

**SAP Solution Brief  
SAP for Retail**



Everyday pricing creates a picture in the customer's mind. Is this a retailer I should shop every day or only when there is a sale? The SAP® Price Optimization application enables you to create and execute pricing strategies with full understanding of price sensitivity, customer demand, cost structure, and impact on price image. The application helps you balance customer expectations against your competitive position, unit sales, and profitability for optimal business performance.

## **SAP® PRICE OPTIMIZATION**

### **Increasing Sales and Profits While Maintaining Price Image**

Generating demand is at the core of every successful business. In today's retail environment, you face more challenges than ever to grow and retain customers while maximizing profits. Intensely competitive marketplaces require solutions that build loyal, profitable connections with your customers.

As customer-demand experts, SAP Khimetrics has assembled a comprehensive range of customer demand management applications that help retailers understand and better serve their customers, increase profitability, and improve price image.

Applications from SAP Khimetrics can help you increase profitable demand through more customer-centric promotion, pricing, markdown, and merchandising activities. Across a range of pricing strategies, including high/low and everyday low pricing (EDLP), the applications from SAP Khimetrics help you arrive at better price, promotion, and markdown recommendations with less user intervention and greater performance while accounting for a wider range of retail product complexity.

### **Gain Actionable Insight into Customer Demand**

You may use a variety of approaches to set everyday prices: competitive pricing, markup rules, or manufacturer suggestions. However, even when your category managers actively price a few hundred key products, thousands of products reach the shelves with less rigorous pricing decisions, leaving you with a minimal understanding of the impact on overall customer perception or profitability.

The SAP® Price Optimization application starts by looking at your unique customer-demand patterns and price sensitivity down to the store-SKU level. It helps you select the optimal combination of everyday prices – prices that appeal to your customers and help you grow your business.

### **Manage Complexity and Scale Pricing Processes with Ease**

You can analyze, manage, and rapidly respond to changing market conditions across all of your SKUs, categories, stores, and zones. You decide the optimal price for new, interrelated, highly promoted, and other product types across a range of strategies including high/low and EDLP. You arrive at more credible price recommendations with less user intervention and greater performance while accounting for a wider range of retail product complexity.

With SAP Price Optimization, you can perform the following activities:

- Incorporate business goals, product costs, competitive information, and business rules into a single solution
- Determine the best blend of prices (increases and decreases) across multiple dimensions
- Price the right products in line with what a shopper expects to pay
- Make informed pricing decisions

### **Optimize for Greater Return**

SAP Price Optimization supports you in making strategic decisions about the role of specific categories in your stores and pricing those categories to meet business goals. You determine which products will be profit builders or traffic drivers. You make sure the everyday prices meet your business goals and create tighter profitable connections with your customers.

Using SAP Price Optimization, you can perform the following:

- Predict outcomes using a “what-if” functionality
- Automatically evaluate every price to ensure the right price is delivered
- Coordinate everyday prices concurrent with promotions and markdowns through a single calendar

### **Analyze and Improve Business Processes**

You measure the results of implemented changes to refine future strategies. You efficiently remodel demand and price sensitivity to gain even more predictability.

Your brand, category, and product managers can use an analytics dashboard to perform the following activities:

- Monitor price, promotional, and markdown pricing from a single view
- Compare forecast with actual returns and gain price-performance insight
- Create user-defined reports to analyze sales, margins, and net profit

### **Rapid ROI – Sustainable Results**

Implementing SAP Price Optimization is fast and easy, so you can start realizing the business benefits delivered by the following key functions:

- **Business rules management** builds a comprehensive rules library to support your price strategies. At any level in the product hierarchy, rules can include margin, price movement, competitor, associated product, ending number rules, and more.
- **Price optimization** selects the best combination of everyday prices – prices that appeal to your customers and help you grow your business.
- **Deal optimization** enables you to negotiate the best deals with your vendors, armed with accurate “what-if” analyses based on vendor cost reductions and cooperative strategies.

### **Comprehensive, Flexible, and Scalable**

As part of the SAP for Retail solution portfolio, SAP Price Optimization is scalable and integrates with our other customer-demand applications as well as with third-party products. You can implement as a single application or as a fully integrated set of applications to manage the entire pricing life cycle. You can solve today’s challenges confident that your solution will grow to meet tomorrow’s needs.

With SAP Price Optimization, you use your unique customer demand as part of a unified pricing strategy for pricing, promotions, and markdowns. Moreover, you create a demand-driven forecast that improves results while increasing customer satisfaction.

### **Find Out More**

Discover for yourself how SAP Price Optimization can help you manage optimal pricing throughout the entire life cycle. For more information, contact your sales representative or visit our Web site at [www.khimetrics.com](http://www.khimetrics.com).

### **About SAP Khimetrics**

The SAP for Retail solution portfolio includes customer-demand management applications from SAP Khimetrics, an SAP company. The applications from SAP Khimetrics help retailers synchronize their merchandising strategies with customer demand to increase sales and profit margins while improving competitive positioning. A fully owned subsidiary of SAP AG, SAP Khimetrics is headquartered in Scottsdale, Ariz.

### **About SAP for Retail**

Built on the SAP NetWeaver® platform, the SAP for Retail solution portfolio allows retailers to leverage existing IT investments in an integrated solution landscape. The platform helps reduce the complexity of IT while driving innovation, reducing costs, and pursuing flexible business strategies. As a result, retailers benefit from the increased flexibility, speed, and efficiency needed to compete more effectively. They also gain the means to run their entire businesses on a single platform rather than on a costly mix of best-of-breed solutions.

### **Powered by SAP NetWeaver**

SAP Price Optimization is powered by the SAP NetWeaver platform. SAP NetWeaver unifies technology components into a single platform, allowing organizations to reduce IT complexity and obtain more business value from their IT investments. It provides the best way to integrate all systems running SAP or non-SAP software.

SAP NetWeaver also helps organizations align IT with their business. With SAP NetWeaver, organizations can compose and enhance business solutions rapidly using enterprise services. As the foundation for enterprise services architecture (ESA), SAP NetWeaver allows organizations to evolve their current IT landscapes into a strategic environment that drives business change.