



HOW TO MASTER A/B TESTING ON PRICING ACTIONS?



PRICE TESTING: 3 REASONS TO NEVER A/B TEST YOUR PRICING STRATEGY

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Who are we?




Who are we?

The L'OCCITANE Group manufactures and retails natural cosmetics and well-being products.

 **1.3**
billion Euros
in consolidated turnover

 **4.6%**
growth
(constant exchange rate)

 Presence in
90 countries

 **3,285**
retail outlets, including
1,555 company-owned
stores

 **8.125MK**
active customers in Sell-out
channels / owned stores

STATISTICAL SIGNIFICANCE



L'OCCITANE
EN PROVENCE

More than **600+** high quality products that combine
natural ingredients with local craftsmanship and expertise.

A LWAYS BE TESTING

TEST BIG

SMALL IS NOT RELEVANT

TEST EASILY

ALL TOOLS IN-HOUSE TO
MONITORE

TEST SUSTAINABLE

MAKE A CHANGE



OMNICHANNEL BRAND & PRICING

BRAND FRAMEWORK

OMNICHANNEL BRANDS

(Web, Retail, Sell-in, Franchise)

→ Annual Price review (1/2 per year)

>140 NOVELTIES/LAUNCHES PER YEAR

→ Opportunities for pricing adjustments

GLOBAL MARKETING PLAN BY TOP Bus/Country

→ Remove the “noise”

BRAND PROMOTIONAL CHARTER

→ Boundaries to protect the brand

CHALLENGES

BRAND EXPENSIVENESS PERCEPTION

→ Local specificities

MULTICATEGORY BRANDS

→ Incl. Face care with lower awareness

TRAFFIC & RECRUITMENT

→ Loss leader opportunities

PROMOTIONAL PRESSURE

→ A controlled discount policy

**DON'T BREAK THE RULES BUT
MERELY TEST THEIR ELASTICITY!**

BUSINESS OPTIMIZATION – TEST & LEARN

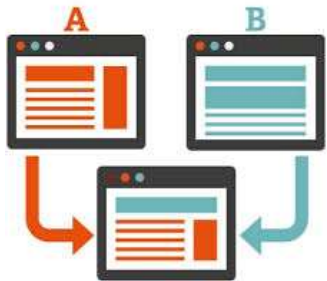
15 YEARS AGO...



Amazon is very familiar with A/B testing - they're constantly testing to improve UX and conversion rates

ON-LINE A/B TESTING

WHAT DO WE
A/B TEST ONLINE?



VERY CHALLENGING ON PRICING
STRONG ON PROMO

*Specificities @L'OCCITANE Gift
= purchase trigger*

*Promo - Discount, Perceived value,
threshold elasticity, bundle/kits
Pricing – only if different attributes on
limited editions, loss leader (novelties)*

WHAT ARE THE
REQUIREMENTS?



CHECK LIST
BEFORE GOING LIVE

*Comparable offer / package
Minimum traffic / Minimum length
Conduct an acceptance test before starting
Test one variable at a time
Conduct one test at a time*

WHAT ARE THE
OBJECTIVES?



TOP KPIS
FOR A/B

*Conversion rate optimization
Incremental revenue
Customer life time value
Add-on to basket*

ON-LINE BUSINESS CASE



3000顆微囊 爱你不止3000遍
焕活微囊肌底精华液30ml
¥520
立即预定



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6,000円以上のお買い物につき、クレンジングフェイスブラシをプレゼント(1,200円の製品)

6,000円以上のお買い物につき、1,200円相当の製品をプレゼント

Option 1: Free cleansing face brush for any ¥6,000+ purchase (value ¥1,200)

Option 2: Free Shea Butter 30ml Hand Cream for any ¥6,000+ purchase (value ¥1,200)

Target : 30-50% of the traffic

Target page : Home page test with personalised promotion (exclu web no bench retail) same perceived value

Test objective : Which gift offer maximize click rate, conversion rate and best ROI

KPIs : Conversion and incremental revenue/margin

Targeted users : Desktop only

ON-LINE BUSINESS CASE



Dates du test

Du 20 Juillet 2018 au 13 Aout 2018



Traffic

50 % sur chaque variation

5 188 visiteurs uniques

2 646 Original

2 542 A Variation 1

Device : Desktop only

*Variation 1 has strong impact on conversion - click rate **+8.2%**
and a positive impact on transaction **+3.81%**.*

Other results are neutral with a positive trend but not confirmed

Total visitors / Conversions	Conversion rate	Improvement	Reliability
2 646 / 1 624	61.37%		
2 542 / 1 688	66.4%	8.2%	

	Revenue projection	Transactions	Revenue per visitor	Average basket
Original:	234 637,2 €	1 254	45,23 €	58,62€
Variation:	246 080,3 € +4,88 % (No reliability)	1 352 + 3,81% (100%)	47,43 € +4,88 % (No reliability)	59,22 € +1,03 % (No reliability)

ON-LINE A/B TESTING – TAKE AWAY



- Be clear on what to test, test one variable at a time
- Set clear KPIs and goals
- Compare what is comparable but never offer the same
- Test both versions at the same time
- Give the A/B test enough time to reach significant results
- Pay attention to the test period



- Be consumer centric
- Brief our customer service *(several IP address 1 consumer)*
- Not exact science but confirm hypothesis
- Continuous improvement process
- Enough traffic is key to get significant results

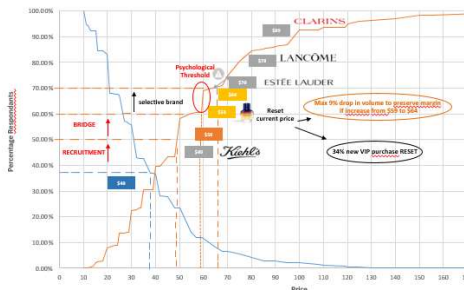
**«NOTHING IS MORE EXPENSIVE
THAN A MISSED OPPORTUNITY»**

BUSINESS OPTIMIZATION – TEST & LEARN

RETAIL A/B TESTING – IN 3 STEPS

1

VALUE BASED PRICING & DATA KPIS TO IDENTIFY OPPORTUNITIES



2

ADVANCED ANALYTICS TO PREPARE A/B TEST

- Select **comparable test & control** stores
- Calculate the required length and scope for **robust analytics**
- **Analyse** test results & **predict** best possible roll-out scenarios
- Allows us to make better, faster and **fact-based decisions**

3

360° TOOL BOX FOR ALL TEAMS

- **Regulatory check**
- **Retail team brief**
- **Customer service guidelines**
- **Marketing team tool box**
- **Reporting dashboard**
- ...



RETAIL BUSINESS CASE – 4 STEPS

OBJECTIVE :

TEST A MASS MARGIN VS A % MARGIN STRATEGY TO BRING BACK AFFORDABILITY ON A DAILYCARE PRODUCT



1) SOLID SOAPS IDENTIFIED AS ELASTIC PRODUCTS, HIGHLY SENSITIVE TO PRICE



2) PRICE DECREASE TEST WITH 2 SCENARIS:
- 250G AT 10\$, 100G AT \$8
- 250G AT \$9, 100G AT \$7



3) FEBRUARY 15TH PRICE DECREASE IMPLEMENTATION FOR 250G ONLY

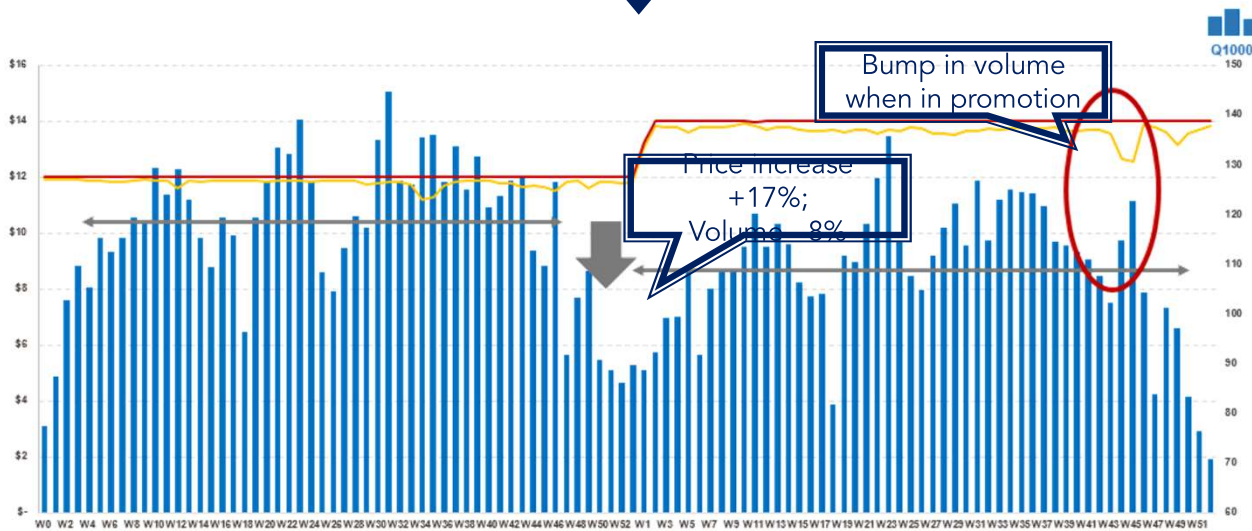


4) HOLDOUT TEST TO MONITORE PRICE DECREASE IMPACT

CONTEXT : PRICE SENSITIVITY & LOYALTY RISK



VOLUME ELASTICITY



LOYALTY RISK

	\$14 Index vs IRPP : 134 Recruitment rate : 22% Repurchase rate : 18.8%
	\$8 Index vs IRPP : 108 Recruitment rate : 28% Repurchase rate : 7.8%
	\$5 Index vs IRPP : 81 Recruitment rate : 33% Repurchase rate : 4.8%

- Decreasing recruitment rate on all sizes
- Decreasing repurchase rate on 250g and 100g soaps

PRICE DECREASE TEST

TEST A MASS MARGIN VS A % MARGIN STRATEGY TO BRING BACK AFFORDABILITY ON A DAILYCARE SKU

TESTED GROUP #1

	\$10
	\$8

STORES = 18

TESTED GROUP #2

	\$9
	\$7

STORES = 18

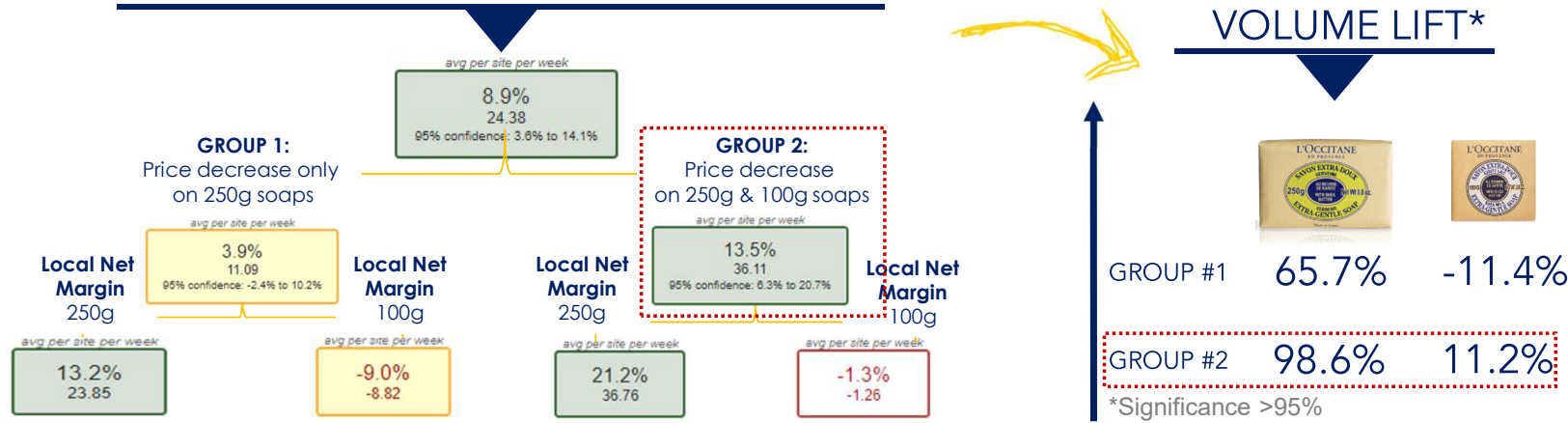
CONTROL GROUP

	\$14
	\$8

STORES = 60+

GROUP #2 DRIVES SOLID SOAPS PERFORMANCES

LOCAL NET MARGIN (SOLID SOAPS)



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GROUP #1

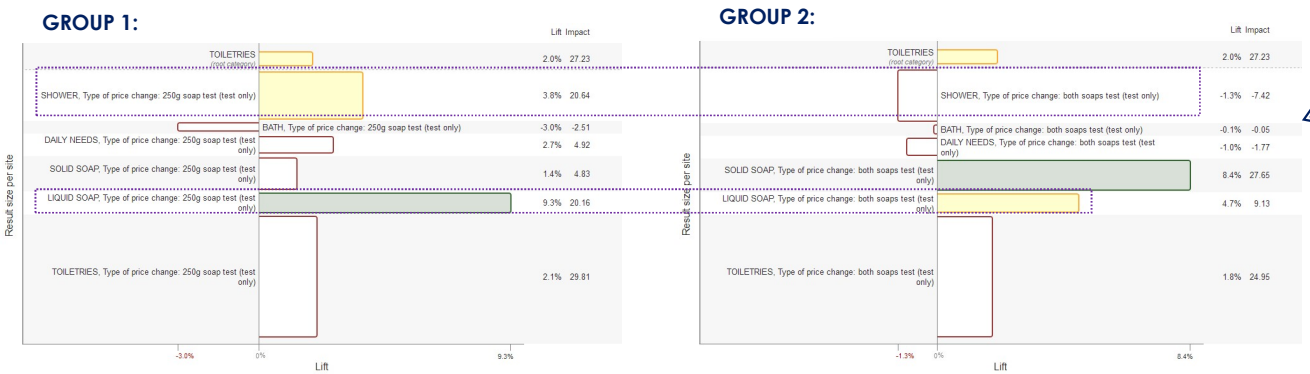
RECOMMENDED FOR A ROLL-OUT

BUT SINCE THE LOSS RISK WAS ABOVE HALF A MILLION \$ IN CASE OF NO COMPENSATION BY THE VOLUME

DECISION TO MONITORE THE IMPACT WITH A HOLDOUT TEST

GROUP #1 DRIVES OVERALL PERFORMANCES

STRONGER HALO EFFECT ON OTHER CATEGORIES DRIVING BETTER OVERALL PERFORMANCES



- TOILETRIES : halo effect on shower and liquid soaps
 - BODY CARE : halo effect on moisturizing treatments & hand care

NEW PRICES



\$10



\$8

HOLDOUT TEST TO MONITORE THE IMPACT



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HOLDOUT GROUP



\$14
\$8

STORES = 29

ACTIVITY GROUP



\$10
\$8

STORES = 70+

Results will compare activity performance relative to holdout performances.

360° SUPPORT
TO OPTIMIZE A PRICING DECISION

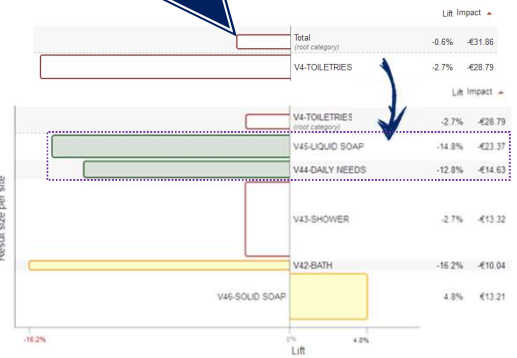
Net margin & sales have a low significance rate = no lift on overall margin/net sales caused by 250g solid soaps price decrease.

Group Net Sales Margin (SMC) (Weekly) avg per site per week	Group Sales Amount (Weekly) avg per site per week
-0.6% -€36.33 59.2% significance	-0.4% -27.03 56.0% significance

Incremental margin on solid soaps. The lift in margin on 250g soaps (driven by the volume) is strong enough to compensate the loss on 100g solid soap.



Strong risks of cannibalization identified on liquid soap & daily needs.



PRICE DECREASE IS NOT ENOUGH

IN-STORE/MERCHANDISING

GIFTSETS

COMMUNICATION

FINAL IMPACT Y+1

AFTER 1 YEAR
A POSITIVE IMPACT OF
+485K\$



TAKE-AWAY



GREAT TO CHANGE COMPANY MIND SET

- Cut siloes and test more than just a price
- Engage business
- Data driven mindset
- Stimulate innovation
- Create value
- Limit the risk



BE AWARE OF OBSTACLES/ LIMIT

- Market size
- Same market comparison - no cross border
- Global mindset vs. local
- Pricing is not alone 360° plan – risk of noise
- 360° brief in-house to measure the risk

**NEVER STOP TESTING
NEVER STOP IMPROVING**

#CUSTOMER FIRST

MERCY



AB TESTING METHODOLOGY

METHODOLOGY

EACH TEST BOUTIQUE IS COMPARED AGAINST A BESPOKE GROUP OF CONTROL BOUTIQUES THAT PERFORMED SIMILARLY PRIOR TO THE TEST

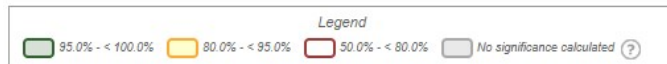
HOW TO READ RESULTS?

17.1%

€24.03

% Lift of tested sites vs control group

Lift in value of tested sites vs control group



Significant Trend Non-Significant

HOW IS THE LIFT CALCULATED?

For each test site, lift is the difference between actual and expected performance

