

Petrol Retailer Reevaluates Pricing Strategy, Identifies Millions in Margin Opportunities

Background and Problem

A national Brand Petrol retailer was facing Intense competition from Competition & Supermarkets' petrol courts that were largely using Petrol as a loss leader to their more profitable other activities. PriValEdge was engaged to assist in developing a pricing strategy to maximize sales and margins (on the combination of Petrol & Convenience store sales).

Approach and Recommendations

Based on the retailer's requirements, PriValEdge provided research and analysis to establish a structured pricing strategy, conduct competitive benchmarking, and provide an integrated view of customer purchases & margins. The project was designed to maximize sales and margins on Petrol + convenience sales, while also preserving and enhancing the Brand's reputation and Value Image.

The PriValEdge team conducted interviews with management and vendors to understand current pricing methodologies and processes. Critically, PriValEdge also initiated an extensive price elasticity analysis & modeling across the market, and clustered categories across outlets & customer segments in terms of apparent price sensitivity. PriValEdge also leveraged its competitive benchmarking results and customer feedback insight to establish a comprehensive pricing Simulation & Decision Support System. By applying this pricing strategy, PriValEdge identified potential pricing opportunities from a representative set of categories, and tested the proposed pricing changes to further validate and refine the framework.

During the test phase, PriValEdge Developed a an overall Pricing Strategy & Guidelines and comprehensive (local based) competitive pricing model covering all local competitors and Fuel, as well as 20 key 'Image Building Convenience Products' based on which Revenues could be Modeled with remarkable precision

Results

Following the successful test phase, an implementation plan was put in place to roll out the new pricing strategy during the course of a year. The initial tests the new pricing approach yielded enough incremental margin to pay for the cost of the project 10 times over.