



What is Market Price Index?

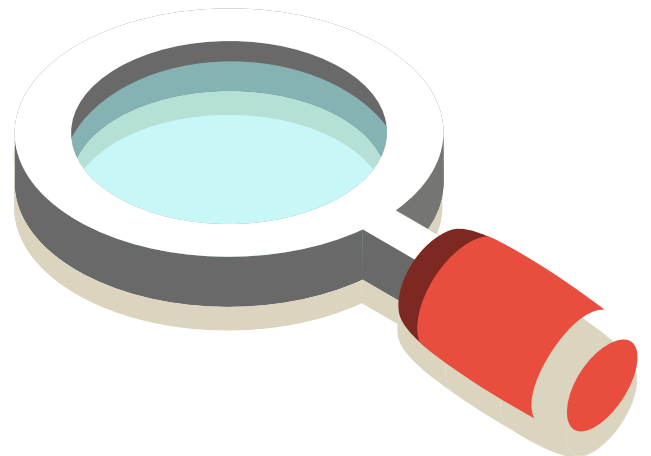


wiser
Better data, better decisions

There is one powerful number that is the key to understanding where your prices are in comparison to the market: market price index (MPI). MPI is a metric that represents your price position relative to top competitors across key categories and brands.

Ever wonder how you keep an eye on your competitive price position across your entire product assortment? MPI is a gold standard metric used by the most advanced retailers to keep track of market price trends at the 10,000 foot view all the way down to the SKU level.

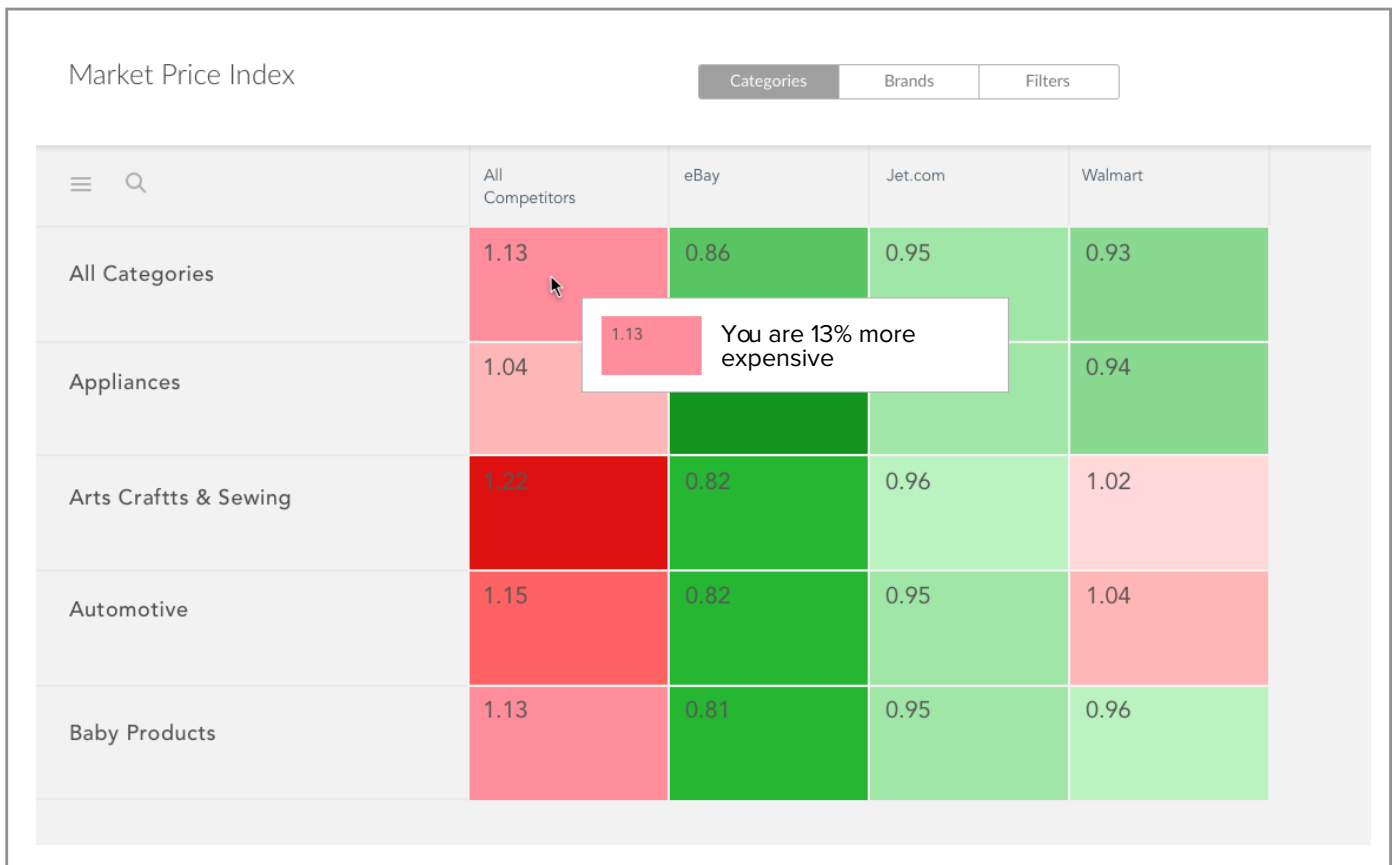
So what does this number look like? Think of it this way: If your MPI is 1.00, that means you're priced the same as your competitor. If your MPI is less than 1, that means that you are more competitively priced than that competitor (.97 is 3% cheaper, .80 is 20% cheaper, etc.) An MPI that is over 1 means that you are more expensive than your competition (1.03 means you're 3% more expensive on average, 2.00 would mean you are double their price, etc.)



Sounds simple, so why is this valuable? The power of MPI comes when you can compare your price index to specific competitors across key brands and categories. For example, your MPI can tell you that you're very price competitive when it comes to laptops, but overall more expensive on cameras versus Best Buy. Getting this bird's eye view of the market enables you to monitor your competition and capitalize on areas where you have pricing power.

What we found is that Amazon is not always the most competitive seller in the marketplace. If we observe Amazon's MPI against all of its competitors', Amazon is 13% more expensive across all of its categories on average. The next step is to look at different categories at varying weights, because Amazon holds different standards for its best selling categories in reference to its competition.

Wiser monitored Amazon.com's own MPI over time to measure a couple of things. First, we wanted to see how Amazon was priced in its top categories compared to eBay, Walmart, and more. Second, we wanted to observe how Amazon's prices fluctuate over time, and use its MPI to measure the changes.



Amazon Specific Example

	Automotive
Walmart	1.04
BIC Warehouse	0.79
Pep Boys	1.07
Life and Home	1.04
Autoplicity.com	0.88

	Computers and Accessories
PCNation	0.85
Walmart	0.87
Jet.com	0.97
Office Depot	0.81
Newegg.com-NothingButSaving.com	0.78

Let's take automotive for example. When you are looking to purchase new tires or car parts, you probably aren't going to visit Amazon. They aren't exactly automotive experts, and they haven't made much of an effort to appear that way. You'd probably visit a store like Pep Boys first, which could be why Amazon is 7% more expensive than Pep Boys. The automotive category is not the best selling category on Amazon, so they're not going to price as competitively against a company like Pep Boys for that section.

Electronics on the other hand is one of Amazon's best selling categories. Many shoppers visit Amazon for electronics like computers and accessories. In this category, Amazon was almost always less expensive than competitors. If you take NewEgg, a company known for selling electronics online, and compare its prices to Amazon, you can see that Amazon is as much as 22% less expensive.

So what's the strategy here? It's simple. Amazon has low prices for its popular categories, and makes back margins on its less popular ones. Amazon tries to generate traffic in more popular areas, and instead uses its categories like automotive for cross-sells. They don't need to be price competitive if shoppers aren't comparing them to retailers like Pep Boys.



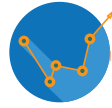
MPI Use Cases

MPI gives you a view into how you stand compared to your competitors throughout a certain time period. Now that you know what the metric is and how it applies to a retailer like Amazon, how does it apply to your business?



Gain Long Term Insight

- Over the last 12 months, how are you trending in your top categories? Does your performance align with your growth strategy, or are your competitors beating you to the customer?
- Use these trends to figure out where your whitespaces are -- if you're maintaining a strong position in cell phones, you may be able to generate strong cross-sell traffic for smartwatches too!



Guide Pricing Strategy

- Are your more expensive products earning you more money? Do you have the ability to increase price, but still maintain your market position and sales velocity?
- Are there brands or categories where key competitors are much cheaper than you? How is that impacting the growth of those sales? MPI can help you find slow moving categories that can be reignited with a more aggressive pricing strategy.
- Don't push it too far, though. If you're experiencing a sales increase with an MPI of 1.02-1.05 or so, stay there. If you're a premium retailer, you can afford a larger MPI.



Influence Marketing Efforts

- Share your price position with your marketing team to know where your business is strong. Double down on these areas to generate significantly more traffic and solidify your price position in the market.



Improve Assortment Efforts

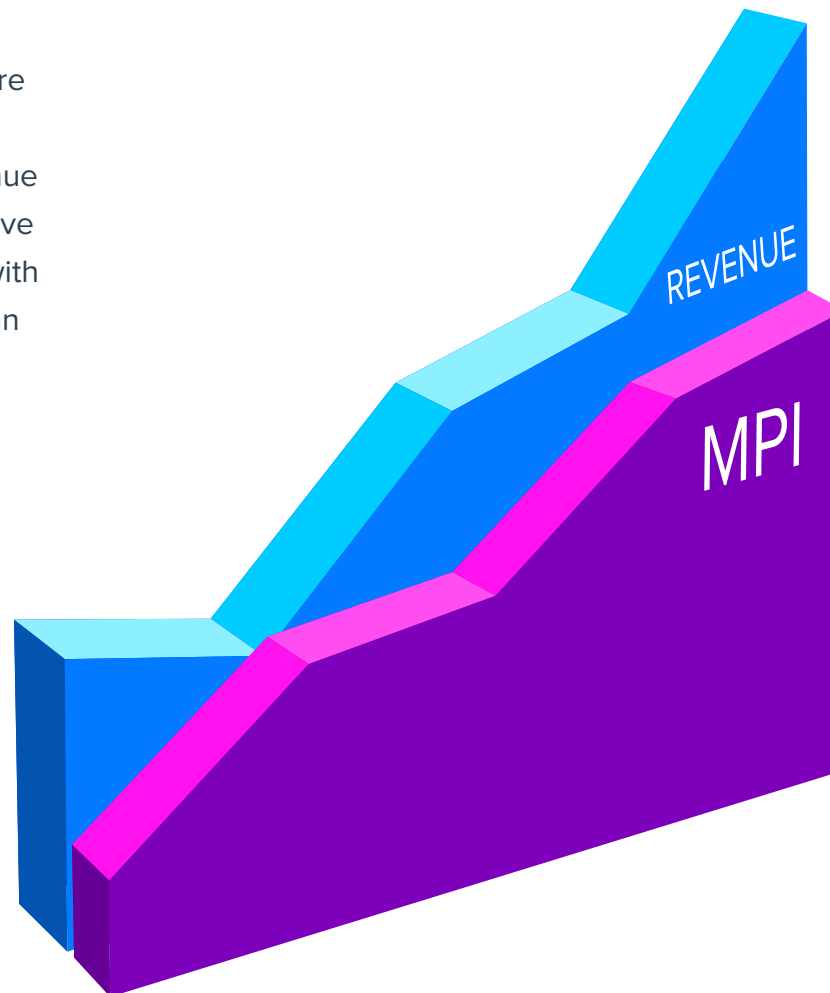
- Once you know your MPI for each brand, you can integrate that information into your assortment planning process.
- Stocking heavier in the areas where you have strong MPI and are generating lots of traffic is important, but it's also crucial to stock up on the complementary areas as well. If you have solid positioning in winter jackets, don't forget to stock heavy in gloves and hats as well.



Find Where You Command A Premium

You can combine these different techniques to see how price changes and assortment optimization impact your bottom line. While your MPI might just be one number, it packs a lot of information that would otherwise take hours to sift through. Knowing where you're competitive and where you're more expensive gives insight into which competitors you need to keep an eye on at the moment and who you can beat at certain times of the day.

On the other hand, you can understand areas where you're more expensive and investigate if you have the ability to command a price premium and continue profitable growth. To investigate, you should observe your state of profitability. Are you growing profits with those high prices? If the answer is yes, then you can maintain that price position or even go test slightly higher prices. If not, try lowering your price to become more competitive.

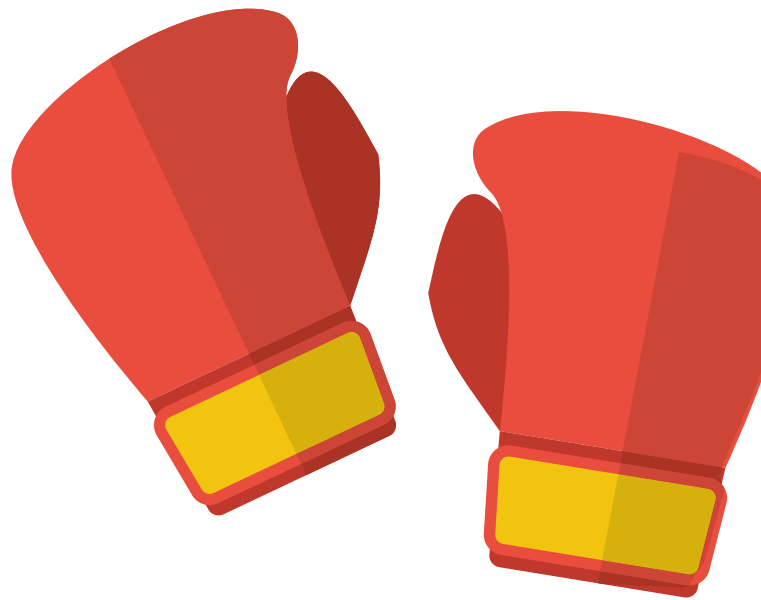


MPI with Price Testing: The Price Optimization One-Two Punch

Your MPI can help you plan your company's pricing for the short term and long term. You can try new tactics to change your MPI to your favor, and from there evaluate the results. It's an effective way to measure the impact of your store's changes and how those variations ripple throughout your market space.

Price testing with MPI is also a great way to measure your products' elasticities. When you increase your price, you can measure the change's impact on your sales and MPI alike. If your MPI increases, but does not change in accordance with your competitors', then you can assume that this product is relatively elastic. Accept the market price and don't bother with repricing it.

After observing these results, you can use them to influence your pricing decisions throughout a longer term. To explain, let's compare a series of MPI changes throughout a week vs a quarter. If you take a snapshot of your MPI heatmap at different times with the same data, you can see how your competitors change their prices around your own. You can use this to craft a new pricing strategy.



Protect your Price Position, Protect Your Profits

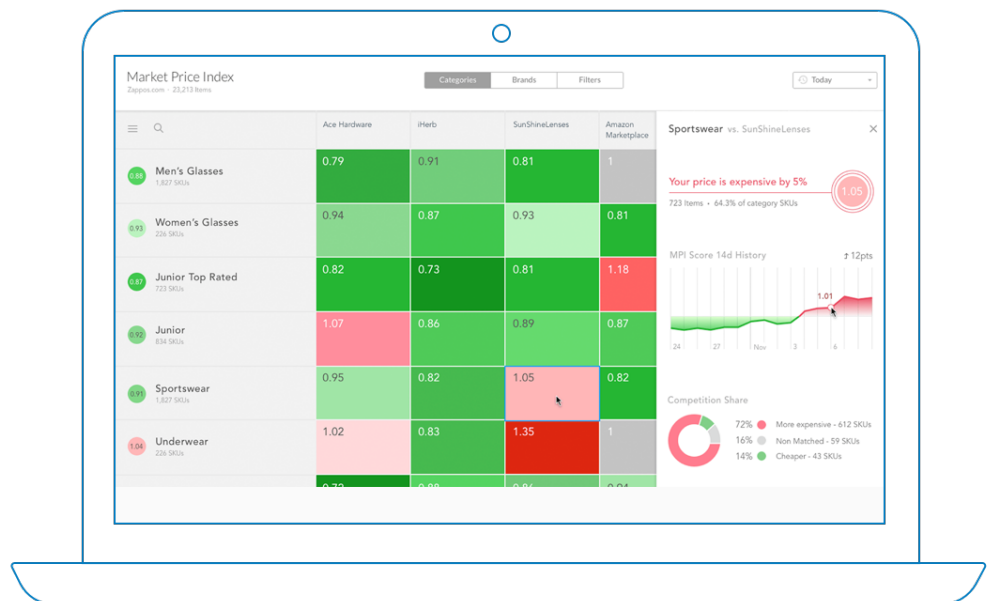
You can tell that some competitors are trying to undercut you, whereas others may not consider your price a real threat to their own. The competitors that change their prices around yours are going to be the ones you have to keep your eye on. If you notice a change in sales levels, use that change to make more informed pricing decisions.

If your sales decrease after competitors lower their prices, then you know you have to compete against them on price. But if you notice no change in sales, you know you have more pricing power over them. MPI shows how much cheaper you have to be to generate significantly more traffic and revenue in areas when you need to double down on growth. That way, you can keep your pricing strategy precise and leave no cash on the table instead of simply lowering your price, crossing your fingers, and hoping for the best.



Conclusion

MPI is the most useful metric you can use for your pricing and assortment strategy. It allows you to view the eCommerce landscape like never before in real time, and it can help shape your strategy and tactics in the future. Understanding your price position in the market is remarkably useful since competitors everywhere are constantly changing their prices in real-time. The secret to knowing how to position your price isn't in your actual price, but in your MPI. Knowing your MPI can inform you how to compete in the market and how consumers perceive your brand.



About Wiser

Wiser is the leading provider of actionable data for better decisions. Wiser collects and analyzes online and in-store data with unmatched speed, scale and accuracy. The Wiser platform then blends these insights with advanced workflow software to drive business value for brands and retailers, including restaurants. Using a unique combination of data science and human validation, Wiser offers integrated solutions for every aspect of retail, all in one place.

Learn more at www.wiser.com and follow [@wiserdata](https://twitter.com/wiserdata).

Wiser is a single source partner by design, with solutions for every aspect of retail, including:

Market Intelligence

- Promotional Analysis
- Assortment Intelligence
- Pricing Intelligence

Optimization

- In-store Shelf Health
- Online Repricing

Compliance

- MAP Monitoring & Case Management
- In-store Merchandising

