

The Demise of the Cost+ Model



Dynamic price automation from Intoscape

Throughout the online retail world, automated pricing is a commonplace goal. Anyone with a basic understanding of Microsoft® Excel or with some database know-how can build a cost+ automated pricing algorithm to bolt on margin.

Taking the model on from there is where the challenge really starts and where most online retailers stop. That's because most cost+ models operate at fairly unsophisticated levels and do not offer dynamic or intelligent automation to their users.

There are also many examples of very expensive and very complex ERP solutions which have price automation built into their service offering. Even though this is partially intelligent, ultimately it still only offers a 'cost plus' mechanism with no notion of competitive positioning built in.

Intoscape's dynamic competitor conscious price automation can now replace Cost+

The effect competitive pricing has within any given market is a fundamental consideration, and, for the online retail world, where businesses have the capability to move very quickly, this is of pivotal importance. But in the absence of any more suitable approach, online retailers have typically resorted to manual market intelligence gathering to get a feel for pricing levels among their competitors.

The downsides to this are clear to them all - it's an approach which is labour intensive, prone to inaccuracies and in most circumstances, not comprehensive enough. The legacy for most online retailers is that cost+ remains the foundation to fill the gaps which comprehensive, competitor pricing should fill.

Using a cost+ algorithm to automatically price a catalogue does not consider competitive positioning and this leaves huge holes in any pricing policy.

Leaving out competitive market intelligence at the "Point Of Pricing" adds manual tasks where product managers and marketers have to make post-published price decisions based on market intelligence gathered in a disparate system.

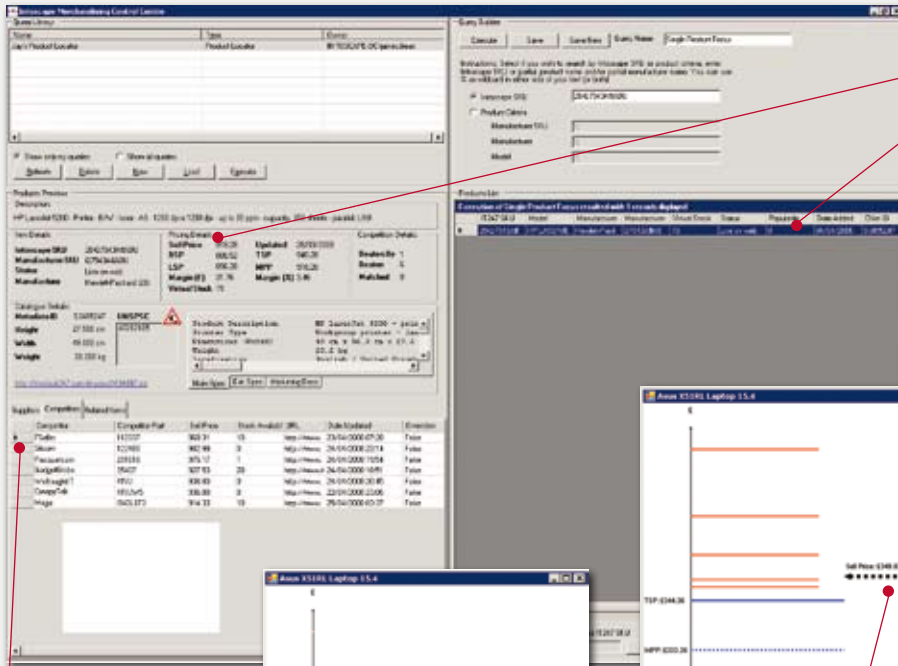
A lack of competitive price analysis can 'leave margin on the table' and inadvertently allow prices to be set below the market average. This happens because cost+ systems believe that the prices they dictate should be published and have made 'enough' margin already.

Intoscape comprehensively monitors competitor pricing - automatically!

- Intoscape allows users to build very large catalogues quickly and confidently. The rules based pricing engine will set prices according to the company's requirements and expectations consistently. Unlike humans, it is not prone to errors!
- Intoscape is flexible. Should manual pricing be required, then all price fields within the database are editable within the Merchandising Control Centre (MCC) dashboard and all permission-based editors can effect live changes to the site directly from within the MCC without any need to change programs or involve additional personnel.
- Intoscape allows businesses to focus resources on these core product sets without sacrificing quality and accuracy in the rest.
- Intoscape provides price automation down to a minimum accepted value based on business rules, which means that products available on the site can never be sold at a loss.

Powerful capabilities to move beyond the Cost+ pricing model

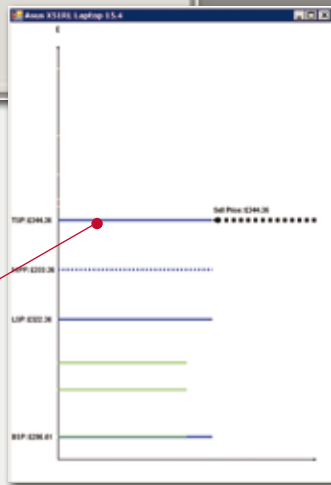
- Flexible business rules are set against suppliers, competitors, brands, categories and costs of sales.
- Supplier feeds are gathered automatically and all products identified and compared before presentation by the MCC. These products enter the system in a 'PENDING' category and can be moved through various lifecycle stages from 'ACTIVE', to 'LIVE ON WEB' OR 'DEACTIVATED'.
- Competitor web sites are indexed and considered in the same way with 1000s of products collated from multiple competitive supply sources and identified and compared before presentation to the MCC dashboard.
- Users are then in the unique position of being able to compare 'apples with apples' in both the virtual stock supply chain and competitive marketplace, thus making price decisions based on their business rules as close to real time as is currently possible in any system anywhere in the world.
- Prices need not be set in stone. All price and data fields exposed by the MCC are editable, provided the secure user has permission rights to make price changes.



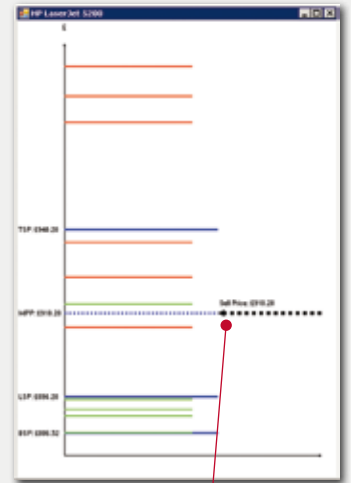
Intoscape can identify individual products then automatically calculate sales prices using best supplier prices and competitive price positioning data.

Competitor data is presented as a list for instant visual and automated comparison.

Where no competitor data is available on a specific product, Intoscape will set sales prices based on your business rules.



Where competitor pricing is aggressive, Intoscape will limit the lowest permissible sales price to set business rules and report your resultant competitive position.



Where competitor pricing is high and margins can exceed standard 'cost plus' expectations, Intoscape will increase sales prices and increase margin opportunity.

Beating the Pareto Principle

Allowing large parts of a catalogue to be automatically priced and published means that core product sets, typically 20% of inventory, can be given fuller attention by the product managers. The effect is the most profitable areas of the business are given the attention they require at all times.

However, automated business rules mean the other 80% are also managed more effectively and changed dynamically according to market conditions.

“Price automation is the “holy grail” for eCommerce companies managing changes in inventory in larger catalogues”

Learn more about the demise of the cost+ and Intoscape

- See how Intoscape users can select many thousands of products and automatically publish to a live web site whilst synchronising information with secure back office CRM and ERP systems.
- Book a WebEx demonstration focused on The Demise of the Cost+ model.
- Arrange a site visit from TCM experts to discuss implementation and commercial objectives for an Intoscape licence in your business.
- **Call direct on 0845 460 4500 or visit our website at www.intoscape.com, for case studies, news and further information.**