

*Small and large businesses can benefit from exploiting variations in local and regional prices, customer preferences, and price elasticity – but doing so presents a very data-intensive analytic challenge, which Opera successfully met for one baked goods manufacturer*

## BACKGROUND

- Major U.S. bakery with national brands hoping to improve profits from its bread line; revenues of ~\$1B
- Significant variability in regional prices, customer tastes, pricing elasticity
- Low visibility into interaction among products in the line
- Hard pricing floors and ceilings by region

## ACTION

- Built local and regional demand curves for each SKU to model price sensitivity
- Clustered similar demand curves together to build “virtual” pricing zones
- Developed an optimal price by SKU for each “virtual” pricing zone
- Adjusted optimal prices to account for product interdependencies (e.g., cannibalization)

## IMPACT

- Increased margins by 3- 6% (\$30-\$60MM)

## RESULTS: OPTIMIZED PRICING

