

Price Elasticity Analysis

BACKGROUND

Manufacturers and retailers often have questions about how they can optimize both Everyday and Promotional pricing of their own products, and how does the pricing within the category affect sales of their brand (cross elasticity). While these models are relatively prevalent, they have issues with accuracy, flexibility and cost which preclude many companies from investing in this type of research.

SOLUTION

TABS Group’s Price Elasticity analysis is a cost-effective option for manufacturers that are looking for accurate results with short turnaround time and pricing decision tools to guide their pricing decision.

BENEFITS

TABS Group methodology enables clients to derive more **accurate** and **actionable** results from the analysis. More details are outlined below:

Feature	TABS Group	Industry Standard
Data Source	Aggregated Chain or Cluster Level	Store Level Data
Basic Model	Regression of Sales Changes as a function of Price Changes	Rate of sale by Price Point
Level of Analysis	Retail-level. Must have price changes to include.	National Channel. Significant upcharge for each additional geography.
Additional Variables	Non-Promo Weeks Distribution Effects Market Factors / Seasonality	Non-Promo Weeks
Time Period	104 Individual Weeks	One Static, Aggregated Period
Other Considerations	<ul style="list-style-type: none"> • Lower cost per Geo/Brand. • Major efficiencies of including Promo Price Analysis • TABS AccuBase® the most accurate model of baseline (for promo lift modeling) • Simulates full Supply Chain Effects: Manufacturer and Retailer 	<ul style="list-style-type: none"> • <i>Atheoretical, doesn't require negatively sloping demand curve.</i> • Large number of observations for Price Gap analysis

DELIVERABLES

Price Elasticity estimate by Brand Size/Account
Price Simulator Tool for Pricing Decisions
Strategic Review and Recommendations