generate profits above and beyond the competition.

Beyond perception of value in the products themselves, a new phenomenon has arisen that inhibits the impact of generic promotional pricing. Retailers could formerly rely on promotional pricing to generate a sharp increase in sales, but many customers are used to products being discounted without the perception of a discount. There are numerous ways that online retailers can overcome so-called 'discount fatigue' without hurting their bottom line, but the simplest method is to offer specific promotions to targeted customers that have already exhibited interest in specific products rather than offering store-wide discounts that have lost their impact.

Seasonal Price Changes

Pricing in most product-based markets ebbs and flows throughout the year, depending on a range of factors that influence their desirability to consumers at any given time. Sales of swimsuits and outdoor sports equipment typically peak during Summer months, sales of winter coats typically peak in Fall and Winter, and sales of umbrellas and raincoats typically peak during Spring. Understanding how and when the competition re-prices their offerings to capitalise on these trends offers e-commerce managers several opportunities for maximising their profits and ensuring customer loyalty.

Seasonal pricing changes are not exclusive to the four traditional seasons of the year, but can also be affected by constructed seasons such as the holiday shopping season, Black Friday and Cyber Monday and the back-to-school shopping seasons. These artificial seasons have just as much impact as their natural counterparts, although different industries are affected. Most importantly, the seasonal timing of these artificial purchasing seasons are more subject to change and disruption.

Case Study: Back-to-School Sales amazon and Amazon Prime Day

The 'back-to-school' sales spending is second only to holiday sales spending in the United States, and many retailers count on sales during this period to maintain their quarterly and yearly profits. According to data from analytics firm Cardlytics, the launch of the first Amazon Prime Day on July 15, 2015 shifted the back-to-school sales season that year forwards, and sales dropped off sharply much earlier than usual. While Prime Day was regarded as a disappointment by many customers, Amazon still reported a 93% increase in sales on that single day, and many other large online retailers began to follow Amazon's lead in 2016. COMPETITORMONITOR.COM



PRICE TRACKING METHODOLOGIES

✓ PRICE TRACKING METHODOLOGIES

Manual Price Tracking

Manual price tracking is the process of monitoring competitor prices by hand on a continual basis, and then collating and analysing the data to look for trends. This process has a number of a drawbacks, but the most prominent is time investment required to develop a complete dataset. Manually monitoring competitor websites across just a few hundred products can require the assignment of multiple full-time employees whose time, energy and cost would be better spent in other aspects of the business. Most online retailers offer more than just a few hundred products, which dramatically increases the amount of resources required for the process.

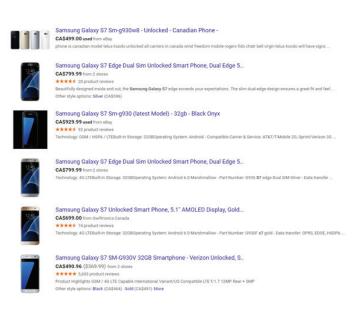
The time required to collate and analyse competitor pricing information across such a large dataset means that it is virtually impossible to react quickly enough to take advantage of any opportunities highlighted by the data. In an e-commerce world where customers can shop at any hour of the day or night, every hour that the competition has better prices is a lost profit opportunity.

Even combining a manual monitoring strategy with some of the price monitoring tools available to the consumer doesn't greatly improve the efficacy of manual monitoring - and it can seriously degrade the quality of the data. The potential for human errors in data sourcing and data entry are vast, and only get more complex when the nuances of a product offering are extremely varied.

Case Study: Samsung Galaxy S7 SAMSUNG

Consider an small electronics retailer that sells high-end smartphones and accessories. Attempting to implement a manual price tracking strategy for even a single product such as the popular Samsung Galaxy S7 smartphone would present an incredibly time consuming task. There are numerous models of the phone available, as well as some that are only functional in certain cellular markets, refurbished models, and potentially margin-destroying counterfeit offerings.

A single search of the Google Shopping price comparison website for the Galaxy S7 is filled with time- and resource-heavy manual analysis and potential pitfalls, and this is only a single product from a single manufacturer. Add to this the hundreds of other products that the average smartphone retailer offers, multiply it by the number of competitors and again by the rapid rate of pricing changes, and the true scope of the issues behind manual monitoring become quite evident.



Automated Price Tracking

In contrast with manual price tracking, an automated price tracking solution removes the largest barrier that prevents retailers from fully maximising opportunities competitor monitoring solutions present. The introduction of technology to automate competitor intelligence initiatives significantly eliminates the tedious and resource-heavy process of manual collation and analysis of data leaving e-commerce managers with more time and resources to dedicate to taking action on gathered intelligence.

Automated price tracking solutions are divided into two main categories: full service automated price tracking and self-service automated price tracking. Each has their own strengths and weaknesses, but both options are far more efficient and effective than any manual monitoring strategy.



Self-Service Automated Price Tracking

Self-service automated price tracking is a great way for e-commerce managers to test the efficacy of automated price tracking in a particular niche without investing heavily in the practice. The initial setup process takes some time investment, but once the system is configured with the range of products and competitors to track, the majority of the time investment is on the analytical side of the process.

Self-service monitoring does have several issues that limit the effectiveness of the strategy. The primary concern is the degree of maintenance required to ensure the comprehensiveness of the competitor pricing dataset, as a simple change in a competitor's website may block the monitoring system from retrieving accurate data. This can lead to flawed conclusions or missed opportunities which could have been avoided by using a dedicated full-service monitoring solution.

Full Service Automated Price Tracking

Full service automated price tracking is the best possible option for businesses that wish to focus exclusively on strategy and minimize their time investment in collecting and parsing competitor pricing data. A dedicated account manager assists in the setup and configuration of the products and competitors to be tracked, and then monitors the process moving forwards to ensure that no potentially useful data gets overlooked. This approach allows businesses to operate as customers rather than as users of the price tracking system, saving a great deal of time and improving the reliability of all competitive pricing data collected.

The only downside to the full service method of price tracking is that there is a higher initial cost involved in configuring and maintaining the system. However, this cost is offset by the savings gained from tasking employees with projects more suited to their particular skillsets, as well as the advantages gained by having reliable and accurate pricing data to use in formulating new strategies.

Don't Over-Automate: A Cautionary Note on Algorithm-based Pricing

Comments made by Commissioner Vestager of the European Commission in March 2017 indicate that the institution will soon be examining the role of algorithmic price adjustment models in European markets, with the goal of determining whether or not they legally constitute price fixing schemes. While no action has been taken as of yet, this potential legal issue highlights the importance of having human analysis and oversight as a key part of any smart e-commerce manager's price tracking strategy. Simply relying on an algorithm to monitor and adjust prices to match competitors price ceilings is an insufficiently comprehensive strategy that may cause serious legal complications in the future, but this issue is mitigated by incorporating an additional level of oversight that approves any price changes resulting from tracking data.





Without a well-planned price monitoring strategy, e-commerce retailers are ignoring extremely valuable opportunities for maximizing profits, increasing market share and maintaining customer loyalty. In order to develop and maintain a competitive pricing strategy, it's essential to know exactly what the competition is doing at all times.

E-commerce managers must consider full service automated price tracking solutions that besides offering intelligent tools to monitor all aspects of the competition's pricing strategies, also provide account managers to help configure the products and competitors to be tracked, as well as help with data analysis and actionable recommendations. Sophisticated autonomous software continuously collates relevant data and ensures that price tracking data is always up to date, regardless of how the competition changes their online presence.

Don't waste valuable time on tasks that can be automated for greater speed, accuracy and frequency in competitor intelligence gathered. Automate pricing intelligence and focus on building a competitive advantage that will last for years to come.

11

u

At Competitor Monitor, we track over 20 million products around the clock on 15,000 websites for over 100 clients across the globe.

See how our intuitive Competitor Monitor platform turns complex competitor intelligence into sustainable competitive advantage

GET STARTED HERE



Helmut Okike Marketing Manager Helmut.okike@competitormonitor.com

ABOUT COMPETITOR MONITOR

Competitor Monitor provides actionable data for intelligent retailers across the globe to outsmart their competitors using our intuitive software platform.

With Competitor Monitor, retailers track their competitor prices, products, promotions, reviews, stock availability, receiving timely alerts around the clock.

We provide intelligent retailers with actionable recommendations, allowing them to take the right action, maximising margins, boost sales and expand their offerings.

