



2019 SPECIAL REPORT

# Price Monitoring Landscape in Emerging Markets

Gain Competitive Intelligence with Granular  
Pricing Data

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# Introduction

For many consumer goods companies, the next wave of exponential growth is within developing markets. Deloitte predicts global retail sales of packaged foods will rise to over \$3 trillion by 2020, mostly due to emerging markets and the rise of the middle class.<sup>1</sup> As international retail markets continue to grow due to increased income, awareness, accessibility and lifestyle changes, it is imperative that organizations develop tailored strategies for their markets to stay competitive. One of the ways that can be done is by monitoring changes in near-real time.

Take Venezuela, for example, which has been dealing with rampant inflation since 2016.<sup>2</sup> At the end of 2018, prices for goods were doubling almost every 19 days due to hyperinflation.<sup>3</sup> For consumers, this presents an extremely difficult customer experience since products on store shelves are often unmarked due to the speed at which the prices are changing.

While hyperinflation is not often as out of control, monitoring changes in commodity prices can help inform the economic health of an area and provide an organization with key business intelligence. For brands selling outside of their home countries, it is critical to understand the unique challenges every market poses due to different economic, political and cultural environments.

Monitoring changes around the world can help organizations have a more accurate gauge on consumer sentiment, helping them develop better and more targeted strategies.


## Fast Facts About Hyperinflation in Venezuela

The freefall of the Venezuelan economy has had ripple effects across the country, from increases in the number of malaria cases to residents being unable to purchase basic necessities.

The Venezuelan government has refused to publish data about inflation in the country, making it harder for people to understand what the bolívar is worth. Below are some facts about the state of inflation:

- From January 2018 to January 2019, the price of coffee (based on a bakery in Caracas) rose from 0.45 to 1,700.00 bolívares.<sup>4</sup>
- A roll of toilet paper cost 2,600,000 bolivars (as of August 2018).<sup>5</sup>
- Due in part to hyperinflation, Caracas has become the cheapest place in the world to live, scoring 85 points below the Worldwide Cost of Living's baseline index of 100.<sup>6</sup>

# The Difficulties of Gathering Accurate Data



From a macro perspective, consumer price index (CPI) data gathered by the United States and other organizations and countries is normally very latent. The data is often collected months prior to its release, meaning that even though you are seeing information about CPI, it may not reflect what is currently happening in the market. For any organization operating in a given country, having information about economic stability is critical.

For many brands, the complicated retail ecosystem means that they do not always have an accurate data source for the entire lifecycle of their products. There are often gaps in the data that they are able to collect or receive. With a lack of reliable data, pricing can often become an afterthought.

According to MIT Sloan Management Review, “Even within their own stores, retailers tend to know little about consumer behavior before the consumer checks out. Vendors act as category captains in many instances, advising grocers on shelf space placement and inventory tracking.”<sup>7</sup>

We have found that often, once a product leaves its manufacturer the quality and availability of data begins to decline. This is even more prevalent in emerging markets.

## How Premise's Technology Works

### 1 Configure

Premise quickly transforms your questions, from the most basic to the most challenging, into tasks.

### 2 Collect

Tasks are distributed in the Premise marketplace and completed by Premise Contributors using our mobile app.

### 3 Quality Control

All Contributor submissions are processed using a combination of manual and automatic quality control and fraud detection checks.

### 4 Visualize

Once the data is verified by our rigorous quality controls, it becomes accessible in your dashboard.

# The Value of Pricing Data

Today's marketplace is extremely tight for consumer packaged goods (CPG) companies. To stay in the game, CPG companies need to be constantly innovating; to do that, they need an accurate and current data source.

There is immense value for brands in collecting ongoing data surrounding the prices of their products and other commodities in stores. It can provide insight into potential pricing barriers for customers, provide early warnings if changes need to be made to prices, and help monitor retailer compliance with any pricing agreements.

For most buyers, the price of a product is very important. "Price is still top of mind for shoppers, with 77% of 1,035 consumers surveyed by the Food Marketing Institute trade group saying they picked their primary supermarket based on low costs.<sup>8</sup>"

Not only can the price of a product impact a consumer's decision to buy, it also can change how a product is viewed. Having too low of a price can be damaging for a brand, often indicating to a consumer that the product isn't of high quality or it is cheaply made.



*Through the Premise app, our Contributors are able to capture data in retail outlets around the globe, providing you with the verifiable, visual confirmation you need.*





Generally speaking, “[T]here is no restriction or limit at which the retailers sell the product in the market. Once the sale is made by the manufacturers, the retailers are at liberty to set any price they want.”<sup>9</sup> By having ongoing data, you can better understand if retailers are following any agreed upon pricing such as the manufacturer's suggested retail price (MSRP) or minimum advertised price (MAP).

In practically every market, upstart brands and private-labels are giving traditional CPG companies a run for their money. Understanding how other companies are pricing their products and any ongoing promotions can help you understand how to compete with rivals and better position your in-store products.

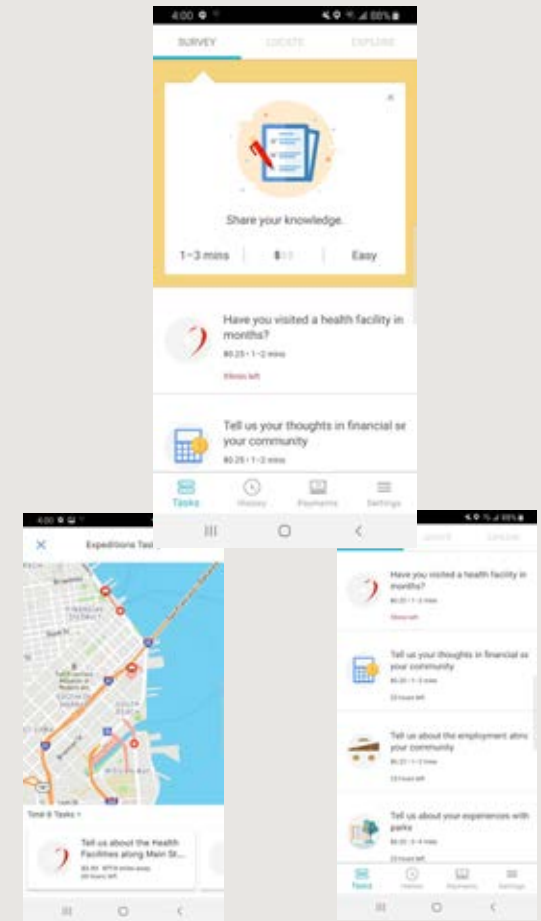
Monitoring retail prices for manufacturing can also provide insight into the strategies that a retail outlet is utilizing. It is important for manufacturers to understand what is driving retailer decisions.

# Price in Emerging Markets

Pricing models and strategies used domestically don't always work internationally. In emerging markets pricing can be difficult to manage due to inflation rates, shifting interest costs and volatile currencies.<sup>10</sup>

We recently monitored a number of different consumer products in Brazil to understand inflation for a client. Over the four months that the project was operating we monitored a number of different factors including costs around transportation, housing, and food and drinks. Some of the consumer items that were included in the panel were beer, chocolate, vitamins, pork and rice. Our Contributors were tasked with collecting specific product information, including barcode scans and photos, at specific locations. From that, we were able to see that there was a significant month-to-month fluctuation in the prices of consumer goods.

In many emerging markets, the retail space is dominated by “mom-and-pop stores.” A recent report from Accenture shows that in Asia, “traditional trade—mom-and-pop stores—dominates retail with 84 percent of sales in Indonesia, 72 percent in the Philippines, and 55 percent in Thailand.”<sup>11</sup> Unfortunately, many of these markets operate through a multi-tiered distribution system which can block trade promotions and incentives from reaching smaller retailers, like mom-and-pop stores, and their shoppers.



*Readily available through the Google Play Store and iOS App Store, our app enables rapid acquisition and activation of Contributors. The app provides guidance, feedback and rewards for successful actions and works when connected to the internet or offline*



Often brands struggle to control consumer pricing, particularly in indirect general trade channels. One strategy to deal with this obstacles setting selling prices (and monitoring them very closely) throughout the supply chain in order to provide consumers with a consistent price experience, regardless of channel.

As mentioned previously, pricing is a huge determinant for many shoppers. In emerging markets, consumers often don't have as much money to spend at once or have different shopping habits due to the frequency of their income. As a result, consideration needs to be given to how products are marketed and packaged with regard to price. Often in these countries, smaller packages work better.

In India, brands like Maybelline New York and MAC Cosmetics have recently started selling smaller versions of their products. These smaller versions can be sold at a lesser price and are extremely effective with their consumers in this market.<sup>12</sup>

In different countries price can represent different things; in one it might represent quality, while in another it could be prestige. Brand perception needs to be considered when pricing products in emerging markets.

With pricing in emerging markets being so much more volatile, it is important to maintain oversight on pricing. Often, with increasing data it becomes apparent that prices vary across different markets and stores, leading to inconsistent customer experiences. With more granular data, teams in the country can make better and more sound decisions.



# What to Monitor

For brands working in foreign markets, there is a range of different pricing data points that can be collected to help gain a deeper level of in-store product insights and the customers' experience with it.

Not only is there value in understanding the different retail prices at which your product is being sold, but it can also be helpful to monitor other products (adjacent) products and the change in their pricing. This can be of particular use for products that are often sold in tandem, like cookies and milk or chips and salsa. Brands that sell chips, for example, may have unforecasted sales variation if for some reason there is a change in how salsa is being priced.

## Types of Data to Collect

When crowdsourcing data there are a number of different data points that can be collected by Premise Contributors. Specific to Price Monitoring those include:

- Verification of Prices
- Promotions
- Competitor Prices
- Difference from MSPR or MAP
- Environmental Intelligence (adjacent products)
- Basket of Goods

*Tip: By using a technology solution that offers skip/branch logic, you can ask additional questions based on how the previous task was answered. This allows for a deeper dive into the data being collected and provides Contributors the opportunity to share their local knowledge.*



# Conclusion

Maintaining pricing discipline across global supply chains can be highly challenging. The first step to success is having an accurate data source.

Beginning your pricing strategy with reliable data ensures that you are pricing products appropriately for each market, especially when data is localized and allows for pricing decisions to be made at a regional level, which often derives more value.

For CPG brands trying to monitor prices across different regions, crowdsourcing provides an excellent means of quickly collecting the highly valuable data needed to monitor products or alter strategy. With innovations in technology, brands can now gain unprecedented insight into the consumer experience and understand what is happening on the ground.

**Want to learn more about this solution?**

Visit us at [premise.com/price-monitoring](https://premise.com/price-monitoring)



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**Get Started** 

## Endnotes

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