RWS
RETAILER WEB SERVICES

## 6 STEPS TO A SMART PRICING STRATEGY

As an independent retailer, online pricing is a critical part of your business. Price too high and shoppers are likely to look elsewhere. Price too low and you miss out on valuable margins.

There are dozens of options to customize consumers' e-commerce shopping experience with upsells, cross-sells, delivery calculators, out-of-cart pricing, zip code restrictions, discount codes, rebates and more.

Independent retailers using the WebFronts® platform have several pricing formulas which can be used in combination to achieve retailers' desired outcomes. When it comes to winning over today's empowered consumer, follow these 6 Steps and pricing scenarios to craft a smart online pricing strategy:

1 Commit to price as many products as possible.

End-consumer research conducted by RWS found 85% of online shoppers will leave a durable home goods store's website and go to another if pricing isn't displayed. Consumers report they assume the price is too high when prices aren't displayed. While showing prices online is important, it doesn't have to be all or nothing. You can begin in increments, e.g., one brand at a time, earning returns on your efforts as you go.

$459 $899
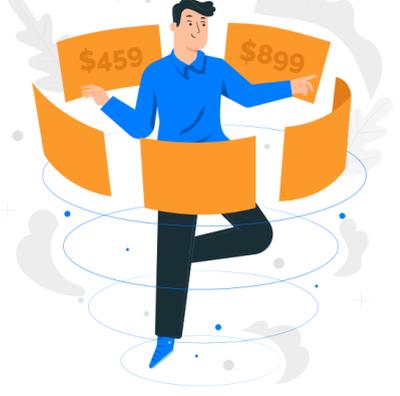
2 Price by brand, not by category.

There is no one formula that will work equally well for every brand. Individual Online Pricing Policies can differ significantly. Sometimes you can discount 10% from MAP; sometimes you can't deviate from MAP by one cent. Some brands will be unique to your marketplace; others will be found at all competitors. These variations should be reflected in the strategy you choose for each.

Make a prioritized list of your top five brands. You'll likely be able to reuse your work and set the same formula for more than one brand. This way, you'll make faster progress than trying to devise one formula for everything at once.

3 Know your options and stack multiple sources.

With values including MSRP, MAP, PMAP, UMRP, cost, competitor prices and more, retailers can stack multiple sources to ensure the maximum number of items are priced. And, with LAP (lowest available price) available for brands like GE, LG, Frigidaire and Electrolux, retailers can sort the pricing sources in their stack, starting with the most conservative option, according to vendor pricing policies. With the following "Cascade Formula" pricing, you begin with the first and cascade down to the next until a valid price can be calculated:

Cascade Formula Scenario: Want to price a certain brand's models at LAP, but not every model number in that brand has LAP at every moment in time?

Stack other conditions: If there's no LAP, display something based off a different guide price, like PMAP, then MAP followed by the lowest online price from your three biggest competitors. Now, every model in this brand with a LAP displays a smart price as do the models without a LAP, PMAP and MAP.

What if a model number doesn't have any of those prices and isn't on the websites of your three biggest competitors? Stack on another. If there is no LAP, PMAP, MAP and this model has no online competitor price, then display a price of 30% above your cost.

$299 $292 $286 $279

4 Focus on date ranges for major brands.

As vendors release new pricing policies, retailers can know what to expect throughout the year and prepare to update their pricing strategy accordingly. Better yet, pre-set vendors' pricing changes well in advance so you don't have one more thing to worry about during busy holiday seasons. For example:

Holiday Scenario: What if a brand can be priced at MAP minus 10% for the entire year except during the Black Friday pricing period when items must be priced at or above MAP? With advanced pricing tools and the dates for when this pricing period starts and ends, you can set a standard formula to equal MAP minus 10% for the entire brand, schedule when the prices should change to equal MAP, then schedule when prices should revert to MAP minus 10%.

5 Determine how best to display rebates.

If you sell appliances, you contend with mail-in rebates. How your website displays rebates along with each product's price has a significant impact on your competitiveness — and your profit margin. Clearly identify products that qualify for mail-in rebates and make it easy for consumers to navigate to them by brand, category and specific rebate program.

REBATE

If you're going to show a price after mail-in rebate on your site, ensure deducting that amount doesn't violate manufacturers' Online Pricing Policies or local laws. When modifying a price to show it after mail-in rebate, ensure your site passes the prices before rebate through to the shopping cart. It's often best to add a rebate amount to your online price before you subtract it. Here's why:

Rebate Scenario: Perhaps you normally sell a range for $899 to compete with your online competitors and you can offer a $50 mail-in rebate for this item. Simply subtracting the rebate amount from the price you've matched to your competitor is a common strategy:

YOU PAY: $899
MAIL-IN REBATE: -$50
PRICE AFTER REBATE: $849

Or you could make subtle change that significantly affects your bottom line. Your store still looks competitive (your price of $899 after rebate matches your competitor's price), but you're not giving away the rebate:

YOU PAY: $949
MAIL-IN REBATE: -$50
PRICE AFTER REBATE: $899
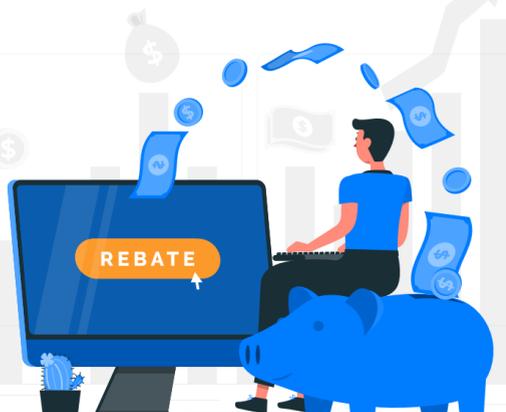
6 Consider market value to preserve margins.

To help ensure you're competitive while not leaving money on the table, consider deploying certain rules around multiple sources of guide pricing. For example, if Home Depot is your primary local competitor and generally prices an appliance brand at the prescribed MAP, but it has deviated from this formula for some models. The following "Maximum Formula" pricing uses the maximum value among the prices calculated:

Maximum Formula Scenario: A certain refrigerator may have a MAP of $999, but Home Depot has it priced at $1,149. To be competitive while maximizing your margins, you can employ a pricing strategy that uses the highest price between MAP and Home Depot.

In this case, $1,149 would be the price of your refrigerator and you would have earned an additional $149 with a smart pricing strategy in place. Or a refrigerator may have a MAP of $999, but Home Depot has it priced at $849. Using the same formula where the higher price is chosen, you ensure you're in compliance with your vendor's pricing policies.

No matter the smart pricing strategy, ready to leverage the rich automation tools of WebFronts?

Schedule a demo today with RWS to see everything you need in an e-commerce web presence PLUS marketing automation.