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## In the Bag

*Vera Bradley sets new products and price points with predictive analytics*

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At a time when retailers seem to be carrying more variations of products than ever in an environment of shrinking margins, everyone wishes they had a crystal ball. No one can truly see into the future, but new solutions and tactics are making it easier for retailers to gauge consumer interest on products and price points before they put items on the shelves.

For more than 30 years, fashion accessory and handbag retailer Vera Bradley has had a loyal consumer following. Fans flock to the company's bags, which come in a variety of sizes, styles, patterns and colors. The brand's products are available at more than 3,000 specialty retailers and more than 75 company stores throughout the country.

Because Vera Bradley is constantly bringing new products to market, it is always gambling — making the best educated guess on customer interest and pricing. Price too low and it risks losing margin; price too high and the item may not sell. And when it comes to things like fashion accessories and handbags, it's important to determine the right size, color, pattern and price point to optimize sales and product performance.

Stephanie Scheele, director of marketing and communications for Vera Bradley, says there's always a level of uncertainty when bringing a new product to market. While the company researches products extensively, it is the consumers who ultimately decide what they want — and in the world of fashion, that can change on a dime.



"New categories always present a risk," Scheele says. "Offering the right product assortment at the right time, right price and right place for our fans is always our goal."

Vera Bradley recently started working with First Insight and has seen dramatic improvements in new product performance. First Insight has three solutions available: InsightSelection, InsightPricing and InsightMarketing. The marketing solution allows marketers to identify the optimal customer profile for products that are new to the market or a retailer's assortment. It helps retailers find groups of consumers that are most likely to buy the product, find optimal product sets to market to specific customer profiles and which products to feature in promotional materials.

InsightPricing allows retailers and brands to determine optimal entry price points and forecast average unit retail prices before products hit the market. Analytic models can help identify the target price to achieve maximum gross margin given a specified markdown cadence and

initial sell-through expectations. The solution can help generate market response curves that show price elasticity of demand and help retailers find the perfect entry price point.

### What consumers want

First Insight vice president of marketing Jim Shea says the company's goal is improving the success rate of new products. He says retailers are using more methods to evaluate and select prices for new products, but they are often inaccurate and can either overprice products or leave margin on the table.

Retailers use a number of methods that include relying on experience or intuition, using historical data or deriving data from their own tests. The problem is, there's no scientific measure with intuition, historical data often uses outdated information and test runs in stores can't pinpoint what's going to work across the entire country.

"Even with all of those methods, 50 percent of new products fail," Shea says. "There is just not a lot of accuracy. Our solution lets retailers significantly improve that success rate."

First Insight doesn't just help products succeed upon entry to the market; it also helps retailers maximize their performance by setting the right price to begin with. Shea says the pricing solution helps retailers typically increase their sales or margins by as much as 9 percent. Vera Bradley uses it to bring new products to market and gauge the interest in new styles and patterns for existing products.

"It has given us a greater understanding of demand and price sensitivities resulting in a more optimized assortment and pricing strategy," Scheele says. "It's very useful as a tool to test new styles prior to introduction."

