Case Study

A UK-BASED ONLINE MARKETPLACE IMPROVES SALES BY 32% BY LEVERAGING MACHINE LEARNING FOR PRICE ELASTICITY

DATAMATICS

ABOUT CLIENT:
The client is a multi-national eRetailer that supplies to retailers internationally, while selling direct to the consumer via its own e-commerce site, with a consolidated portfolio covering kitchen and homeware, garden, beauty, fitness and pet products.

INDUSTRY:
Online Marketplace

REGION:
United Kingdom

EMPLOYEES:
130

BUSINESS NEED:
To develop a pricing intelligence system that has the ability to forecast price fluctuations and future demand trends across various product categories.

BUSINESS **CHALLENGES**

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The client was keen to acquire proactive visibility of price fluctuation across various product categories to drive key business objectives like -

- Price promotion strategy
- Visibility on optimum price levels to drive incremental Gross Merchandize Value (GMV)
- Ability to retain its inventory margins and
- Minimize the influence of price elasticity on Sales Velocity

DATAMATICS **SOLUTION**

An ensemble solution of multiple descriptive statistics like ANOVA, Dispersion Analysis, Hypothesis Testing to identify key patterns across product categories.

Supervised Machine Learning to estimate price elasticities across SKUs.

Leveraged advanced Econometric Time series Modeling like ARIMA, Holt Winter, Exponential Smoothing to predict futuristic prices.

Finally, deployed high-impact visualization techniques like Affinity Analysis and Trend Analysis to enable actionable & granular decisions by key business leaders to significantly improve product uptake with **right promotions at the right time.**

BUSINESS **IMPACTS**

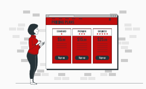
Ability to develop **dynamic promotion strategies** for products with high price elasticity

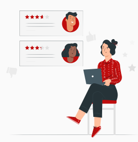
As a corollary action, ability to keep promotions under check for products with lower elasticity quotient

Clear visibility of sales velocity of different items inclusive of the seasonalities

Ability to see **price fluctuation** across competitor pricing and make pre-emptive plans to combat the same

Sales volumes increased **by 32%** with elasticity driven pricing strategy





Average rating of items increased from **3.1 to 3.9** through customer demand centric promotions

ABOUT **DATAMATICS**

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