RETAIL STRATEGY SERVICES

Ricker's finds the right partner to support its strategic growth initiatives

Clear Demand pricing optimization support yields

Ricker's has long had a reputation as an innovative and leading upscale convenience store chain. With over 56 locations throughout Indiana they are constantly looking for ways that they can profitably improve their customer experience and stay ahead of industry trends. To that end they turned to Clear Demand to help support their pricing strategy.

Challenge

There are strong headwinds that threaten to displace many in the convenience store space. Current trends indicate that fuel gallons and cigarette sales declining. There is a need to increase sales and gross profits from existing customers. The very definition of convenience is changing with online shopping, delivery and mobile payment options. Compounding these problems is the fact that overall foot traffic is down for the first time in years. It is critical that c-stores have the data to understand their customers' behaviors and how to price accordingly. Rickers prides itself on being a forward-thinking leader within the space and turned to price optimization to help with the aforementioned challenges and increase confidence in its' merchandising pricing decisions.

7
subcategories, which account for approximately

6%
of total merchandise revenue, were selected for the trial.

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Opportunities uncovered with Clear Demand

Rickers reached out to Clear Demand to validate its solution and approach. A test and control pilot was established to allow them to truly assess the value generated by Clear Demand price optimization. 7 subcategories, which account for approximately 6% of total merchandise revenue, were selected for the trial.

Going into the trial Ricker's had some clearly defined goals.

1. Increase gross profits in less sensitive price/elasticity categories with minimal effect on sales and no effect on customer traffic. This result occurs from both raising and lowering prices based on historical product modeling.

2. Increase sales in units or dollars to increase the market basket (average transaction per customer) and increase affinity of other products to purchase with.

3. Increase gross profit dollars in specific categories from 1 to 3% of basis points with an overall merchandise gross profit improvement of 1 to 2% of basis points.

CLEARDEMAND

The following steps were taken during the pilot to ensure a successful test.

They included:

- Analyze & model two years of price and revenue history by sku. This enables the ability to understand customer behavior and predict future behaviors with price changes.

- The modeling of customer behavior including analysis using the affinity effect of customer purchases with intention of optimizing the overall customer market basket.

Over the course of the pilot, Clear Demand used Rickers' own data to build historical consumer demand models for its stores. Clear Demand then developed an opportunity assessment for each merchandise category, zeroing in on individual products and subcategories where price adjustments could drive gross profits by either increasing gross margins or sales.

Rickers' own data was used to build historical consumer demand models

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Results

The findings were immediately actionable and resulted in a significant increase in gross profit dollars. All results were reviewed and discussed with the pricing team and VP of merchandising to ensure that optimized prices were appropriate for the price image and reputation of Ricker and that were in line with competitor constraints. The pilot was a success and yielded the following results:

3.4%	1.99%	2%
increase in gross profit	increase in sales revenue	unit sales for optimized categories

Rickers is now in the process of rolling out price optimization to additional merchandise categories, including food service in a collaborative manner.

"Clear Demand has helped us transform our mountain of merchandise and promotional big data into retail price changes that have yielded measurable gross profit increases,"

said Quinn Ricker, CEO of Ricker's.

Price and promotion optimization have become more and more important to convenience store strategy and Clear Demand has a proven track record of providing tangible results.