NielsenIQ

Enhancing Your Competitive Edge and Market Position with Strategic Price Optimization

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Retail Analytics

The quest for *next*

Find your next growth opportunity

C360

Agenda

1. Introduction + Economic Backdrop
2. Forces Influencing Pricing + Post-Covid Lessons
3. Emerging Pricing Strategies + Calibrating an Approach
4. Role of Data, AI & Automation + Position for Sustained Success
5. Q&A + Closing Remarks

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Introduction of Presenters

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NIQ North America

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Today's Unpredictable Market

Develop resilient pricing strategies

Consumer Confidence	98.0	▲
Unemployment	4.2%	▲
Savings Rate	3.9%	▼
Average Wages	$36.06	▲
Consumer Price Inflation	2.3%	▼
Revolving Outstanding Credit Card Debt	$1.3T	▲
CPI Food @ Home	2.0%	▼
CPI Food Away from Home	3.9%	▲

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Audience Poll #1

What is your company's biggest pricing challenge today?

- **A** Rising costs due to inflation and supply chain issues
- **B** Competitive pricing pressures from rivals
- **C** Consumer price sensitivity and demand fluctuations
- **D** Lack of data and technology for optimized pricing

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Forces influencing pricing strategies

Understanding today's economic landscape and pricing challenges

Consumer Price Inflation
2.3%

CPI Food @ Home
2.0%

CPI Food Away from Home
3.9%

Inflationary Pressures

Unemployment 4.2%	+0.3 pts vs YA
Savings Rate 3.9%	-1.3 pts vs YA
Average Wages $36.06	+$1.31 vs YA
Consumer Price Index	+2.3 pts vs YA

Consumer Confidence
98.0

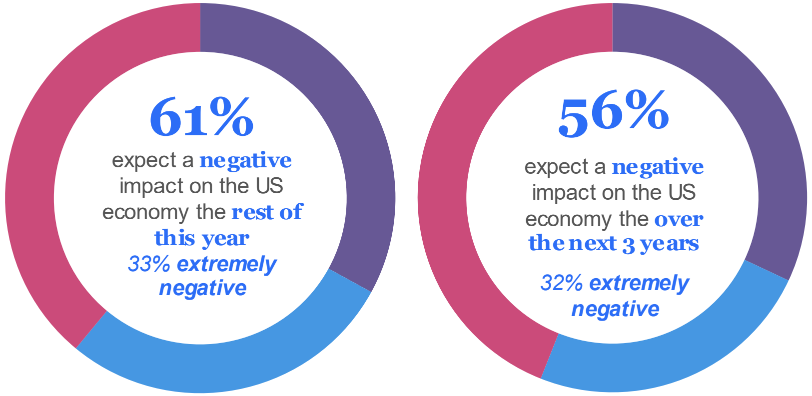
+12.3 pts
May '25 vs. Apr '25

-3.3 pts
May '25 vs. YA

Consumer Confidence

Top Concerns setting spending tone for 2025:

1. Rising Prices
2. Increasing utility bills
3. Increased housing costs
4. Economic turndown
5. Ability to provide basics for family



Impact of Tariffs

Americans concerned about tariffs impacting pricing in:

- Fresh Produce 43%
- Eggs 42%
- Poultry 37%
- Dairy 36%
- Coffee 34%

Sources: Consumer Confidence Board; Federal Reserve Bank of St. Louis; Bureau of Labor Statistics CPI | Slide updated in May 2025 (data updated monthly, through May/April '25); *NIQ Quarterly Consumer Tariff Sentiment Study; NIQ 2024 Mid-Year Consumer Outlook, Global, Note: In China, verbiage reflects the following: "Geopolitical uncertainty", "Economic environment" ;*

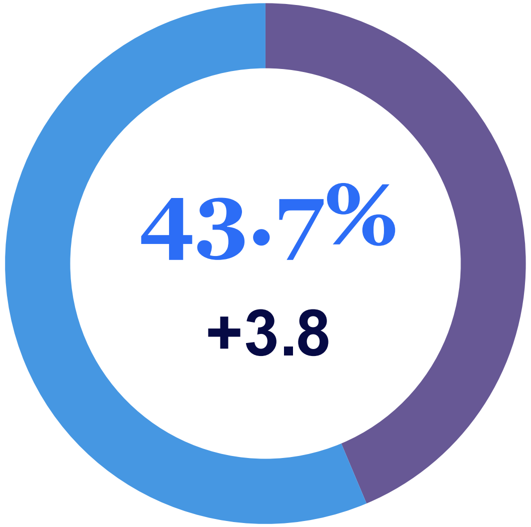
Consumer value-seeking strategies remain key to overall CPG growth

Annually, Value Retailer $ have grown at 3.8%, while Remaining Retailer $ at only 1.1%
Annually, Private Label $ have grown at 4.7%, while Non-PL $ at only 1.7%

$ % of CPG →

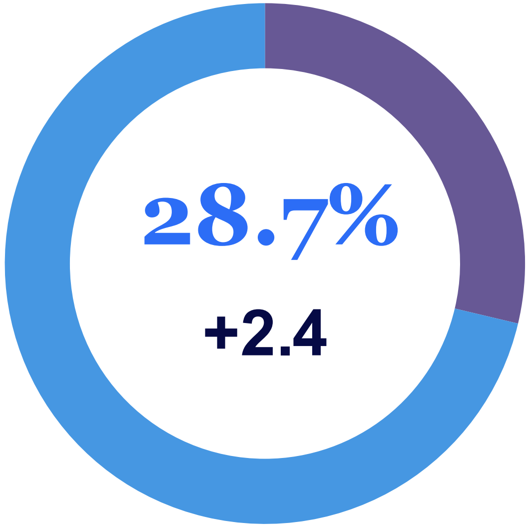
$ % Growth →
(Annual vs. YAGO)

Dollar Share
Shopping Value Retailers*



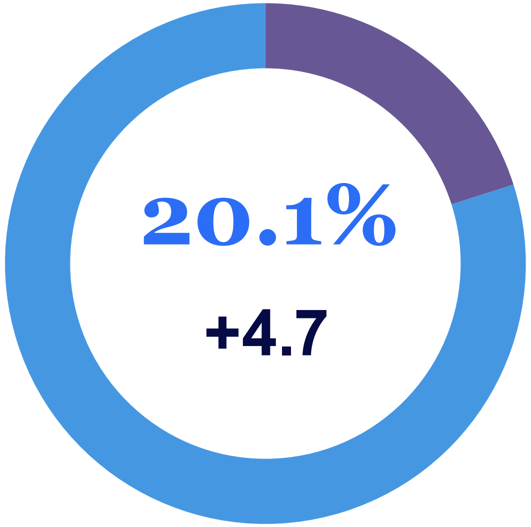
Remaining Retailers: +1.1

Dollar Share
Buying on Promotion



No Promo: +2.2

Dollar Share
Buying Private Label



Non-PL: +1.7

$ % Growth →

Total CPG $ % Growth: +1.9% ***(Annual vs. YAGO)***

Source: NielsenIQ, Total US XAOC, 52 weeks ending April 26, 2025

*Value Retailers (Mass+Club+Dollar)

Post-Covid Lessons

- Post-Covid Pricing Agility
- Supplier Diversification & Risk Mitigation
- Real-Time Market Adjustments
- Inventory Efficiency as Pricing Lever
- Cross-Functional Collaboration

Economic Price Shock Events Accelerating

Adapting to change in pricing is more important than ever

Interval	Event
	1979: Oil Crisis
10 years	
	1990-1995: Recession
6 years	
	2001: 9-11
5 years	
	2006-2007: Commodity Price Boom
	2008: Global Financial Crisis
3 years	
	2011-2014: Arab Spring
1 year	
	2015: Annex of Crimea
	2020: COVID-19 pandemic
1 year	
	2021: Suez Canal Obstruction
1 year	
	2022: Russia/Ukraine Crisis
1 year	
	2023: China's Economic Reopening
Monthly	**2025:** Tariff & Trade Policy

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Price – Price Inflation

COVID Created a New Inflation Flywheel

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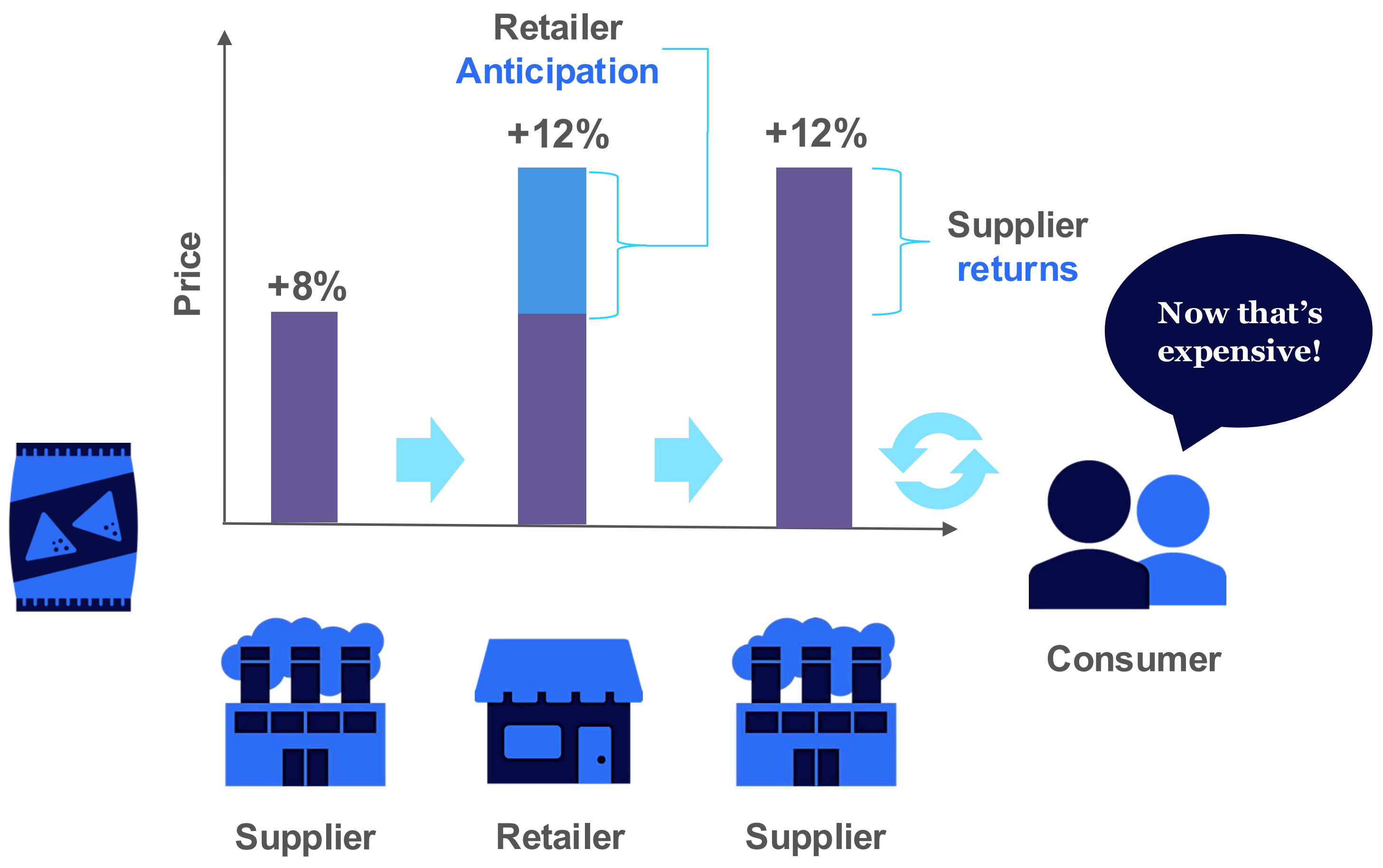
Inflationary cycles driven by anticipated vs. actual costs

Preserving consumer trust requires breaking the cycle through transparency of costs, supporting data-driven elasticity modeling, and retailer/supplier collaboration



Essential Highlights

Forces Influencing Pricing + Post-Covid Lessons

1. **Market Trends:** Consumers are trading down, delaying purchases, and showing heightened price sensitivity.
2. **Cost Pressures:** Tariffs and supply chain volatility are compressing margins, requiring smarter pricing levers.
3. **Behavioral Shifts:** Consumers expect brands to understand their financial constraints and respond with transparency and value.
4. **Strategic Response:** Agility, data-driven decisions, and diversified sourcing are now core to pricing resilience.

Audience Poll #2

Let's do another quick pulse check.

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Which components of merchandising strategy do you revisit in times of market volatility?

- **A** Category Roles & Target Customer Segments
- **B** Marketing Pivots
- **C** Assortment Adjustments
- **D** Price/Promotional Strategy: EDLP, Hi-Lo, Hybrid

Emerging Resilient Model: Hybrid

Offering both consumer trust & commercial flexibility

Core Strategies:

- **EDLP:** Consistent low pricing, minimal promotions
- **Hi-Lo:** Higher regular prices with frequent discounts
- **Hybrid:** EDLP for Core/KVIs + Hi-Lo for select items
- **Dynamic:** Real-time pricing updates based on demand, inventory, or competition

Category Specific Pricing is Critical:

- Elasticity varies widely by category
- Role in basket behavior differs
- Consumer mindset isn't uniform

Channel Based Strategies

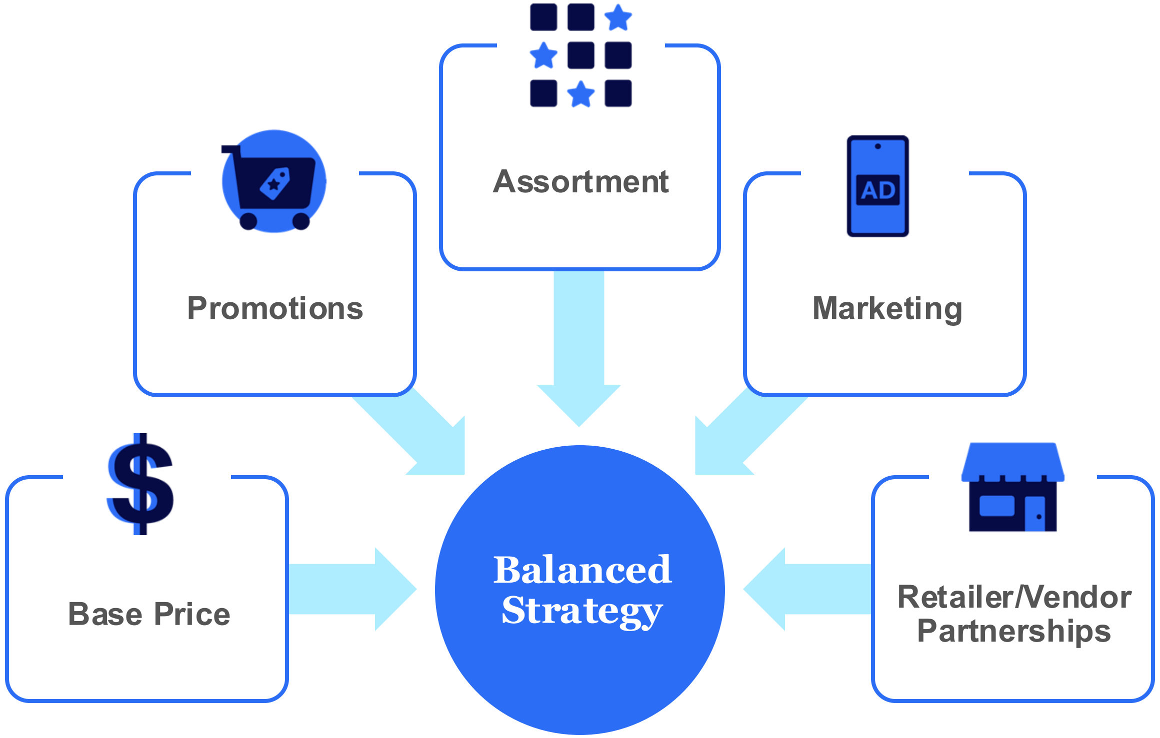
Tailored Models for Each Vertical - Recommended Shifts

- **Mass Merchandisers:** EDLP + Digital Personalization
- **Grocery:** Hybrid + Elasticity/Zone Optimization
- **Dollar:** Tiered EDLP + Strategic Hi-Lo
- **Convenience:** Dynamic Pricing + App-Exclusive Deals
- **Pet Retail:** Subscription EDLP + Bundling
- **Drug:** EDLP Core + Digital Hi-Lo for Discretionary
- **Military:** Enhanced EDLP + Limited Promo Testing
- **eCommerce:** Dynamic + Bundling/Sub Pricing
- **Tech & Electronics:** Hybrid + Affordability Incentives
- **Durables/Furniture:** Tiered EDLP + Urgency-Driven Hi-Lo
- **DIY:** Project-Based Bundles + Localized Promos

Consider Many Tools to Balance Competitiveness and Financial Outcomes

Pricing Arbitrage, Cost Changes

- **Base Pricing:**
  - Protect KVI, Offset in non-KVI, use optimization if available.
- **Vendor/Retail Partnering:**
  - Vendor-Retailer cost sharing, promotional cooperation, strategic alignment around items/categories
- **Promotions:**
  - Increase depth of promotions where base pricing has risen.
  - Promotion variations – multiple deals can
  - Promotion personalization.
- **Assortment:**
  - Focus on value pack sizing, private label, and opening price points.
- **Marketing:**
  - Value marketing and communications .



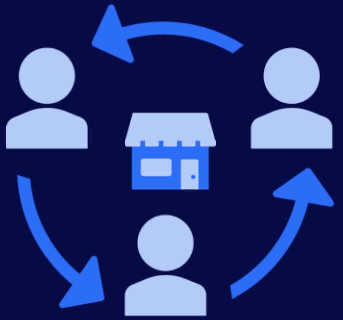
The Opportunity of AI and Advanced Data Analytics

Artificial intelligence is a talent multiplier not a talent replacement that can support each stage of pricing routine

- **Pricing Strategy**
  - AI enhances and speeds competitive research, turbocharging iteration and multiple strategic planning iterations
- **Pricing Data Setup**
  - Through visual and natural language AI, enhance speed and completeness in creating and maintaining pricing data elements: price lines, competitive product matching, etc
- **Price Determination**
  - New Price Optimization tools increasingly include AI suggestions for pricing rules creation, speeding setup and experimentation.
  - Advanced optimization across the whole store enables enhanced prioritization of needed changes
- **Price Reporting and Tracking**
  - AI democratizes reporting through natural language querying and data interaction.

Principal Components

Enterprise alignment & buy-in is #1 above all.



- Key Value Item Segmentation
- Pricing Roles & Rules for Base & Promo
- Retailer | Supplier Alignment
- Price Execution Routines

Strategy

Holistic view required, Steady over time

Category Roles, KVI lists, Key Competitive Targets:

- Known financial goals in total and by category.
- Known KVI list of strategically important items for pricing.
- Key competitors known, set.

Pricing vs Promotion vs Assortment:

- Known options and preferences for action within each merchandising toolset.

Vendor/Retailer Alignment:

- Known preference cost sharing.
- Executive support in communications if needed.

Roles & Responsibilities

Clarity fuels speed and execution

Executives:

- Set and communicate strategy

Merchandising Teams:

- Leadership empowered to approve financial tradeoffs across categories
- Set or review and approve final pricing decisions

Pricing/Promo Teams:

- Setup and manage tools to execute strategy within guardrails, suggest tradeoffs

Enterprise Impacts

Pricing-related impacts will be seen across the organization

Data and Analytic Teams:

- Increase frequency of delivery, tariff-related data elements
- Pressed for clarity of analytics: determining causality considering multiple changing factors.

Merchant Teams:

- Required off-cycle assortment changes, negotiations, increased vendor communications

Merchandise Planning/Supply Chain Teams:

- Unprecedented price changes may lead to unforeseen demand shifts requiring quick purchasing shifts; Online vs In-Store Customer reactions can be distinct.

Marketing Teams:

- Marketing/communication of value – in-store & broader vehicles

Operational Constraints

Assess and Plan for your specific limitations

Volume/Scope of Price Changes:

- Are you limited in frequency and volume of price changes
- Differences by channel/store type
- Create an appropriate prioritization method for changes.

Timing of Price Changes:

- What is your promotional/marketing planning process?
- Are you limited by marketing channel or promotion type?
- Can you create a fast path for urgent needs?
- What are your assortment refresh cycles? Both standard and off-cycle.

Bringing It All Together

Role of Data, AI & Automation + Position for Sustained Success

1. **AI in Pricing:** AI enhances competitive research, data setup, price determination, and reporting, acting as a talent multiplier
2. **Enterprise Alignment:** Alignment and buy-in are crucial, focusing on Key Value Item Segmentation and Price Execution Routines
3. **Holistic Strategy:** Effective strategy implementation requires clear roles, financial goals, and vendor-retailer alignment.
4. **Enterprise Impacts:** Pricing impacts and constraints need frequent data delivery, clear analytics, and effective marketing communication

Q&A

Closing Remarks

1. Evaluate your current pricing models
2. Leverage data to make informed adjustments
3. Stay ahead of economic volatility

Enjoy the rest of the conference!

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Thank you!

Be sure to swing by our Retail Price Optimization booth!

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