

# As Value Shopping Soars, Pricing Matters More

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BY DATAWEAVE

The pandemic's profound economic impact sparked a surge in value shopping.

Between February and December 2020, 10 million Americans lost their jobs.<sup>1</sup> Due to the pandemic, 36% of lower-income adults and 28% of middle-income adults lost a job or took a pay cut (vs. 22% of upper-income adults). In addition, less than a quarter of lower-income adults have three months' worth of emergency funds (vs. 48% of middle-income adults and 75% of upper-income adults).<sup>2</sup>

These financial shifts matter to retailers, as lower- and middle-income households account for 81% (29% and 52%, respectively) of the total U.S. population.<sup>3</sup> Reduced disposable income among households like these has led more consumers to embrace bargain-hunting as a shopping habit.

We'll see why price sensitive consumers are influencing retailers to adjust their e-commerce pricing strategies to stay competitive and responsive.

## Consumers seek value across retail categories

Recent research shows 50% of U.S. adults are more sensitive to product prices now than before the pandemic. Also, 80% of U.S. shoppers are taking at least one action to seek more value when they shop for groceries,

prioritizing value for money over speed.<sup>4</sup>

According to McKinsey, 65% of consumers cited value as one of their top three reasons they switched brands during the pandemic. Also, 40% of shoppers cited a desire for better value and 38% cited better prices or promotions as reasons for choosing new products.<sup>5</sup>

Value-oriented pricing influences purchases, as 70% of consumers said product discounts are more important today compared to a year ago. In addition, 54% of consumers said better online deals and discounts are a leading factor that persuades them to choose a specific retailer.<sup>6</sup>

As e-commerce explodes, consumers have greater access to information. They can find the best price across online sites and receive notifications when a product's price drops before they buy.

### **Retailers face intense pricing pressure**

Similar to the aftermath of the 2008 recession, discounters and dollar chain retailers are now thriving as consumers seek superior value for money. Consumers need new products yet they no longer want to spend as much as before.

That's why bargain retail is poised to be among the biggest winners in 2021 as consumers get out and socialize more.<sup>7</sup>

Dollar General continues to aggressively expand its omnichannel reach as value shopping soars.<sup>8</sup> To stay competitive, Family Dollar has partnered with Instacart on same-day delivery.<sup>9</sup> In the fierce grocery sector, hard discounter Aldi's omnichannel expansion includes a focus on private labels and efficient operational processes that improve cost effectiveness and competitive pricing.<sup>10</sup>

Across retail categories, a remarkable 50 million price changes take place online every day. Given consumers' shift to value shopping, more retailers are changing their pricing to offer discounts both online and in-store.<sup>11</sup> However, to avoid costly price wars, more retailers are now taking a renewed approach to their pricing strategies to protect their margins as they compete.

Specifically, to optimize their e-commerce business for profitable growth, more retailers are modernizing their pricing strategies with data insights.

### **Pricing intelligence is retailers' secret weapon**

As e-commerce rivalry heats up, retailers must evaluate pricing across more online websites to keep their own prices competitive. This process is becoming increasingly complex and time consuming. Meanwhile, retailers may consider adopting aggressive pricing tactics to win online sales. Yet this pricing strategy is unsustainable over the longer term, as it erodes profit

margins.

Today's heated e-commerce rivalry means retailers can no longer afford to guess at price points or use the same pricing tactics that relied on before the pandemic.

That's why leading retailers turn to data insights for their pricing strategies to stay agile and flexible while rapidly adapting to fluctuations in consumer demand and competitors' pricing.

Now more retailers turn to DataWeave's **Pricing Intelligence** to drive more revenue and margin.

To optimize profit margins, retailers use our actionable insights to make pricing decisions according to data-driven recommendations. They also make decisions to protect their desired price perception.

Monitoring competitors' pricing moves helps retailers benchmark their own performance, identify gaps and respond to market trends faster. They can also refer to historic pricing data analytics to accurately anticipate and counter rivals' next moves to gain an edge.

Retailers that apply data insights to optimize their pricing can drive more online revenue by finding the ideal price consumers are willing to pay while still maintaining profitability. Pricing intelligence can make customer acquisition more efficient, and help retailers grow online sales and market share.

Amid greater price sensitivity, retailers' pricing strategies are evolving to use data to adapt to consumers' needs and drive e-commerce sales and profitability. DataWeave's Pricing Intelligence gives retailers an edge so they stay agile and competitive, and maximize e-commerce sales across consumers of all economic levels.

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