In today’s web-centric world, retailers, wholesalers and manufacturers of consumer products know that a firm grasp of marketplace pricing dynamics is critical to maintaining a competitive edge. To stay ahead, they must employ effective short- and long-term price optimization strategies that rely on accurate, rapidly updated market data.
At a time when the strategic importance of responsive pricing management has never been greater, companies also have learned that monitoring the array of websites in their competitive market for accurate, up-to-date data is a task of enormous complexity. The real-time nature of the Internet means that those professionals responsible for pricing must abandon inward-looking cost-plus price models in favor of more rigorous, outward-focused, knowledge-based strategies.

As a result, advanced competitive price intelligence is now a best practice for retailers, wholesalers and manufacturers of consumer products. Professional and advanced SaaS-based solutions identify, compare and analyze pricing and other revenue-related data for a business’s own operations as well as its competitors—data that is critical to making informed pricing decisions.

Why web scraping and flat file delivery are not enough

Comparing competitive online pricing data may be at the core of price intelligence, but today, the practice is much more than just web scraping, web harvesting or web data extraction. It is more than using commodity solutions to pull volumes of data. And it is more than converting unstructured data from websites into structured data to store in a spreadsheet or simple database.

Price intelligence falls into two primary categories. On the one hand are commoditized, web-scraping systems. These systems deliver large amounts of raw data in flat or spreadsheet files. It is then the job of the pricing professional to figure out how to find the crucial kernel of competitive information in the file to make pricing decisions.

On the other hand, more sophisticated pricing intelligence solutions are capable of delivering information exactly as the shopping consumer sees it. They have the flexibility to be able to match on multiple product attributes, as required by a wide array of product markets. Such solutions perform sophisticated web data extraction and deliver information in the form of reports and dashboards.

Advanced price intelligence solutions—the kind that enable effective pricing strategies for optimized volume, assortment management, competitive responsiveness and margin impact—are grounded in identifying and providing meaningful analytical information on the right data. True price intelligence turns data into actionable information.

Going beyond web data scraping, advanced solutions that provide meaningful analytics in the form of easy-to-use reports and dashboards deliver the ability to instantly evaluate the market impact competitors’ changes create. That, in turn, creates understanding of what each change means for margin, market share and the bottom line.

Just as advanced price intelligence goes beyond web scraping, learning to find and identify the best solutions goes beyond asking a few surface questions. Pricing professionals should consider the following issues when evaluating which advanced price intelligence solution will provide the analytics they need to be most effective in their pricing management.

Criteria: The Essential Eight

1. Simulation of consumer shopping process.

A robust solution must correctly simulate the consumer’s shopping experience on a website. If an intelligence system simply scrapes web-based data for a set of pre-defined web links for specific products on the site, it will likely miss other key information that routinely influences consumer buying. For example, if the system only retrieves...
Product pricing and availability information, it will overlook other key factors—shipping terms, quality rankings, etc.—that influence buying. Without that additional information and insight into the consumer’s buying experience, pricing managers will be unable to respond to important market dynamics. This capability to “see what the consumer sees”—including advertised base pricing, price after all discounts, shipping cost, and other factors—is crucial to optimizing pricing strategies, and ultimately leads to improved revenue and a stronger brand presence.

2. Comprehensive product attributes reporting.

Solid price intelligence solutions begin with identifying all product attributes that matter most to managers responsible for establishing and implementing pricing strategy, and by doing so at the most granular level. Make sure that any solution in evaluation includes product names, descriptions and part numbers, as well as model configurations, assortments, warranties, service terms, taxes and service fees, return policies and even local currency conversion information.

3. Advanced and complex product matching—beyond part numbers.

The solution must be able to provide correct product matching, going beyond part numbers to ensure apple-to-apple comparisons. Along with manufacturers’ part numbers, UPCs and product names, a comprehensive solution will incorporate automated methods based on other values important for the individual product identification.

The product attributes used in such product matching are generally specific to the product category. For example:

- In the case of goggles, gloves or helmets, factors such as brand, color, size and model can become critical product identifiers.
- In the case of tires, features like speed index, dimension, brand are important descriptors.
- In the case of consumer electronics products such as tablets, laptops, phones or cameras, each product category requires a specific set of mapping rules based on select product features to yield true Brand A vs. Brand B product pricing comparisons.

The same concept of complex product attribute matching applies to household appliances, sports equipment, auto parts, tools, and many other product categories. A comprehensive solution will offer a high level of flexibility on product matching.

4. Sorting, filtering, report configuration.

An advanced solution should provide sorting, filtering and report configuration for all available product criteria, as well as exception reports, configurable alert notifications, time series analysis and meet/beat ratios. Aggregated information like this allows for incisive price analytics and integration of online competitive comparisons with in-house pricing, revenue and forecasting solutions.

5. Modeling and “what-if” analysis.

A professional price intelligence solution should provide easy-to-use and easy-to-manipulate dashboards so that the user easily can develop scenarios to test adjustments and trade-offs, evaluating the impact of pricing changes. Managers should be able to create models to illustrate how price impacts volume, and then define optimized pricing ratios. A “what-if” analysis explores the impact of changes in one or more variables on prices and margins. This helps the company to recognize and act on major market events and opportunities, and gain a better understanding of the relationship between price elasticity and market demand.
With solid market price intelligence, comprehensive modeling and ongoing “what if” analysis, pricing optimization then becomes a reality.

6. Comparison of final consumer prices.
Advertised product price alone is not enough. It is important to be able to compare, from each seller, the final consumer price, including shipping, handling fees, special discounts, and any other add-ons. Check to see if the price intelligence solution has the ability and backend processes to validate the detailed price and product information from competitors, vs. only offering commodity data scraping of the advertised price from an aggregation site such as Amazon or Google Shopping. If the price information does not come from the final source the consumer sees, the risk of missing promotions, discounts and other purchase influencers increases, and so does the risk of obscured pricing data.

7. Support of rapid product portfolio turnover.
A robust price intelligence solution will be able to accommodate rapid or recurring turnover in the product portfolio. For those retailers or wholesalers with product lines characterized by a high level of seasonality or rapidly turning product lifecycle schedules, significant changes may be required every few days, weeks or months. The solution must have highly automated back-end processes to accommodate this. Check to see how often the provider allows changes in products for searches.

8. Scalability.
A price intelligence solution must be able to scale on the number of products, product categories and web channels over a short period of time. Scaling to accommodate competitive data gathering by simulating the consumers shopping process, and reporting on tens of thousands of products—from dozens or hundreds of web sites—is an absolute “must” for online retailers or wholesalers to remain competitive in the dynamic Internet-based marketplace.

Conclusion
Once a company understands the distinctions between web-scraping systems and more sophisticated pricing intelligence solutions, it can easily discern the differences. With solid market price intelligence, comprehensive modeling and ongoing “what if” analysis, pricing optimization then becomes a reality. Market paralysis—the inability to rapidly update and optimize prices in response to changing market forces—disappears.

With access to a precise and complete daily market picture, and the ability to create digital mashups of high-quality data, pricing professionals can obtain accurate, real-time comparisons. Constant monitoring of online marketplaces and competitor portals means that they can identify critical market events—including competitor discounting, lack of availability, promotions and more—as they unfold. With this precise type of advanced competitive pricing information, pricing managers can make market-smart decisions with confidence.

Driving operational performance with competitive price visibility.
To learn more about the Lixto Price Intelligence Suite for the consumer products industry, contact us today.

Lixto Inc.
650-741-4233
info@lixto.com
www.lixto.com

Lixto Inc. is an international leader in web data extraction and analysis. Extracting specific, precise data from the web, Lixto empowers better decision-making, drives operational performance, and offers competitive price visibility for pricing and revenue managers in the travel, consumer products and automotive supply chain industries.

©2012 Lixto Inc., 440 North Wolfe Road, Sunnyvale, CA 94085 650-741-4233
www.lixto.com
info@lixto.com