



FAMILY DOLLAR ADDS VALUE WITH LOCALIZED PRICING STRATEGY

Revionics enlisted to develop a zone pricing strategy that accelerates growth and satisfies cost-conscious customers

For over 60 years, Family Dollar has provided customers with affordable prices on the products they need most. Faced with increasing competition and market demands, the team at Family Dollar required a more data-backed and strategic approach to pricing in order to continue offering customers the same value they've come to expect.



CUSTOMER PROFILE

Family Dollar is the second largest variety store chain in the United States with over 8,000 locations

INDUSTRY

Discount Store

HQ COUNTRY

United States

PRODUCTS

Everyday Pricing, Markdowns

Rising need for strategic pricing

With a reputation for everyday low prices, Family Dollar has developed one of the most cost-conscious shopper bases in the United States. Such high levels of price awareness call for extra caution around consumer reaction to pricing changes. However, Family Dollar was starting a company-wide initiative to accelerate business results, and they identified pricing as a way to drive major impact. It became imperative to capitalize on previously untapped pricing opportunities, without causing too much disruption for buyers.

As Family Dollar expanded, the need for a localized pricing approach became increasingly clear. They now operated in a wide variety of competitive environments and shopper demand patterns, leaving their enterprise-wide pricing strategy ineffectual. Thus, the pricing team sought to put a zone pricing structure in place. This also meant that Family Dollar's pricing needs had become too complex to keep managing with spreadsheets.

In searching for a solution, Family Dollar defined several key criteria that would enable them to establish a strategic pricing approach cohesive with their larger business goals. They wanted a scalable platform that could show quick results and transparent, science-based recommendations. Family Dollar also sought a valuable partner to support their business with technical pricing acumen and change management while they adjusted to a new system.

Data clarity and pricing accuracy

Initially, Family Dollar engaged in a pilot with a Revionics competitor. However, they struggled with the lack of visibility into where pricing recommendations were coming. The team also felt the pilot software required too large a jump into optimization from their current operations. When they looked at Revionics, it was clear the solution provided better pricing

transparency and reporting. Family Dollar also saw they could use Revionics for where they currently were on the pricing journey and ramp up at a pace suited to their organization.

Another key driver was Revionics' robust elasticity calculations. Previously, Family Dollar was purchasing generic industry elasticity numbers from a research company. With Revionics, they were able to get specific elasticity calculations for their individual products and stores, allowing the pricing team to make more accurate demand predictions and pricing decisions.

"Revionics supplied the best of what was missing from other companies, and more closely matched what our merchants had told us they wanted. We knew Revionics could get us to where we wanted to be."

- **Doug Bean**, Pricing Operations Manager, Family Dollar

Cultivating a zone strategy to increase margins

With the flexibility Revionics offers, Family Dollar took a crawl, walk, run approach to scale towards price optimization. Due to the importance of maintaining their value perception, the first solution implemented was Everyday Pricing. Backed by the latest data science, Revionics worked with Family Dollar to deliver an optimized pricing strategy by individual location. With better insight into competitive environments, shopper demand and price sensitivity by store, Family Dollar achieved a 4% gain in gross margin with no impact on units or sales.



Challenges

Increase profits with a scalable, localized pricing strategy without hurting price perception



Approach

Leverage machine learning and data science to implement pricing and markdown strategies continually optimized at the store-level

The success of Everyday Pricing garnered full support from the company's top decision makers to push forward with Revionics, and helped win over any store merchants that had been resistant to change. Thus, Family Dollar entered the next phase of implementation with Markdowns.

Taking into account localized buying patterns, inventory positions and inventory depletion rates, Revionics helped identify a more science-based cadence and balance to marking down products. Family Dollar was able to shift their markdowns from an enterprise-wide and difficult to execute strategy, to one that was efficient, scalable and optimal by store. Starting with a Markdowns pilot, Family Dollar saw a 6% higher gross margin and a 10% higher sell-through on key categories versus control stores.

“Through the efforts of the [markdowns] pilot, we were able to achieve both our financial and operational success criteria. We are very excited about this solution and the value it will bring to the organization.”

- **Apollo Whited**, VP of Pricing, Family Dollar

Ongoing partnership for mutual success

Family Dollar has now been a loyal customer and mutually beneficial partner of Revionics for 10 years. Since the initial rollout, they have continued to leverage additional Revionics resources to further make competitive price changes with confidence and get the positive results they expect.

Over the last decade, Family Dollar has pushed Revionics to keep innovating and developing new solutions to better serve today's retailers. The long-standing relationship has enabled Revionics to be a consistent partner and advisor, no matter what changes the Family Dollar organization undertakes. And because Family Dollar has evolved with Revionics over the years, the retailer is strongly positioned for further success as they continue on the pricing journey.



Results

- 4% gain in gross margin on base pricing
- 6% higher gross margin on markdowns
- 10% higher sell-through on markdown inventory
- 10+ years of partnership