

Smart Practices Around Competitive Pricing in Ecommerce

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BY DATAWEAVE

Top pricing strategies for online retailers

“When it comes to retail markets, law of one price is no law at all” —
Hal Varian

Hal Varian, in his seminal paper “A Model of Sales”, further remarks that most retail markets are instead characterized by a rather large degree of price dispersion.

Do you know how much your products are worth? How low are you willing to price an item to compete with another ecommerce retailer?

Today, online retail has become increasingly competitive. If you are priced higher than your competitors, you may end up losing customers who are sensitive to prices. With the advent of highly competitive pricing tools, winning the online pricing war is an uphill task. Having a differentiated competitive strategy is critical to your e-commerce success.

We bring to you a list of competitive pricing strategies that we have seen being played out across online retailers in 10 countries that we actively monitor and analyze.

Analyzing Competitor Prices And Stock Availability

Pricing is one of the largest driver of profitability. So you know who your main competitors are, but do you know how they are priced? Compare prices and stock availability of products that are popular across all your competitors and do the same for products that are popular at your store. If you know that certain products are “not in stock”, you know you need not discount. Look at products that are popular across competition and know your price position. Try for an opportunity to increase prices without losing your price position. However, for products popular on your store, you may want to stay competitive.

Knowing Price Variations

You get the right price, and then it's not right anymore. That's the story of online retail. But when you are equipped with the knowledge of price variations on popular marketplaces, it gives you an idea of where the market is heading. This, in turn, will help you adjust your prices to get the consumers. For instance, Amazon changed prices of more than 50% of their products in Hair Care category more than once in a week including ~20% of the products at least 4 times in the same week.

Product Bundling

A marketer of a successful product may bundle a new or less successful product with its stronger product to edge its way into a new market. This allows you to charge a unique, competitive price that can't be copied by others. If you realize that you may not be able to compete on direct discounts, bundle products together and offer them at a lower price. You can either bundle in multiples of the same product or pack different products together. One of the more famous examples of this is Microsoft's bundling of various software applications. In the onsite retail space, for example, on a particular day we noticed ~400+ combo offers from SnapDeal in the camera & accessories category whereas PayTM has ~200+ combo offers and Amazon has ~3000+ combo offers in the same category. Similarly, in hair care category we observed significant variance in combo offers across marketplaces (~900+ by Amazon, ~250+ by PayTM and ~100 by SnapDeal on a specific day). We also noticed that marketplaces have varied number of products sold in packs across different brands (~2500 in Amazon, ~800+ in PayTM and ~500 in Snapdeal on a specific day).

Shipping Fees & Delivery Time

Free shipping attracts customers to e-commerce platforms like a moth to a flame. Monitor shipping fees across competition for products you are interested in. There will be cases where your competitor is pricing a product at a lower price than you, but does not offer free shipping. That is your signal to promote your platform.

Price Match Guarantees

Price match is an easy way for customers to save money on their day-to-day purchases. During Black Friday sales in the US, a lot of popular stores go for

the price match guarantee feature to drive sales. It's a smart trick to let your customers show you the lowest price and then match them accordingly.

No Discounts On Unique Products

No matter how much you dress it up, cutting prices hurts. It might be unavoidable, but you can get rid of discounts on unique products. When you analyze gaps and strengths of your catalog and realize that there are products that are available only on your store, why would you need to provide discounts? So, for instance, it seems that only Flipkart is carrying Icon LaserJet Pro Black Toner currently and it is being sold at 75% discount. Unless the objective is to get rid of the inventory, this product could be priced higher. Another example is, Nikon Coolpix S1100PJ Point & Shoot Camera is out of stock with most of the key marketplaces. Hence if anyone gets this replenished, this should not be discounted. Similarly, unique brands in hair care category, say LeModish, is sold primarily on PayTM. So, PayTM could look at reducing discount for this brand.

Don't Price Above Market Rate

Some retailers price products above the market rate (MRP / MSRP) so that they can show substantial discounts. But your customers are smart and research well. If they realize that this is not really 'low price', you may end up losing them.

Dynamic Pricing

This is one trend you should definitely follow. Constantly monitor competitor prices and drop or increase prices whenever you see an opportunity. This process is highly tech-driven, so ensure that you work with a vendor who provides the same or you have the in-house capability to do this in a sustained and scalable manner.

There are multiple strategies that have to be considered, including cross-border commerce and highly spread out markets like SEA where there exists a lot more C2C marketplaces. However, as with many things in ecommerce, one size does not fit all. Combine the powers of your service and price to drive your bottom line and emerge as an undisputed leader in the retail space.

Note: This article has been previously published on [Inc42](#) and on [Indian Retailer](#).

DataWeave Retail Intelligence provides competitive intelligence solution to retailers. **DataWeaves'** solution is both language and geography agnostic and is built for significant scale

- **DataWeave Marketing**

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