Case Study

How a major food company optimized its price pack architecture with Buynomics

Buynomics®

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Initial Situation

The company is one of the largest consumer goods companies in the world with billions in revenues and tens of thousands of employees covering over 100 markets worldwide. It has a strong portfolio with its core brands generating over $1B a year each. Its focus is on the cereal, snacks, and convenient meals sectors. For the initial project with Buynomics, the company was aiming to optimize profitability in one of its leading categories. The main levers to be tested were price increases as well as pack size changes. The goal was to find the best lever going forward and to improve competitiveness of the category in which it had been leading for so long.

Challenges

The company faced four major challenges in this category

New competitor: A new premium brand had entered the market and was gaining market share. Unfortunately, the category required a lot of volume to maintain margins.

Time- and resource intensity of alternative processes: Previous projects had been conducted with consultants or legacy providers which take much longer to deliver results which are quite expensive given their limited scope.

Difficulty to create accurate forecasts: Developing a scalable PPA solution is difficult. Many times, such decisions are made retrospectively and looking at single-issue questions in isolation. The client was looking for a solution that promised a forward looking and scalable success across the organization.

Low net margins in the industry: Strong competition, negotiation power of suppliers and expectations of low-cost products from customers are squeezing margins in the CPG sector. Any initiative that favors an increase in margins is therefore crucial for companies like the client.

"Having considered all pitches from major data and insights pro- viders, the company decided to partner with a cutting- edge software provider: Buynomics.

Solution

The company was looking for providers helping them optimize their price-pack architecture. It received pitches from all major data and insights providers in the CPG industry. Having considered all pitches, however, it decided to partner with a cutting-edge software provider: Buynomics. Buynomics, a SaaS-based solution, leverages a proprietary technology: It uses readily available market information to create a sample of Virtual Shoppers behaving exactly like their real counterparts. Pricing, PPA, channel, and portfolio strategies can be tested on them easily and without any risk.

With its unique technology, Buynomics' was able to solve the client's challenges

Comprehensive wargaming: Buynomics enables you to run an endless amount of competitive scenarios so you always know your best move given competition.

Time- and resource efficiency: Simulating a new scenario takes five minutes, and detailed impacts on revenue and profit are instantly visible.

Scalable advantage: While consultants and data providers strictly cover questions within scope, Buynomics' self-service solution empowers executives to create perpetual insight at the click of a button. Data updates and iterative analyses assure your organization stays up-to-date with market movements.

Measurable topline impact: Buynomics is designed to deliver straightforward, actionable insights that truly make an impact. Overall, the client was able to identify 3-5% ROS potential.

> "Thanks to the accurate forecasts delivered by Buynomics, the company was able to make a more confident decision about changes in both pricing and pack size given market demand."

Result

Buynomics improved financial performance and operational processes

Financial value

Thanks to the accurate forecasts, the company was able to make a more confident decision about changes in both pricing and pack size given market demand. Moreover, Buynomics helped identify 3-5% ROS on millions in annual revenue.
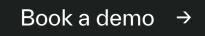
Operational improvement

Each simulation with Buynomics only takes few minutes instead of several weeks of market research and wargaming. This huge time saving empowered company executives to answer novel questions and test hypotheses in an iterative way.

Buynomics is the only solution which forecasts shopper behavior with >95% accuracy. Buynomics can simulate an unlimited number of price-product-promo combinations. It empowers to find the right prices, portfolio, promotions and product design.

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If you want to know more - get a demo today!

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