

# PRICE AND PROMOTION OPTIMIZATION ENGAGEMENT

Pricing analytics engagement for a leading global spirits and wine manufacturer



## Price and Promotion Optimization Engagement

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### Client:

**Leading spirits and wine manufacturer in the US**

A well-renowned wine manufacturer in the United States wanted to develop a more precise pricing and promotion strategy by leveraging their customer, procurement, and manufacturing data.

Due to the regulatory norms prevalent in the US, they had to conduct their business either through distributors or state government agencies depending on the state.

## Scope of Coverage

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- 4+ YRS. OF SALES DATA
- 20+ STATES
- 30+ PRODUCTS



## Business Case

*Price and promotion optimization for ensuring maximum margins and sales*

To establish the desired shelf price for each SKU, which would also include distributor price. The client wanted to account for various parameters – distributor margins, state/local tax, pack size, promotion support, freight, production, and supply chain costs.

Due to complexities in the regulatory environment, the client was looking for a vendor to optimize the prices and promotions across the entire product portfolio and ensure maximum margins.

## Approach

*Data used, models applied, and the dashboard themes that we developed*

### STEP 1:

Data dictionary for Customer, Pricing, Procurement, and Supply Chain Data

Assumptions and exclusion criteria were applied for data cleansing – missing values for product ID, prices, and sales, exclusion of rows with zero sales values and missing prices.

### STEP 2:

Integrated multiple data sets at Product ID, Account ID and Date-Time stamp level.

Applied clustering methods to defined distributor/agency segments based on key demand drivers, type, product, and pricing data. Based on the evaluation of the client's internal pricing infrastructure and processes we then built multivariate regression models for quantifying elasticity and redesigning the pricing strategy, product demand, purchase behavior, and promotion response.

### STEP 3:

Developed a real-time pricing tracking dashboard integrated with the pricing models.



**"We created a real-time price tracking dashboard integrated with the pricing models"**

- Analytics Expert at Quantzig -



## Insights and Business Benefits for the Client

*Strategies that we recommended based on our analysis to drive higher sales based on optimal price setting.*

- Established a centralized and consistent approach to the ongoing setting and managing of distributor pricing-resulting in improved margins.
- offered real-time updates on prices of SKUs along with cost and discount information.
- Complete visibility of product prices, discounts, sales and distributor segments to the organization hierarchy based on the designation.
- Price performance measurements based sales volume and margin forecasts at the SKU level.
- Considered the impact of seasonality and advertising.
- Forecasts had >90% accuracy.
- Delivered a price simulator which allowed the client to set future prices based on state, costs, discounts, distributor segment, price, and other variables.
- Provided the ability to simulate scenarios and see how price changes affect the overall profitability.
- Estimated the volume of SKUs that would be sold.
- Helped maximize margins by computing shelf price based on variables like volume, tax, and supply chain costs.
- Analyzed promotion responses based on sales volume, promotion costs, and timing.
- implemented a more structured approach to promotions that reduced costs.
- Targeted campaigns during different seasons for different brands, improving sales across distributor segments.

## Benefits



Identified profit opportunities across 5 states



Improved sales



Reduction in costs based on optimized and targeted promotions



Transparency across the business

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# About Quantzig

A pure-play analytics services provider



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For more 15 years, we have assisted our clients across the globe with end-to-end data management and analytics services to leverage their data for prudent decision making. Our firm has worked with 120+ clients, including 55+ Fortune 500 companies.

At Quantzig, we firmly believe that the capabilities to harness maximum insights from the influx of continuous information around us is what will drive any organization's competitive readiness and success. Our objective is to bring together the best combination of analysts and consultants to complement our clients with a shared need to discover and build those capabilities and drive continuous business excellence.