



Best of both worlds' pricing for a retail pharmacy chain

Problem

A large retail pharmacy chain was on a journey to lower customer price perception but did not have capabilities to do that with granularity or precision. It had a highly complex promotion environment for its customers, which required a solution that could address those complexities while improving margin. It started with one category and wanted to understand how its role as a trip driver could translate into better pricing decisions at the SKU, price zone level.

Solution

Using Converge's Price Optimization product, elasticity models accurately predicted how customers would react to new pricing structures and price points, including complement and substitute effects, at the SKU, price zone level. The client then used Price Optimization to run more than 30 scenarios, experimenting with different constraints and margin/unit trade-offs, ultimately choosing the scenario that delivered a "Goldilocks" scenario: lift for net sales, gross profit, and units.

Impact

1.3%
net sales lift

2.1%
gross profit lift

0.5%
unit lift

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