Kroger

Case Study: Distilling data for strategic pricing and promotions success

How Kroger leveraged 84.51° Optimization Sciences to gain a competitive edge

Challenge:

With data from millions of households available to inform its marketing strategies, Kroger needed help structuring and analyzing its data to make the best strategic choices when setting prices and developing promotional plans.

The grocery retailer sought a solution that could help it maintain the pricing relationships that existed between its own products and those of other brands and competing retailers, while enabling it to quickly react and compete in a fast-changing marketplace. Kroger also wanted to enhance its promotional planning through deeper understanding of consumer behaviors, preferences, and promotional response, at a very localized level.

Solution:

Kroger turned to 84.51°'s Optimization Science to deliver prescriptive plans for optimized pricing and promotion decisions through Artificial Intelligence (AI) and automation.

Through 84.51°'s Regular Price Optimization (RPO) solution, Kroger can now simulate future events (such as display promotions and temporary price reductions) and examine forecast models to make long-term pricing decisions in the face of uncertain events. This enables the company to make long-term pricing decisions that not only hedge against uncertain future scenarios but also enable them to maintain competitive price positions vs. competitors, while maximizing performance against key financial metrics.

By using 84.51°'s Promotion Optimization (POp) solution, Kroger tapped into its rich product information that spanned all categories across the store. Combining that data with 84.51°'s first-rate forecasting science has allowed Kroger to optimize its promotional tactics based on a variety of factors ranging from shopper behavior to geographic location. These machine learning and AI algorithms surface the best promotions for Kroger's customers while driving financial performance.

Results:

Through optimization, 84.51° has been able to generate prescriptive recommendations on pricing and promotions that have led to tangible performance improvements. 84.51°'s Promotion Optimization Science has now been executed in-market for the past three years and has driven significant improvements to both sales and margin for Kroger. These results have been achieved in partnership with Kroger as 84.51° works collaboratively to determine the application of its data science solutions based on the needs of the business. Leveraging this science has led to significantly improved business results by ensuring that our customers get the best possible prices and most relevant promotions while maintaining key business metrics, as well as time savings through the automation of tasks that were previously performed manually.
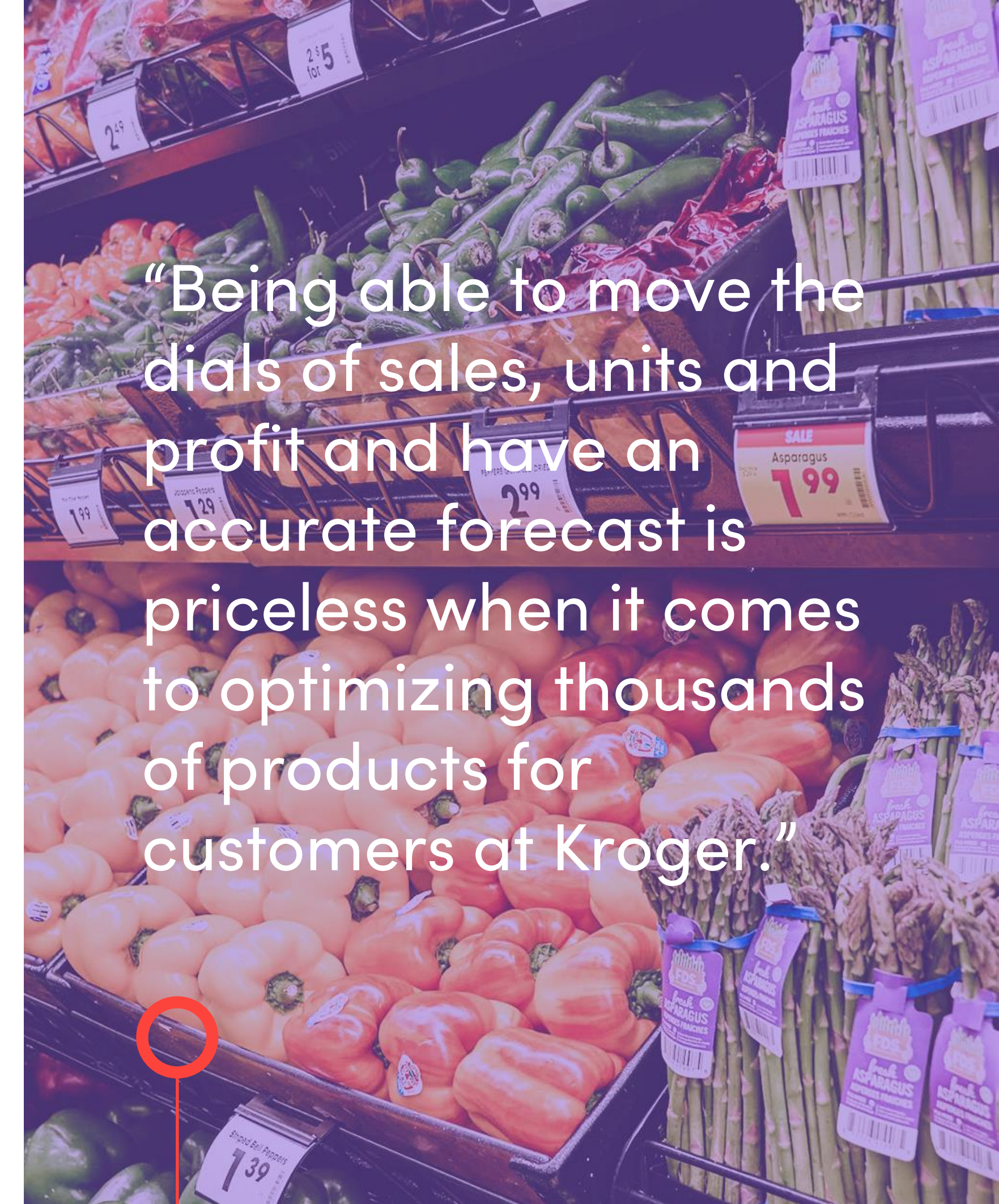
"Being able to move the dials of sales, units and profit and have an accurate forecast is priceless when it comes to optimizing thousands of products for customers at Kroger."

Stuart Aitken
Chief Merchant & Marketing Officer
Kroger

84.51°