

Retail Pricing Heroes OF TODAY

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Is your product or service really so good that you don't need a pricing strategy?



Miha Deu

Head of Online Sales at SPAR Slovenija d.o.o.

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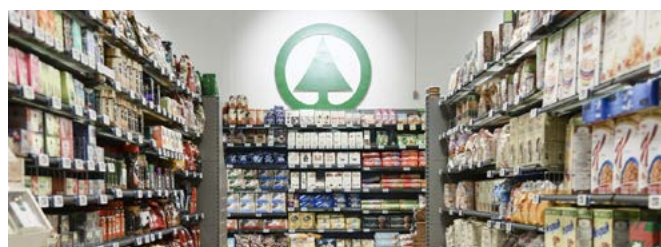
Retail Pricing Heroes: The inflation brought on by the events in 2022 have notably impacted the global economic climate. Consumer wallets have mostly dried up. What does that mean for online supermarkets and their prices?

Miha Deu: Due to our omnichannel initiative, we at SPAR Online webshop promise the same prices online as offline—regarding the price policy, we did not change a thing. But, due to price increases of production, raw materials and food ingredients, and also increases in the price of labor, incoming goods have become more expensive for us as a retailer as well. That is why SPAR Slovenija put more focus on white label products in the past year. With these products, we could keep control over our prices, despite the 19% inflation within the food sector in Slovenia. We have a campaign in Slovenia where we are promising to our customers that SPAR Slovenija is blocking inflation, and this is especially important for online business, where the line between profit and loss is very thin. Remember, we have to squeeze preparation and delivery of the order into our profit margin. That is why our current picking optimization and logistics performance, as well as our bigger average shopping cart value KPIs have grown significantly in importance. We are tackling this with updates to our picking and logistics software, with a focus on speeding up and automating the process where possible.

On the webshop side, we launched a special tool that, with the help of in-house developed AI, offers the most relevant products to our regular customers. And, since this tool reduces the number of products that customers forget to add to their cart, we were able to increase the average online shopping cart order value. Below the line, we did not record a drop in the number of orders, only that the growth had slowed down slightly.

RPH: Compared to pure online supermarkets, what advantages do you envision for 2023 by being part of a traditional retail chain group like SPAR?

MD: The most important advantage is that SPAR is a well-established, trusted, top of mind brand in Slovenia, with a 30-year history on the market. This facilitates our online marketing when promoting products, and also assists our purchasing department's efforts to acquire competitive products at competitive prices.



RPH: The supply chain puts extreme pressure on margins. How does that affect the online operations of SPAR? What can pricing managers do differently to protect their margins at this moment, in your view?

MD: As I briefly mentioned before, we listed more white label products where we monitor the prices of raw materials and ingredients. As soon as we see that the prices have decreased, we ask the supplier to adjust them accordingly. At the same time, this also forces other suppliers to adjust their prices, otherwise the price difference may be too great between white label and brand products.

RPH: What type of food retail chains have the ability to keep pricing responsibility on buyers, and which retail chains should create specialized pricing departments?

MD: In times like these, I cannot imagine a food retailer that does not have a specialized pricing department.

RPH: What specific options do omni-channel retailers have in regard to prices and pricing techniques, compared to traditional retailers?

MD: There are pluses and minuses to being omnichannel. For the ones that don't have competitive prices and products, being online also means that customers and price comparison engines can more easily compare their prices in relation to their competition. In our case, this is a good thing since our prices are compatible even when compared to discounters. But, as we are noticing, being online brings an even bigger benefit in terms of webrooming—when customers want a specific product, they search for it on the web. If a retailer is among the search results, this informs the customer where to get it. For example, I search the web for a special sort of milk; I see that an omni-retailer has this product; I then visit the brick-and-mortar store of that omni-retailer in my vicinity. In this case, the non omni-retailer doesn't stand a chance. Currently, the majority of our webshop visitors are there to find products, not to order them.

RPH: How did you succeed in making SPAR e-comm profitable?

MMD: Becoming profitable is an ongoing process—we are succeeding because of a good ratio between handling the costs of preparing and delivering an order on one side, and yielding high average basket sizes on the other. It's quite simple: preparation and delivery of a small or a big basket represents almost the same costs

when it comes to logistics and picking. When it comes to marketing, optimizing search results, and similar initiatives, we push the products or brands with the higher profit margins.



RPH: At what frequency do you envision prices will be reviewed in 2023, in order to reflect on the supply chain and market dynamics?

MD: In an ideal world, constantly; in reality, frequently. Whereas I would put focus on segments in which prices increased the most in the past months, the probability of price change in any direction in these segments is much higher. One good case example was cooking oil in the Fall of 2022, when prices dropped and then suddenly went back to "normal".

RPH: What are the biggest risks that you anticipate for the second half of 2023, if most of the pricing directors remain stuck on their current pricing strategies and techniques?

MD: I will take the liberty to quote Nokia's Ziyad Jawabra to answer this question: "We didn't do anything wrong, but somehow, we lost". I think it is a must to try new techniques all the time, but certainly on a small scale, at first, simply to see what works. If it works, it may bring a strategic change with it.

RPH: On a scale of 1-10 (10 being the maximum), how important was Pricing to SPAR back in the beginning of 2021, i.e. pre-Covid?

MD: Back in 2021, pricing was very important, as was the case for most retailers. And if you would've asked me back then, I would have given it a 10. However, due to the global turn of events, pricing certainly became an even bigger focus within our daily routines, so I would give us a 9 in 2021, and a 10 in 2023.

RPH: You recently had the opportunity to speak at Shoptalk in Barcelona—Europe's most prominent retail show—and joined other industry leaders and innovators to discuss the latest trends and technologies in e-commerce. In your own words, as stated in your LinkedIn post, Shoptalk was a “marathon”. What stood out to you the most?

MD: Yes, it was a marathon of back-to-back meetings. The show was great, I'll definitely attend it again next time. It was very productive to meet with so many peers with whom I could share our challenges. The buzzword that definitely stood out was AI—AI in every pore of retail. It's nice to see all of these different AI solutions that can finally make use of the big data we have been gathering for years, even if it's just being used for very particular cases, or for study only due to lack of manpower. For me personally, as a guy who is into retail tech, the most interesting solutions were Just Walk Out stores, Demand Forecasting, Last Mile and Middle Mile solutions for e-commerce, and others of this nature.

RPH: The market is going through a turbulent period. You met a number of other retail professionals at Shoptalk, recently. How do they envision the future?

What are their biggest concerns?

MD: Profit margin. With profit margins

getting thinner, the need for automation and optimizations in every single process of e-commerce is becoming crucial. But, not just from an IT aspect, also strategy-wise—for example, do we need 20,000 SKUs available online? Do we need delivery within 20 minutes for almost no charge? Do we need some costly features, even though they are rarely used by our colleagues or our customers? Regardless, I still believe that the future has not changed its course when it comes to online grocery shopping, the potential for growth is still enormous.

RPH: What would you say to pricing directors that would evoke them to take action in 2023?

MD: I would like to answer this question with a question: “Is your service really so good that you don't need a pricing strategy?”



Miha Deu
Head of Online Sales
at SPAR Slovenija d.o.o.

- 20 years of e-commerce leadership
- Miha Deu established the SPAR Slovenija d.o.o. online grocery shop in 2015, which became the market leader with the largest market share in Slovenia



It's a **SHAME** not everyone
can be a retail pricing hero.
UNLESS they provoke pricing
managers to take action.

In case you missed it, click below to read this excellent RPH edition with
Nikola Kostoski, former Strategy & Digital Director, Delhaize Serbia.

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