

INSIGHTPRICING

Determine optimal starting price points and forecast AURs *before* the product hits the market.

- Set the initial price based on a specified promotion and markdown cadence, maximizing gross margins.
- Set the MSRP and wholesale prices.
- Determine private label pricing vs. branded pricing.
- Forecast average unit retail (AUR) prices over an item's lifecycle.

Insight Pricing

Leading retailers and brands today are using forward-looking predictive analytics to determine starting price points and forecast AURs for new products.

First Insight is the first company in the world to generate a price response (or elasticity of demand) curve prior to a product being introduced.

Validated by First Insight customers and industry analysts, Insight Pricing enables companies to accurately set entry price points and forecast AURs using a predictive model which identifies the market's anticipated response to alternative pricing decisions.

Through online consumer engagements using gamification, input on hundreds or even thousands of new products can be obtained in two or three days. Retailers and brands can quickly quantify market demand for an item at each price point. Analytic models identify the price point at which maximum gross margin will be achieved, given a specified markdown cadence and initial sell-through expectations.



"One of the most difficult challenges merchants face revolves around product introductions. How will an item that is new to the retailer's assortment or new to the market perform?"


– Gartner, *Cool Vendors in Retail*, 2012 (April 11, 2012)



MarginMovers

First Insight's solution is driving margin gains for retailers and brands by showing them which products – known as MarginMovers - can bear a higher price point than originally planned.

PAPARAZZI DRESS



Total Value 10

Cost	\$24.75
MSRP (GM%)	\$99.00 (72%)
MAX GM PRICE (GM%)	\$114.50 (76%)
Margin Improvement	400 Basis Points

58%

"Sexy, I like!"

"It's like a sexy ninjal!"

"The ties on the shoulders are a bit much for me but like it overall."

17%

"Would like it a whole lot better without the shoulder embellishments which make it a bit 'garrish' look..."

"You could hand yourself with all the ribbons"

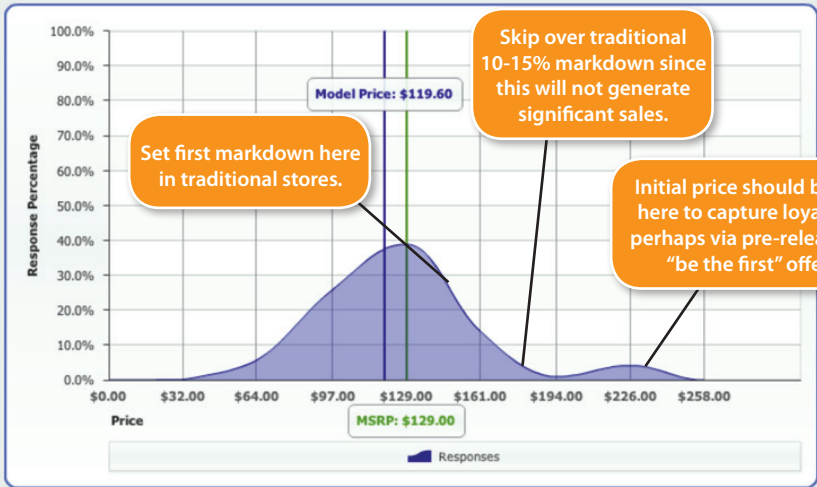
"hips and thighs just make it look too tight, not

Sentiment & Comments Product Segments ⚙️

Entry price which generates maximum GM over product lifecycle.

Market Response Curve

Price Elasticity of Demand



Model Price: \$119.60

MSRP: \$129.00

Price (X-axis): \$0.00, \$32.00, \$64.00, \$97.00, \$129.00, \$161.00, \$194.00, \$226.00, \$258.00

Response Percentage (Y-axis): 0.0%, 10.0%, 20.0%, 30.0%, 40.0%, 50.0%, 60.0%, 70.0%, 80.0%, 90.0%, 100.0%

Responses (Legend)

Set first markdown here in traditional stores.

Skip over traditional 10-15% markdown since this will not generate significant sales.

Initial price should be set here to capture loyalists, perhaps via pre-release or "be the first" offer.

"The 'How much would you pay?' responses have, in some cases, recommended higher retail prices than the merchant would have deemed appropriate, again increasing margins."

– Gartner, *Cool Vendors in Retail*, 2012 (April 11, 2012)

"Let's be clear – this approach is not markdown optimization – but initial ticket price modeled with input from the consumer – thus First Insight."

– Chain Link Research, *"Pricing – It's Only a Game"* (September 11, 2012)

Think like your customer.

www.firstinsight.com