

Retail Pricing Heroes OF TODAY

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Nikola Kostoski

Former Strategy & Digital Director, Delhaize Serbia

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Excel is the pricing equivalent of the Ford factory. It was extremely efficient - 75 years ago.

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Retail Pricing Heroes: 2022 was a year of massive inflation. How long should people expect this level of price increases?

Nikola Kostoski: With all the uncertainties surrounding us (the war in Ukraine, energy prices, China and the US slowing down and uncertain levels of Covid) - the best case scenario should be Q3/Q4 this year. However, this comes with a lot of 'ifs'. Looking back at the last big crisis we had (2008 market crash), the most resilient economies took 18 months to recover after major governmental interventions. This time it might be more difficult as not everything is in the hands of European governments.

RPH: In corporate board meetings, how much more often were prices and pricing a subject of discussion in 2022 as compared to 2021?

NK: Considering that pricing is a 'hot topic' of any retail organization as this is one of the most important drivers of customer satisfaction - I can imagine that the discussions on pricing and promotions have gone into overdrive in 2022.

RPH: Consumer wallets are mostly dried up. What strategies can pricing directors apply through this period?

NK: Pricing directors usually 'hold the stick' and control that the rest of the organization adheres to the pricing strategy set. More often than not they are also taking an active part in designing the promotional calendar.

The biggest focus for the pricing director should be the customer and how they interact with the price seen on the shelf through: regular measuring of price reality and price perception, ensuring there is a multi-tier pricing approach on the shelves and that the assortment is able to cater to all segments of society. This again can go in two different directions: assortment structure (including own brands) as well as honest pairing of products vs. key competitors (and here I DO mean discounters included).

Additionally, the promotional strategy should be calibrated so that every week there are enough 'carrots' to pull customers in the direction of your store.

What I have described might or might not reside under the direct scope of the pricing director, but he or she has to be able to at least influence the discussion on these topics. Furthermore, pricing directors should be the biggest consumers of data (both internal and external) and able to incorporate it into their day to day routine so that there is a strong grip on reality out there.

Finally, the benefits and abilities of analytics and digital must be made available to pricing directors, and there are so many things out there that can help them steer the ship in the right direction.

RPH: Should pricing directors get bigger power in retail chain organizations?

NK: Retail organizations are complex beasts and not everything is down to one person or one team. However, pricing holds a high-visibility role

in retail, and I would assume if the organization has not yet placed pricing directors prominently in the organization - the new reality will force them to do so.

RPH: How much has pricing become a discipline in itself in the last two years in your view?

NK: With the arrival of big data and analytical tools, pricing and promotion has become an art unto itself. However, I consider that a really good pricing manager is a person with a very strong grip not only on pricing reports, but also on customer sentiment, price perception drivers and opportunities that arise with digital. Plain reporting on pricing is oh so 20th century.



RPH: What in your view should be the optimal process for making sure that the company steers its prices in the right direction?

NK: Instead of just plain reporting on pricing reality week after week, it is paramount to determine what is the current price perception of the customer towards all retail brands on the market and what drives this perception. It is often very specific categories and very specific products that customers use to create their overall sense of a retailer's pricing position. So tracking your price perception as regularly as you do with the price reality is the first step. Regardless of how discouraged you may be initially if you don't get right at the top

of customer's perception - tracking it allows you to know what works and what doesn't. In my experience it usually takes one to two months for the customer to notice changes in your pricing policy. So you could be influencing your customers relatively quickly. But you will only see this once you start looking at your pricing perception and reality KPIs in parallel.

The second, and perhaps more strategic topic, is the focus on destination categories and the tradeoffs that come with it. Put simply, you can't be the cheapest everywhere, and you can't advertise everything all the time. There will always be a handful of categories where you want to excel, and these categories will get the most attention.

The third pillar is how impactful your promotions are - how do you ensure you always have your pulling power week after week? Promotions, although vital for preserving your price perception, are not the ultimate weapon as you can't promote the same top sellers week after week.

Finally, mapping out your assortment into pricing tiers would allow you to see if your categories allow all segments of society to shop in your store and finally how well positioned your branded/own brands are vs. your competition.

Addressing these pillars with crystal clear measurements will allow you to steer your price perception much better.

RPH: What biggest risks do you envision for 2023 if most pricing directors stay stuck to their current pricing strategies and techniques?

NK: The biggest risk I see is that they will not be able to explain the reality the organization is facing and once that happens - they are less likely to be invited 'to the table', which ultimately

makes them obsolete. This is why I would reiterate the importance of structuring your data, enriching your data with more than just 'pricing reality' information, which is just one of the myriad components that allows them to ensure their organization has a competitive pricing strategy.

RPH: We're still witnessing a significant portion of pricing directors even in big retail chains running pricing and price optimization in Excel-like tools. Where are the limits and at what milestone should these people shift to a specialized tool in your opinion?

NK: Excel reporting, in my view, reduces university educated people with a brain to 19th century manual laborers in a Ford factory. Excel is not made to handle big chunks of data, and more importantly, it eats time that should be spent thinking rather than waiting for your excel to finish calculating whatever it was not meant to calculate.

So make sure your reporting is at least automated, allow the smart people in your team to use their brain. They will contribute significantly more to the organization.

RPH: What biggest risks do you associate with adopting a 3rd party pricing solution?

NK: Two risks I can identify are: a very long and cumbersome adoption process involving many stakeholders making the whole organization frustrated and leading to protracted adoption periods; and two, in order for it to become a killer tool, ideally it should be enriched continuously and usually 3rd party providers would work with you on implementation, but less on improvements and evolution.

RPH: What is the one commerce-related learning every pricing innovator leader should keep in mind?

NK: Customers will usually take a month to register changes on the shelf. Their repertoire of retail brands usually contains more than one retailer during one month.

RPH: On scale 1-10 (10 is max) how important did Ahold Delhaize see pricing back in the beginning of 2021, i.e. pre-covid?

NK: Considering Serbia is a very price sensitive market I would give it a 9.

RPH: And how important is pricing for Ahold Delhaize now?

NK: I am not there anymore - but I have no doubt that it is at 10.

RPH: What would you say to provoke all pricing directors to action in 2023?

NK: Ask yourself: 'Is my pricing strategy competitive enough to secure volume and market share growth in a challenging market?'



Nikola Kostoski
Former Strategy & Digital
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- 12 years in strategic and marketing roles
- 4 years Member of the Board



Sorry, you cannot be the next retail pricing hero.

UNLESS you provoke pricing managers to take action.

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