



## Analyst Brief: Retail Price Optimization... Changing Solution Providers



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**Synopsis of Brief:** Retailers seen as early adopters of Price Optimization are now making decisions to change solution providers. Reasons are varied, but the desire for complete visibility of regular and promotional pricing is a key driver. Recent examples of [BI-LO](#) and [7 Eleven](#) making decisions to change providers are described below. -----

### Early Adopters Now Changing Solution Providers

In just eight years, retail price optimization tools have evolved from an inscrutable “black box” technology for enhancing gross profits, to a set of science-based methods widely used and understandable by many retailers to manage base and promotional pricing, and their impact upon shopper demand.

Acceptance and use of price optimization tools by retailers seems to be approaching the mainstream. The economic downturn appears to have spurred interest further as retailers have looked for ways to enhance their competitive positions. Gone are the days of randomly dropping thousands of prices across the store. Now retailers are able to understand how their shoppers respond to price changes on items, both regular and promoted, and provide pricing that truly matters.

While most of the retailer decisions to date have been around selection of an initial price optimization solution, early adopters of price optimization are now making decisions to change solution providers. Of special note are the following:

*-On May 5, BI-LO supermarkets of Greenville, S.C., a strong advocate of price optimization, announced that they were replacing their current system and installing [KSS Retail](#).*

*-On August 19, 7-Eleven, a long-time user and early adopter of price optimization, announced that they were also switching to [KSS Retail](#).*

These announcements, along with previous news of a regional supermarket chain switching to KSS, means that they have quietly become the price optimization solution to take note of. While there are multiple reasons for this, several key points seem to be consistent amongst retailers utilizing KSS:

1. High retailer success rate with price optimization. Retailers using KSS have been successful in using the tool to improve competitive positioning while putting more money on the bottom line. This is helping retailers build and implement a long-term, sustainable business plan around pricing and promotions.
2. It seems they have ‘cracked the nut’ on providing a tool that integrates the modeling of regular and promotional pricing. This was one of the primary reasons listed by BI-LO for switching to KSS Retail, where Mart Orr, Director of Pricing stated “We now have the ability to optimize both regular and promotional pricing together, providing us a more complete understanding of how our customers shop a category.”

3. They provide a tool that is self-learning and fast, so that it can be used throughout a retail organization. Pricing and promotional decisions are made by numerous people in a merchandising department and retailers using KSS have been able to move price modeling out to the desktops of category managers and buyers, where most of these decisions are made. This seems to be empowering a new level of retailer/vendor planning and negotiations, as promotions can be modeled, evaluated, re-negotiated and finalized in a matter of minutes.

In talking about KSS Retail, Charles Owen, recently retired Executive Director of Marketing Technology at Ball's Food Stores stated, "If a retailer asks me, I would tell them that if they want to be more competitive and increase their bottom line, this is the way to go. We use the tool everyday to evaluate vendor promotions and ad-based promotions. We've declined promotions, because many have a negative impact on the sales and profit of a category. This product paid for itself almost immediately."

Success with price optimization seems more likely to happen when a retailer, with their years of experience and knowledge of their markets, is able to utilize modeling and optimization in their daily workflow and decision making. Sometimes the decisions may be to just 'tweak' a promotion, or slightly change an everyday retail, but at the end of the day, these changes are helping retailers provide value for their customers and enhanced profitability for their organizations.

To watch the complete video of Charles Owen at Ball's Food Stores, follow this link:

[http://www.youtube.com/watch?v=U\\_-lwZ9a9xc](http://www.youtube.com/watch?v=U_-lwZ9a9xc)

To research more about KSS Retail: [www.KSSRetail.com](http://www.KSSRetail.com).

***Marc Millstein is Founder and President of RetailConnections, a thought leadership company that specializes in bringing together senior retail executives to network, learn and share. RetailConnections hosts a number of Summits, conferences, brainstorming dinners and other customized events and keeps track of the most important trends taking hold in the industry. For more information, contact RetailConnections at 914-620-5947 or [marc@retailconnections.biz](mailto:marc@retailconnections.biz)***