Creative Pricing Strategies for Brands: Proven Tips for Boosting Your E-Commerce Profitability

channeladvisor®

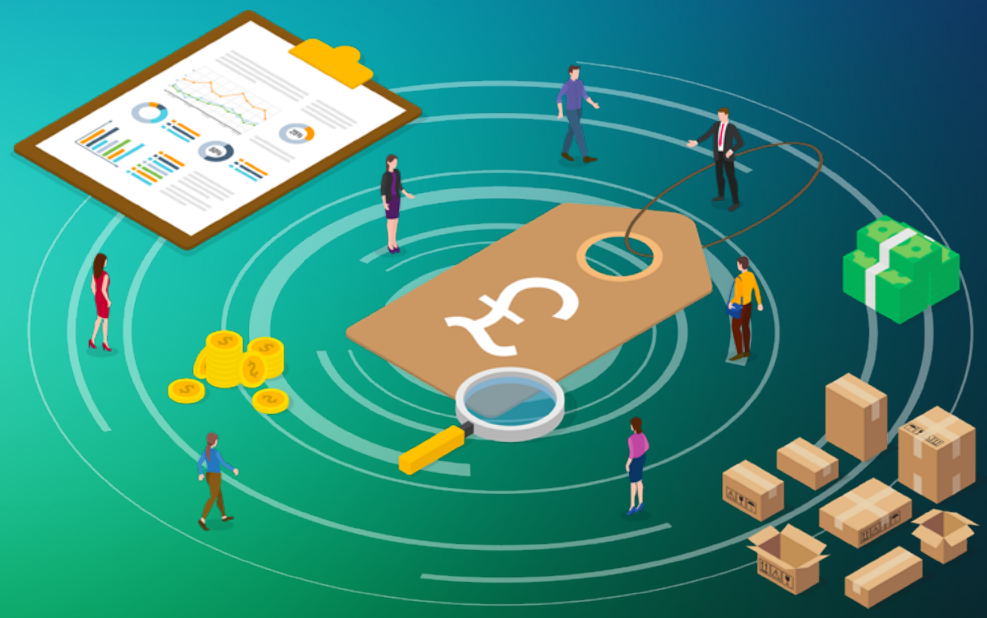
Brands and manufacturers are striving to catch up with new trends like never before. And as customer behaviors continue to evolve at a rapid pace, one issue is proving to be particularly paramount: pricing.

With more people than ever turning to online shopping channels — one recent ChannelAdvisor survey shows 52% of consumers will turn to e-commerce even more in the future — many are becoming increasingly price-sensitive. And it's causing brands to reevaluate some long-standing strategies.

In the midst of all this change, there is good news.

Many manufacturers are discovering new, creative pricing tactics that can both increase brand equity and keep margins high. Based on proven best practices and real-world success stories, this eBook covers several of the most effective, healthy pricing strategies available to brands today.

Ready to get started? Let's dive right in...



Keep online and offline efforts in harmony

It can be easy to view online and offline retailers as little more than head-to-head competitors. But it would be a mistake to forget these entities form a valuable ecosystem — one where each player needs the other to thrive.

Even as e-commerce sales increase, many online retailers still need the kind of product visibility only brick-and-mortar stores can provide. High-street shops generate demand for many brands and often play a critical role in product discoveries — particularly when the purchase involves items people prefer to touch, feel, see and compare in person. And they can have a big impact on price comparisons and evaluations.

It's not just online retailers that stand to benefit from strong relationships, of course. Brick-and-mortar stores need online retailers for the readily available information they provide. Why? Because consumers spend a lot of time evaluating purchases online. According to recent research from eMarketer, 69% of US shoppers are likely to conduct research online before making a purchase in-store. Many are swayed by options to buy online and pick up in-store — a trend that continues to grow in influence with the increased adoption of "click-and-collect" services in 2020.

Throughout each of these touchpoints, keeping online and offline channels in harmony is critical to landing sales and driving revenue. It can be a delicate balance to maintain, but is highly important when it comes to keeping prices competitive. For brands that don't have the budget for a detailed e-commerce website, online retailers can provide the lifeline needed to keep pace with consumer expectations for online research and price comparisons. Even brands that do have an e-commerce website will need to create a seamless experience as consumers move from online discovery to offline research and back again.

"Buying a baby stroller is not a personal impulse. It's a family event. Consumers research products online and then visit the store to touch, feel and try long before they make a purchase."

– Christopher Grech-Cini,
Sales Manager, Baby Jogger®

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And truth be told, pitching one against the other can have some serious unintended consequences: high discounts online can lead to reduced sales offline, which in turn will push products from brick-and-mortar displays and eventually cause a dip in online sales. It's a pricing scenario no brand would intentionally create, and yet it happens all the time.

So, what's the best way to steer clear of upsetting the balance?

Bear in mind that brick and mortar stores face higher overhead compared to e-commerce websites and can't always afford to offer discounts as easily as online retailers. This can lead them to fall out of love with a brand if they can't make any margin, which can cause visibility and sales to dwindle when they start removing products from the floor.

To prevent this from happening, it's important to look at your online distribution from the store's perspective. When prices online are too aggressive, you may want to find ways to support your offline sellers with temporary subsidized promotions or long-term lower wholesale prices. This will help create the balance you need to ensure sales and profitability stay strong.

Wondering what successful online-offline relationships look like?

Christopher Grech-Cini can tell you. As the sales manager for Newell brand Baby Jogger®, he has a lot of experience in this area.

"I manage both high street retailers and online retailers, which together form an ecosystem — one that's extremely important to maintain," he says. "In my experience, one doesn't work without the other. So I need to keep them all happy and healthy."

Grech-Cini relies on detailed analytics to stay ahead of any potential product pricing issues, and to maintain strong relationships with retailers. The brand's strategy has been so successful, in fact, that the company was able to open 11 new doors — and reactivate five that had previously fallen out of love with the brand when they weren't able to make margin.

Learn what the brand is doing to keep online and offline channels in harmony:

Read the Success Story

STRATEGY 2

Leverage dynamic pricing for direct sales

With more and more transactions taking place online, many brands and manufacturers are developing direct-to-consumer (D2C) strategies on top of traditional distribution — with good reason. According to eMarketer, direct-to-consumer sales have reached $17.75 billion in the US alone — and more growth is on the way. Nike's D2C sales, for example, now account for an estimated 33% of the company's revenues, and many other forward-looking brands are following suit.

While D2C channels can be a lot of work, the process also comes with numerous benefits. It can help build brand equity, strengthen relationships with loyal consumers and increase profit margins. Perhaps most importantly, the direct-to-consumer model provides a direct line to valuable sales and marketing data.

It's little wonder, then, that so many brands and manufacturers are building out their own e-commerce websites. But doing so begs an important question: Is it a good idea to use dynamic pricing?

This can be a tricky issue to answer, especially when factoring in manufacturer suggested retail price (MSRP). In an ideal world, most brands would prefer to see retailers permanently listing products at MSRP—and may be reluctant to encourage price fluctuations and permanent discounts on their own e-commerce sites. In reality, however, prices don't stay at MSRP forever.

In every market, successive waves of discounts from retailers typically stick in some way and can eventually lead to price erosion. So if your e-commerce website sells all products at MSRP, your prices may become irrelevant to consumers who compare listings across channels. And your sales could dwindle, fast. Even the most loyal customers are unlikely to accept a 30% markup simply to order directly from a favorite brand.

For this reason, it's a good idea to consider implementing some degree of dynamic pricing on your e-commerce website. Exactly how this strategy should be implemented will vary based on each brand's unique goals, but the overall impact can be significant. By adjusting your e-commerce website prices to stay in line with market prices, you could potentially claim a lot more direct sales. In some instances, you might even choose to set new price references for resellers to indicate when it's time to update "old" pricing and make way for new products.

Using dynamic pricing for direct sales — without disrupting wholesale distribution.

Wondering what a successful e-commerce website dynamic pricing strategy looks like? Just ask Sylvain Caubel. As BÉABA®'s Chief Digital Officer, Caubel has focused a lot of effort on growing the brand's direct-to-consumer website. It's a bold move for a company that massively relies on wholesale to distributors. But Caubel says his customers are price-driven, at least in part, and that the brand would be missing out on a lot of sales by maintaining all prices at MSRP levels.

So he set up a custom pricing engine to help ensure product prices would align with consumer expectations, without creating the friction of direct competition. It worked — big time. The process helped generate a three-digit growth in direct sales, without creating issues with retail partners.

Synchronize promotions

While unending discounts have the potential to be detrimental to a brand's image, occasional promotions can be a great way to draw attention to products and boost sales. And if your entire network executes them at the same time, the benefits can be even more remarkable.

For this reason, many brands can benefit from taking steps to synchronize promotions across the entire distribution network.

One solid option is to plan promotions that make sense business-wise, and then offer resellers the opportunity to opt in. When taking this approach, be sure to include a sell-out allowance, as this will help protect margin and make it more likely distributors will take advantage of the offer.

Syncing promotions in this way can lead to several important benefits. First, because you're coordinating efforts within your network of retailers, there's an increased chance you'll generate more sales for your brand compared to competitors—rather than simply generating more sales for one retailer compared to others. Second, because they have definitive beginning and end dates, these opportunities are actual promotions that can help drive sales — and not create permanent discounts. And lastly, by syncing throughout your network you'll be taking steps to maximize brand visibility.

The question is: How do you plan the right promotions for your brand?

Before you can decide what to offer and when to make any time-sensitive discounts available, it's important to get a clear view of the current pricing landscape for your products online. With the right data and analytics in place, you'll be able to more easily determine when the time is right to create offers that can be successfully synced across distribution channels.

Did you know?

ChannelAdvisor Brand Analytics simplifies the process of identifying and tracking mission-critical pricing data. Trusted by top brands such as Logitech, Clarins and Smoby, this solution removes much of the guesswork from planning promotions and monitoring key price metrics.

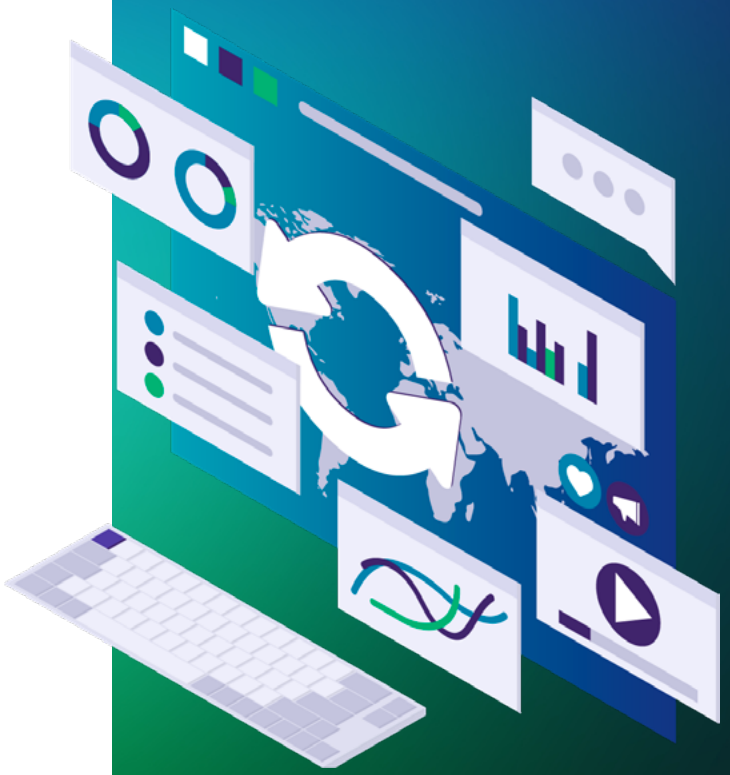
Learn More

Track promotion engagement

When it comes to subsidizing promotions designed specifically for your distribution network, it stands to reason that all of your retailers will opt in. After all, they have nothing to lose by participating — right?

In reality, there will be times when some distributors don't participate. In some instances, they might miss the communication. In others, they may lack the time and resources needed to take action. Either way, there's a chance the retailer isn't as engaged with your brand as it could be.

This issue can be a delicate one to address. But thankfully, there is a relatively simple solution. By regularly monitoring which retailers aren't actively engaging in the brand promotions you subsidize, you can surface deeper issues that may need your attention. This one practice alone can help you better understand different situations from your retailer's point of view, and open the doors to important conversations about what you can do to better support them.



Be creative in boosting retailer sales

It's not ideal, but it happens: For most brands, there will come a time when a retailer is disappointed with the sales velocity of a particular product. In these scenarios, the retailer could ask you to co-finance a temporary promotion to boost sales. But while that might be a possibility, it may not always align with your objectives for the product in question.

Thankfully, there is a strong alternative. By using "where to buy" technology to send qualified leads to the retailer's website, you can help increase sales velocity in a much more organic, and profitable, way. With the latest advancements in shoppable media, this process can be both highly effective and relatively easy to deploy. You simply customize the list of retailers your website visitors will see when they click "buy now," and purchase-ready consumers will be connected instantly to your preferred partners.

By using this method to elevate the position of one particular retailer, you can increase the number of leads that particular partner will receive. As an added bonus, you can use this strategy to offer dynamic shopping links on other channels, too. For example, if you have digital campaigns or social media posts that include "buy now" links, you can customize the target of those links on the fly. When a particular retailer needs a boost, just set your active campaigns to send traffic their way for a few days.

Did you know?

ChannelAdvisor Shoppable Media keeps interested consumers on their path to purchase by providing a seamless, dynamic connection to your preferred retailers. It can be a great way to increase retailer sales without needing to finance promotions or digital activation campaigns.

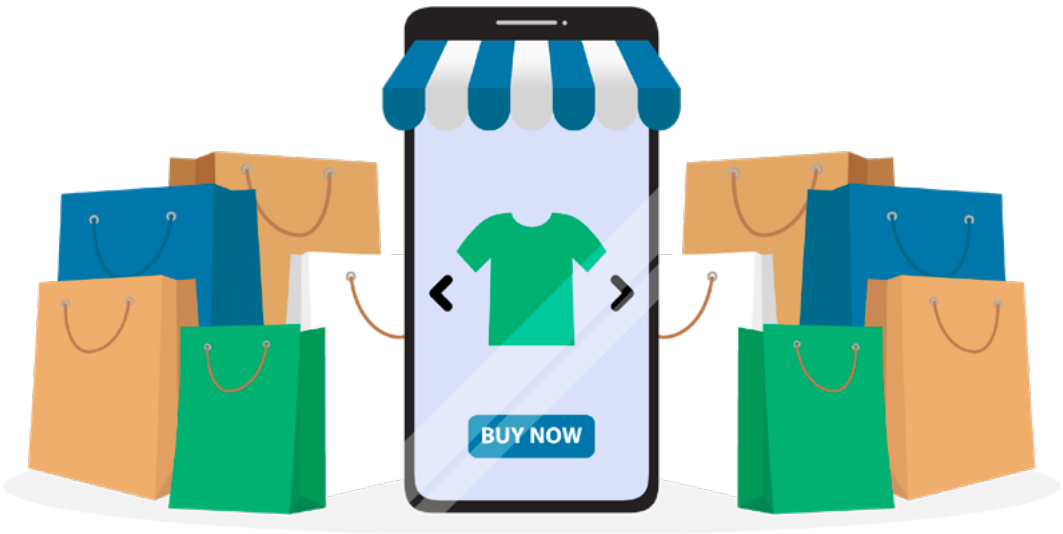
Learn More

Use marketplaces for low-margin products

As direct-to-consumer strategies become more commonplace, and as brands make the move from offline to online e-commerce, many manufacturers are looking to distribute products on e-commerce marketplaces. The reason? This strategy can be a great way to land more sales and generate cash flow.

Not all brands are taking this path, of course. And determining if it's a sound strategy for your brand will depend largely on the characteristics of individual products.

For example, consider the product that's reaching the end of its life cycle. In this instance, the item may be selling well below MSRP — which, in turn, leads to profitability challenges for the brand and retailers alike. Rather than introducing deep retailer discounts to continue moving inventory through wholesale distribution, a better alternative might be to list the product on marketplaces. With consumers spending more time than ever on these channels, leveraging marketplaces can be a great way to achieve more sales without sacrificing profit margins.



Selling in the U.S.? MAP pricing can be a part of your toolbox.

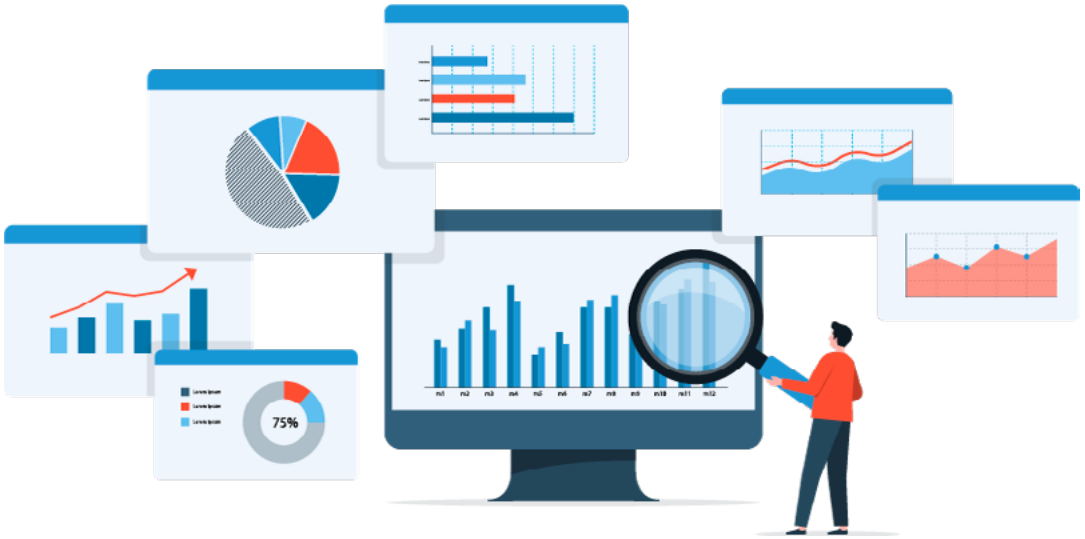
In the countries where they can be used, MAP (minimum advertised price) policies are great tools to prevent price wars and keep your products attractive and profitable to retailers. While adding a MAP clause to your distribution agreement will not effectively prevent your retailers from selling at a discount, it can effectively forbid them from advertising your products below a level that you define.

For brands, the difficulties lie in enforcement. In our experience, MAP policies only work if they are enforced efficiently and consistently. Retailers very often do monitor each other's advertised prices, and will grow frustrated with a brand if they see unpunished infringements.

Keep a close watch on price-matching dynamics

As every experienced brand knows, it's become common practice among retailers to leverage repricing algorithms. These solutions are used to price match competitors, prevent sales losses and maximize margins. Amazon, for example, will often price match retailers in attempts to offer the most competitive prices to its customers.

While you may not be able to control these price fluctuations, you can learn from them. As a brand, it's important to stay up-to-date on the latest product repricing trends so you can plan your own pricing strategies accordingly. The key is to have a tool or system in place that makes it easy to monitor frequent price changes — and not just periodically, but on a continual basis. Since many repricers adjust pricing within a few hours, it's critical to have current and up-to-date information.



Selling internationally? Don't overlook cross-border repricing!

As more purchases are made across borders, Amazon and other retailers are now repricing products based not just on national competition but international prices as well. As a result, it's becoming increasingly difficult to understand where price drops are coming from. And if you're still using different pricing strategies in different markets, this challenge will become even more pronounced, especially in the Euro-zone. As the senior sales planning manager at a major audio brand describes it:

"Amazon is the link that spreads promos throughout Europe. If an e-tailer in Germany is doing a promo, then Amazon Germany is going to follow. And eventually Amazon France, Amazon Spain, Amazon Italy... Then the retailers in those countries will follow as well."

To prevent the risk of losing sales, it helps to develop a cross-border approach to pricing. But how? It all starts with having a firm understanding of how local players are behaving in terms of pricing in each local market. When in doubt, a solution like ChannelAdvisor Brand Analytics can help you gain a greater understanding of each market and make pricing adjustments accordingly.

The approaches outlined above aren't the only pricing strategies available to brands today, but they can be some of the most effective . Now more than ever, it's imperative for brands to stay ahead of the latest pricing trends and opportunities — no matter how frequently they change or how complex they may become.

For this reason, many of the world's largest brands rely on ChannelAdvisor — the industry's #1 channel management provider to the Internet Retailer Top 1000 for the last nine years. With ChannelAdvisor Brand Analytics, brands and manufacturers can get a complete view of powerful pricing and promotion metrics to get (and stay) ahead of the latest developments.

Learn more at channeladvisor.com.

**Each country where you do business may have its own laws and regulations related to pricing and market competition. You must apply your pricing strategy in accordance with local regulations.*

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