



# Radical Price Transparency



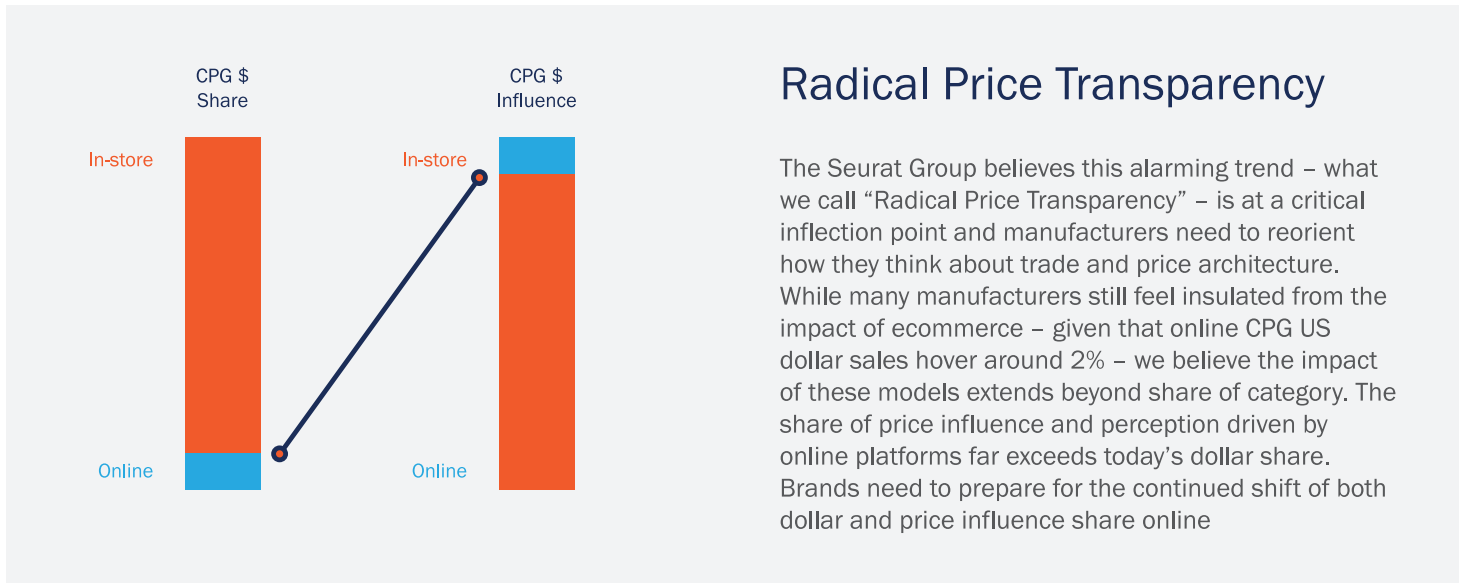


# Radical Price Transparency – The New Normal

The growth of ecommerce and proliferation of new marketplace models is having an outsized impact on how manufacturers and retailers manage price and promotional spend. Algorithmic price matching ensures that online retailers always offer the lowest marketplace price and provide the best value to their shoppers, but increases the risk of a “race to the bottom” for unsuspecting brands. As Amazon and other Omni – channel retailers build their consumables offer, the risk to mainstream manufacturers will continue to grow in the form of eroded brand value and commoditized categories.

**The Impact:** With trade rates increasing faster than sales, trade continues to be a place where manufacturers turn to enhance the value equation offered to consumers, make up for gaps in price architecture and address pressure from retailers to improve their sales and profit.

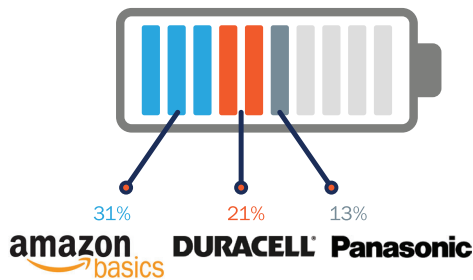
We at the Seurat Group believe there is a widening gap between today’s approach to trade promotion and rapidly changing Omni – channel market dynamics. There is an opportunity for manufacturers to use their trade program structure more strategically to deal with the coming change.



## Radical Price Transparency

The Seurat Group believes this alarming trend – what we call “Radical Price Transparency” – is at a critical inflection point and manufacturers need to reorient how they think about trade and price architecture. While many manufacturers still feel insulated from the impact of ecommerce – given that online CPG US dollar sales hover around 2% – we believe the impact of these models extends beyond share of category. The share of price influence and perception driven by online platforms far exceeds today’s dollar share. Brands need to prepare for the continued shift of both dollar and price influence share online

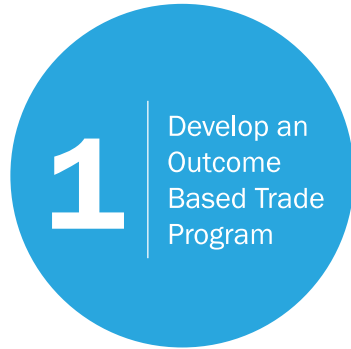
## Batteries eCommerce Brand Share (\$)



This issue of “Radical Price Transparency” is highlighted in the case of Batteries. The commoditization of the category online has been driven by practices of online retailers like Amazon. Scraping data across channels and exploiting imperfections in price architecture, Amazon Basics (Amazon’s PL line) catapulted to the #1 battery brand online while reducing total category price per unit across channels. This highlights the ability of Amazon to expose architecture imperfections and commoditize categories by effectively leveraging pricing data.

## Solution

The Seurat Group recently conducted a survey of 40+ CPG Manufacturers on their trade management practices and identified 3 core solutions to help address the impact of Radical Price Transparency.



We believe the best-in-class approach to trade management programs is outcomes-based: a program where funds are tied to achieving specific targets (product distribution, share of shelf, etc.). This allows for manufacturers to build stronger partnerships with retailers by ensuring incremental funds are earned only when specific category and brand goals are achieved. Today, only 2 in 10 manufacturers surveyed are executing an outcomes-based program, leaving a significant opportunity on the table for many manufacturers.



Companies are over-investing in online, but need to confront deal-scraping as a reality in today's – and tomorrow's – CPG world. While manufacturers flag market places for going below MAP, there is still little leverage to fully prevent the practice from occurring. Investing in vehicles-such as deal bundling (see figure) – limits the deal-price visibility an online algorithm can detect. This retains the value of the deal and avoids transferring it across channels.



The life blood of price-scraping is the imperfections that exist in company's price architectures today. Offering a customer or channel specific deal no longer occurs in a vacuum, but instead can easily cause a domino effect of price matching and a "race to the bottom" that drives profit out of the category. Manufacturers need to structure price & pack offerings that are specific to the needs of a channel and its customers to avoid triggering price competition across channels.

## Conclusion

Radical Price Transparency is the new-normal in CPG. As manufacturers continue to drive trade and pricing efficiencies, and as ROI-positive events are harder to come by, there needs to be a shift in how trade programs are structured to combat this new reality. Instituting an outcomes based program with strong policies & controls, smart discounting & an Omni-channel pricing architecture improves profit and alleviates the increased risk of commoditization from ecommerce. **For more information on trade capabilities, pricing strategy, or if you would like to participate in our upcoming 2018 CPG Manufacturer Trade Survey, contact us at [info@seuratgroup.com](mailto:info@seuratgroup.com) or visit our website [SeuratGroup.com](http://SeuratGroup.com).**