



Pricing's New Disconnect

Your marketing and pricing teams may not be as aligned as you think. Fixing this disconnect and building cohesion around price strategy is critical for elevating price perception and increasing market share.



The decision to shop with a specific brand or retailer is a personal one for consumers. Myriad factors play a role: shopper preferences, market trends, brand reputation, social media influence—the list goes on and on.

One of the biggest aspects, of course, is consumer price perception. This key variable looms large in purchasing decisions, with consumers often gravitating towards brands that offer the best combination of perceived quality and value.

These perceptions are also a crucial strategic element for brands and retailers when it comes to setting price points and communicating value. Unfortunately, the pricing and marketing teams responsible for these tasks are often not as aligned as they should be, according to the findings of a new survey commissioned by Revionics.

This report takes a deep dive into the disconnect, unearthing the factors driving the price-perception misalignment and sharing remedies for improving disjointed pricing experiences and building a cohesive strategy.

Pricing Matters

Retailers that get pricing right put themselves in a strong position to improve price image and increase market share, while companies that fail to pay attention to customer price perception risk losing big.

In today's volatile retail market, the stakes are high.

Brands and retailers are under more pressure than ever to perfect their pricing and promotions approach. A few key factors are driving this urgency:

- Inflationary pressures are making consumers even more price-aware and less loyal than normal.
- The retail marketplace has become increasingly crowded, and brands are counting on solid pricing and promotions strategies to help them stand out.
- Customer perception of pricing is key to their decision to shop with a brand, especially when they have multiple options and multiple channels to choose from.
- Omnichannel shopping behaviors increase both the complexity and importance of creating a cohesive pricing strategy across channels.



To thrive within this landscape, organizations need to develop reliable, transparent, collaborative strategies around pricing and promotions. This can only be done when all of the key players involved in pricing processes are aligned across strategic priorities.

All too often, this is not the case.

Reality Check

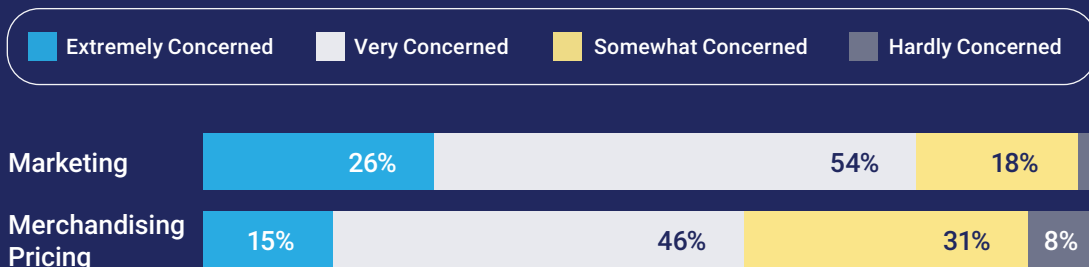
The harsh reality is that retailers have a price-perception problem—one that is internal as well as external. According to survey data, marketing and merchandising/pricing teams are far apart on price perception, which is one of the most foundational drivers of pricing strategy. And, if not starting from the same basic understanding of how consumers perceive their prices, it's inevitable that pricers and marketers will differ on their entire "world views" of pricing.

The data shows that significant differences exist in perceived impact of inflation on customer price perception, and in perspectives around perceived fairness of pricing.

When asked how concerned they are about customers perceiving their pricing as fair, 80% of survey respondents on the marketing side answered "extremely or very concerned," while only 61% of merchandising/pricing respondents felt the same urgency.

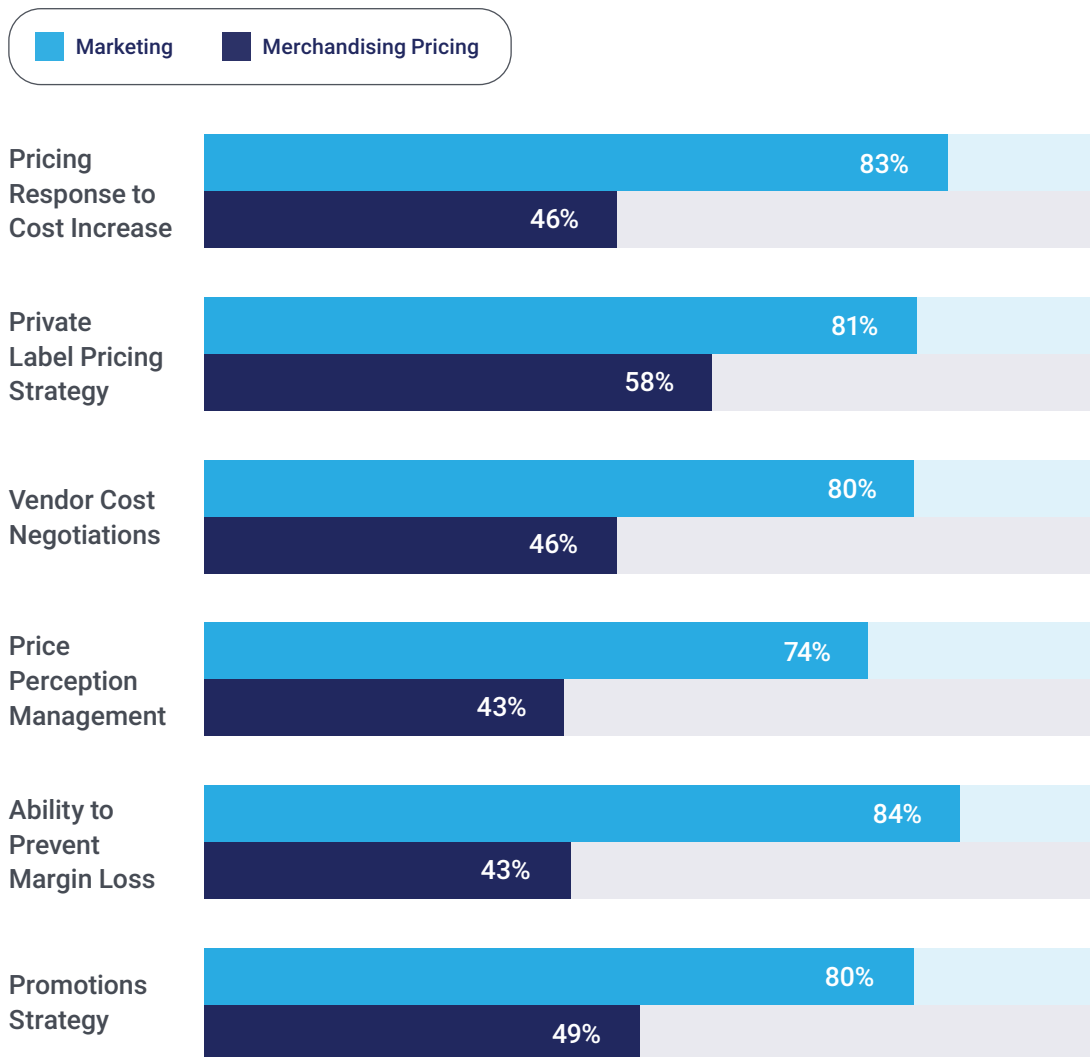


How concerned are you about your consumers perceiving your pricing as unfair?



Marketers responding to the survey also indicate much higher levels of confidence than merchandising/pricing teams across the board on a variety of pricing measures. Seventy-four percent of marketing respondents felt confident in their organization's price-perception management, for instance, while only 43% of respondents on merchandising/pricing teams shared that outlook.

In this inflationary market, how confident do you feel in the effectiveness of your...?



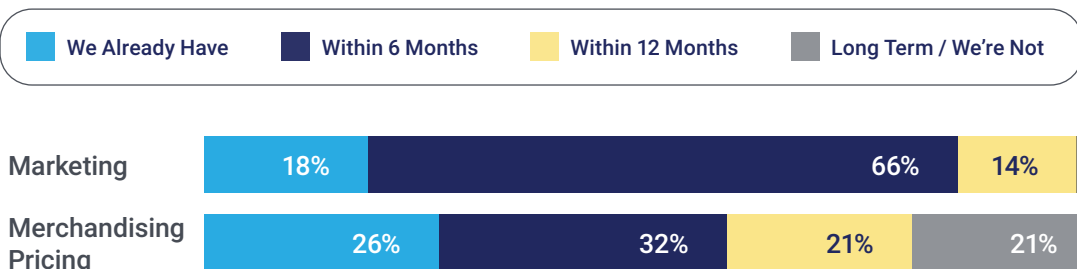
The Disconnect Has Consequences

As a result of this disconnect, **marketing and pricing teams are misaligned in their organizational confidence and don't see eye to eye on big-picture pricing strategy.**

Differing views around strategic priorities are evident in the survey data.

Localized pricing, for example, is a higher priority for marketing teams: 66% percent of respondents say their organizations plan to invest in localized pricing within the next six months, while only 32% of merchandising/pricing respondents cite the same time frame, and 21% believe that localized pricing is a long-term or nonexistent plan.

When are you planning to invest in more localized pricing?



Ditto for personalized pricing: Investing in this strategy within six months was only a priority for 25% of pricers, while 55% of marketers felt their organizations should make this investment quickly.

When are you planning to invest in more personalized pricing?



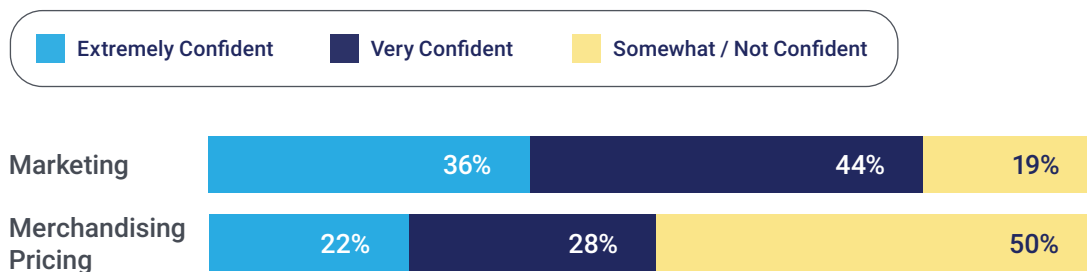


A similar scenario exists around promotions. **The data shows a clear disconnect between how marketing and merchandising/pricing teams perceive promotional success.** These divergent perceptions can, again, lead to misalignment of priorities around such a critical piece of retail strategy.

According to the survey, marketers are highly confident that promotional strategies are supporting organizational goals. Pricers, however, have less certainty around promotional impacts and whether or not promotions are meeting the right objectives.

As a result of this disconnect, **marketers may be inadvertently pushing for promotions that aren't actually effective.** Indeed, prior Revionics research shows that up to 66% of most retail promotions are ineffective. On the flip side, **the lack of confidence from pricing teams suggests a gap in their analytics capabilities to accurately measure promotions and identify which to continue running and which to replace.**

How confident are you that your promotions are effective?



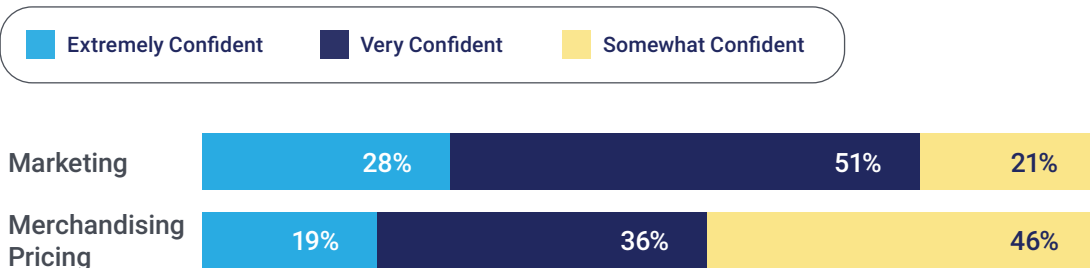
Roots of the Problem

What’s causing this disconnect between marketers and their merchandising/ pricing counterparts?

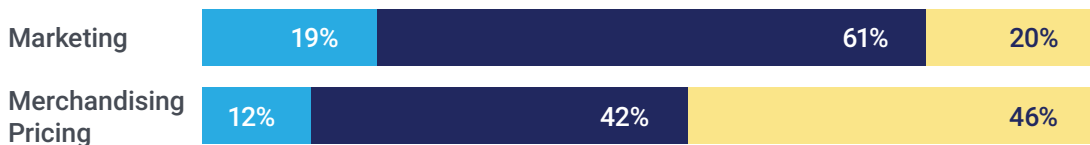
Survey data shows merchandising/pricing teams appear to lack confidence in their forecasts and processes. Only 19% of pricers responding to the survey say they are “extremely confident” that approved pricing decisions are executed effectively, and even fewer (just 12%) are “extremely confident” about their sales forecasts in the face of inflation.

This lack of confidence signals a need for more reliable forecasting and data across the enterprise, as well as better visibility into processes and procedures across the organization.

How confident are you that approved pricing decisions get executed effectively?



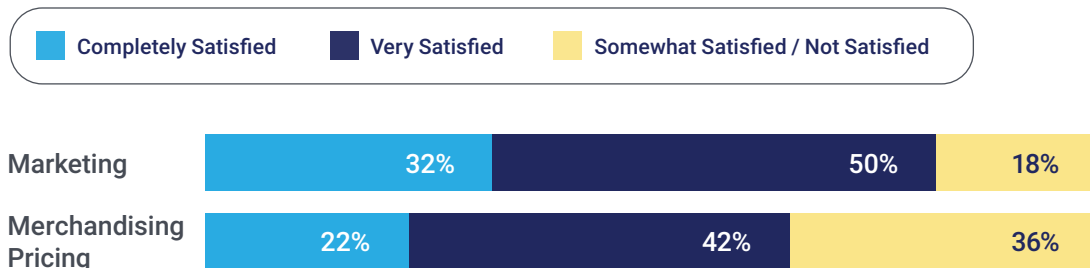
How confident do you feel in your sales forecast given inflation?



Marketers seem to be at the other end of the spectrum: 80% express either “very confident” or “extremely confident” opinions of their sales forecasts given inflation, and 82% are “very confident” or “extremely confident” about the speed at which the organization can respond to competitive price changes.

These sky-high levels of confidence may signal false optimism, indicating marketers may not necessarily understand the nuances of the pricing function. More attuned to communicating broad, brand-based messages to consumers, marketing teams may not be as keyed in as pricers to the subtle factors that impact price perception.

How satisfied are you with the speed at which you can respond to competitive price changes?



The disconnect between pricing and marketing teams could also spring from a misalignment of process and communication. Without collaboration, each team may be working towards different goals and calculating outcomes based on different outputs.

For example, the marketing team may be measuring sales volume at a category level for a campaign, while merchandising/pricing is focused on growing margins on a private-label brand across several categories. By not working together, they are likely to miss opportunities to improve across both objectives—or, their efforts around conflicting objectives may even negatively impact one another.

At the enterprise level, the disconnect is evidence that organizations are likely failing to embrace best practices and adopt leading-edge technology around pricing and promotions strategies.



On the Right Path?

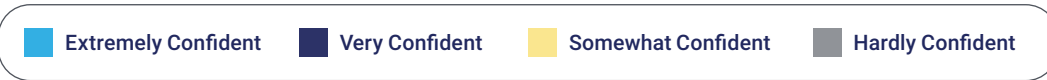
Given the enterprise-wide impact of pricing strategies, it's particularly distressing for retailers to realize the marked differences in how marketing and pricing teams feel about their ability to support their organizations today.

The desired synergy around believing that current pricing strategies are the best path for meeting organizational goals simply does not exist.

Eighty-two percent of marketing teams are either "very confident" or "extremely confident" that current pricing strategies are well-positioned to support their organization, but only 56% of merchandising/pricing teams share that conviction. This is particularly troubling as the merchandising/pricing teams often own the pricing strategy within the organization.

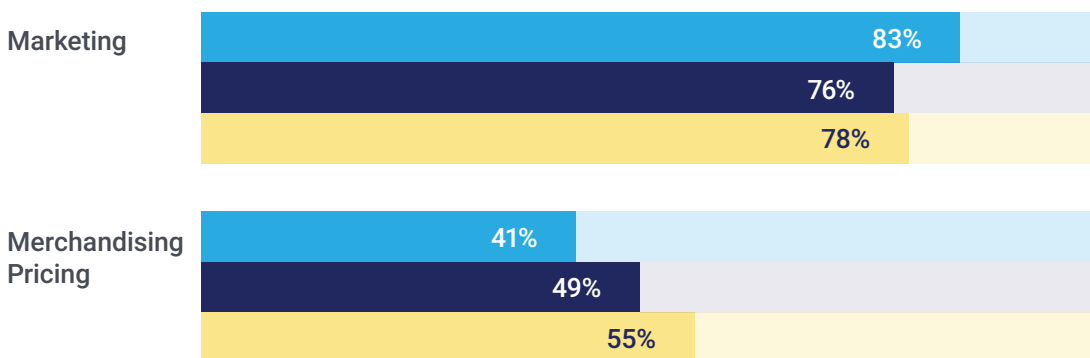


How confident do you feel that your current pricing strategies are the best path for meeting organizational goals?



Future-looking results are nearly identical, with 78% of marketing teams feeling “very confident” or “extremely confident” about their pricing strategy’s ability to support the organization over the next 12 months, and just 55% of merchandising/pricing groups echoing that confidence.

How confident do you feel in your pricing strategy for the next...?





Closing the Gap

It is crucial for retailers to find ways to realign their marketing and merchandising/pricing teams on their perspectives and approaches to key pricing strategies. Doing so will engender a more cohesive outlook across departments, which can translate into enterprise-wide gains around pricing and promotions accuracy and effectiveness. **This synergy ultimately translates into the ability to meet customer pricing demands.**

The playbook for closing the gap and removing the current pricing disconnect starts with repairing the holes in the processes, tools, and forecasts that drive and support pricing strategies.

In addition, retailers need to find ways to build collaboration and communication across departments. When pricing and promotions priorities are developed cohesively using best practices coupled with reliable, transparent tech solutions that foster collaboration, pricers and marketers can more easily align on key goals.

Several strategies and key capabilities are necessary to get there:

1 Transparent, high-impact recommendations

Advanced technology can help retailers and brands easily account for market fluctuations that influence demand, such as seasonality, competitive pricing and more, and produce pricing recommendations that are more impactful and strategically-aligned than those derived from spreadsheets or individual merchants.

AI turns the complexity of pricing into clear recommendations for meeting organizational goals, like improving consumer price perception, increasing profits and market share, and boosting sales and revenue.

2 Reliable forecasts and data

In order to make pricing decisions with clarity and confidence, retailers need predictive analytics that provide trusted forecasts and data. **The uncertainty of today's ever-evolving retail environment has shown us just how important it is to have accurate analytics.** Major disruptions and rapid changes in consumer demand quickly make the forecasts of yesterday or last year irrelevant. But AI built to handle disruption and evolve with change can guide retailers through the chaos and keep their pricing objectives on track.

3 Timely analysis and insights

Being able to see through the data chaos to unlock relevant and timely insights goes a long way toward boosting confidence in pricing strategy. Powerful analytics tools with user-friendly dashboards and data visualizations accelerate the ability to uncover key factors and trends in the data. This, in turn, empowers retailers to quickly transform insights into action.

In addition, the increased speed of AI-driven data processing allows retailers to keep up with important market events. For example, **if a competitor changes a price but the retailer can't adjust accordingly until a week later because of their slow processes and tools, they have lost valuable response time—which translates into lost dollars and lost market share.**

4 Collaborative workflows and measurements

It's easy for communication to break down between different departments when the tools they use don't facilitate collaboration. But pricing and promotions tools that are designed with collaborative workflows and built-in communication, and are flexible enough to fit into existing processes, can help align teams and keep them working more collaboratively. The same can be said for tools that make it easier for everyone to access and share results, instead of each team pulling their own, possibly different, metrics.

The Solution Retailers Need

While this survey confirms a major disconnect between marketing and merchandising/pricing teams on price perception and other key pricing strategies, it's not all bad news. **The path to optimized pricing and a more cohesive, enterprise-wide outlook on pricing strategies is within reach.**

Retailers have the opportunity to turn around the current misalignment by enacting pricing best practices and embracing technology that enables robust, data-driven analytics. **Those that do are better able to meet customer pricing needs and drive gains in market share.**

Revionics has all the capabilities retailers need to close the price-strategy gap between pricers and marketers while supporting profitable, impactful, and cohesive pricing and promotions strategies. Major global retailers count on Revionics for:

1 Pricing clarity and confidence

Accurate forecasts and transparent recommendations provide understanding into the impacts of every price change and embolden pricing teams to make decisions for maximum impact.

2 Superior science for superior results

When you combine fast, flexible, and scalable AI with robust advanced analytics, you get a powerful pricing solution that rapidly adapts to change and accelerates results. Our proprietary science is built on a foundation of some of Google's latest technologies like Looker, Google Cloud Platform, Analytics Hub and more, creating an advanced framework to propel our continuous innovation.

3 Tomorrow's winning promotions

Personalized, inventory-aware, omnichannel promotions for the sophisticated shopper, powered by a new collaborative and innovative platform built to evolve with the complexity of promotions.

4 A true pricing partner

With more than 20 years in the industry, experience with a variety of customers across verticals and regions, and dedicated pricing strategists and data analysts on our customer teams, we're more than just a solution provider. Revionics is your expert guide for the price optimization journey.

With a best practices-driven, AI-enabled approach to pricing and promotions, retailers and brands can rise above the pricing disconnect and turn pricing into a competitive advantage.

Reach out to talk to one of our pricing experts and learn more about our advanced price optimization solutions.

[Talk to a Pricing Expert](#)



Research Methodology

The results in this report are from an online survey conducted by Researchscape International and commissioned by Revionics, an Aptos company. The survey was fielded from September 10 to November 5, 2022. There were 311 respondents to the survey. Respondents were from 11 different countries. **The responses were not weighted.**

REVIONICS[®]
an **aptos** company

About Revionics

Revionics guides retailers on the lifecycle pricing journey with leading AI solutions for pricing, promotions, and markdowns. Backed by 20 years of experience gained from working with top retailers across a variety of industries and markets, we serve as trusted partners alongside our customers, equipping them with the clarity and confidence to make optimal pricing decisions for powerful results.

Learn more at revionics.com