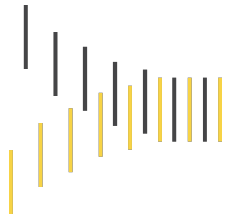# IPF 2019 PARIS

INTERNATIONAL PRICING FORUM

COMPETITION PRICES:

When should you take them into account and how to use them?

THOMAS GLEYZE

France Consumer Pricing Manager

DELL

Agenda

1
Introduction of Dell France Consumer business

2
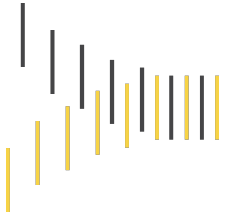When tactically uses competition prices to adjust pricing

3
Conclusion: Key takeaways

1.

Introduction of Dell France Consumer business

Dell France consumer business in a nutshell

Products

- Notebooks (clamshell / 2in1) & Desktops (towers / all in one) – Accessories & services pricing is managed by different orga / team
- Product portfolio & brands:
  - Inspiron series > Low end, mid range, high end ~ 60% of the volumes
  - XPS > Very high end / premium ~ 20% of the volumes
  - Gaming > Inspiron series + Alienware (very high end) ~20% of the volumes
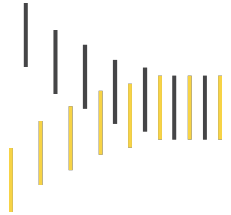
Competition & Market

- Highly competitive market:
  - Big players with wide product covering: HP / Lenovo / Asus / Acer
  - Niche players: Apple (high end), MSI (Gaming)
- Market changes constantly, potentially on a daily basis, prices as well as products / configurations

Channels

- Direct business: online (dell.fr)
- Retail business:
  - Brick & mortar: FNAC/Darty, Boulanger, LDLC,…
  - Etailers: Cdiscount, Amazon, Rue du Commerce…

Organization

- FR Consumer Direct Merchandising organization
- FR Retail Sales & Merchandising organization
- EMEA Pricing Center of Competence with:
  - Dedicated Pricing Managers for main countries or group of countries (UK, Germany, France, Western Europe, Nordics…)
  - Mutualized resources: cost, competition, data & tools

2.

When tactically uses competition prices to adjust pricing

3 pillars supporting Dell pricing vs. competition

Dell Pricing vs. Competition

Strategy	Capabilities	Execution
Aligned with business & financial strategy	Data, tools, HR	Analytics, communication & decision making

3 pillars supporting Dell pricing vs. competition

Dell Pricing vs. Competition

Strategy	Capabilities	Execution
Aligned with business & financial strategy	Data, tools, HR	Analytics, communication & decision making
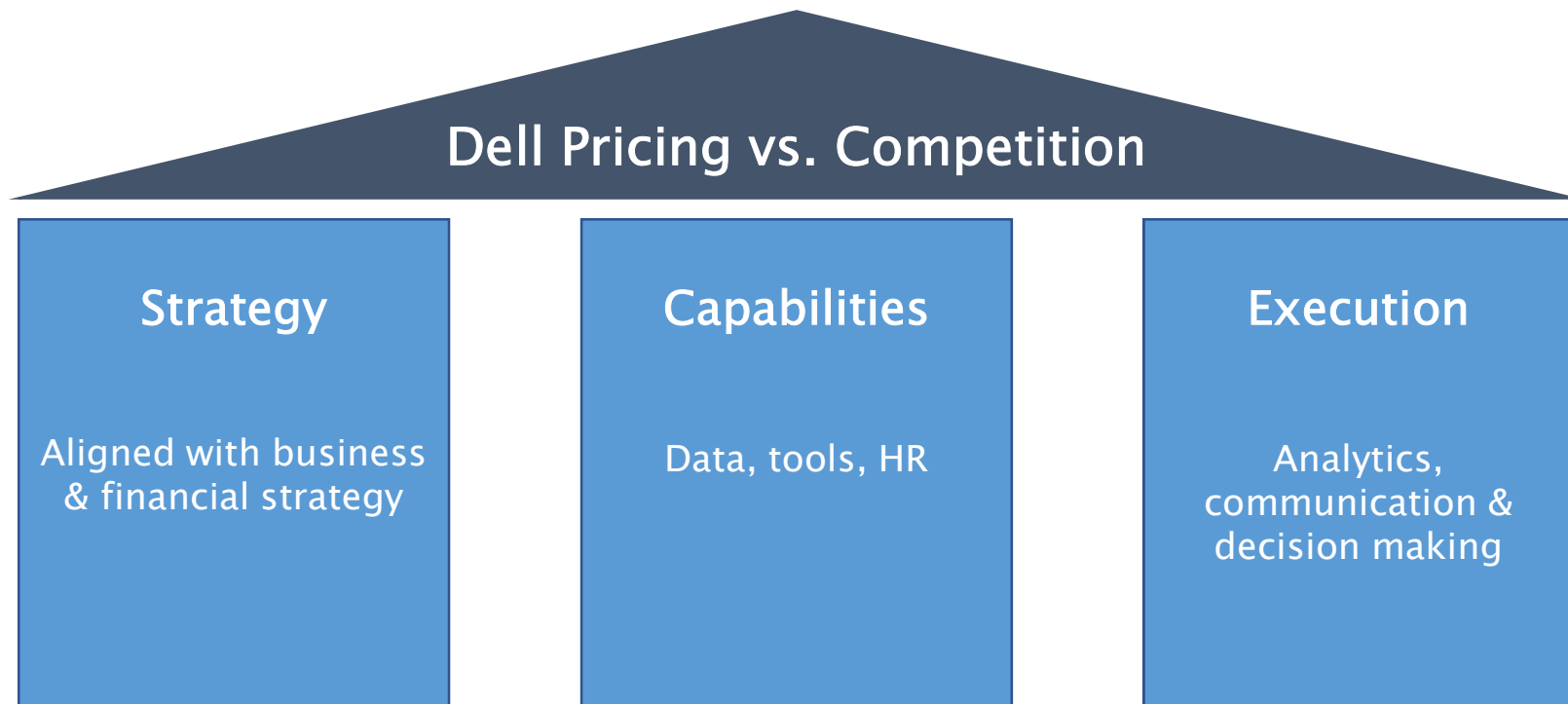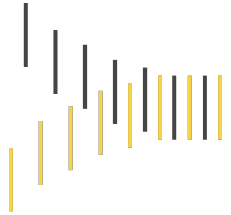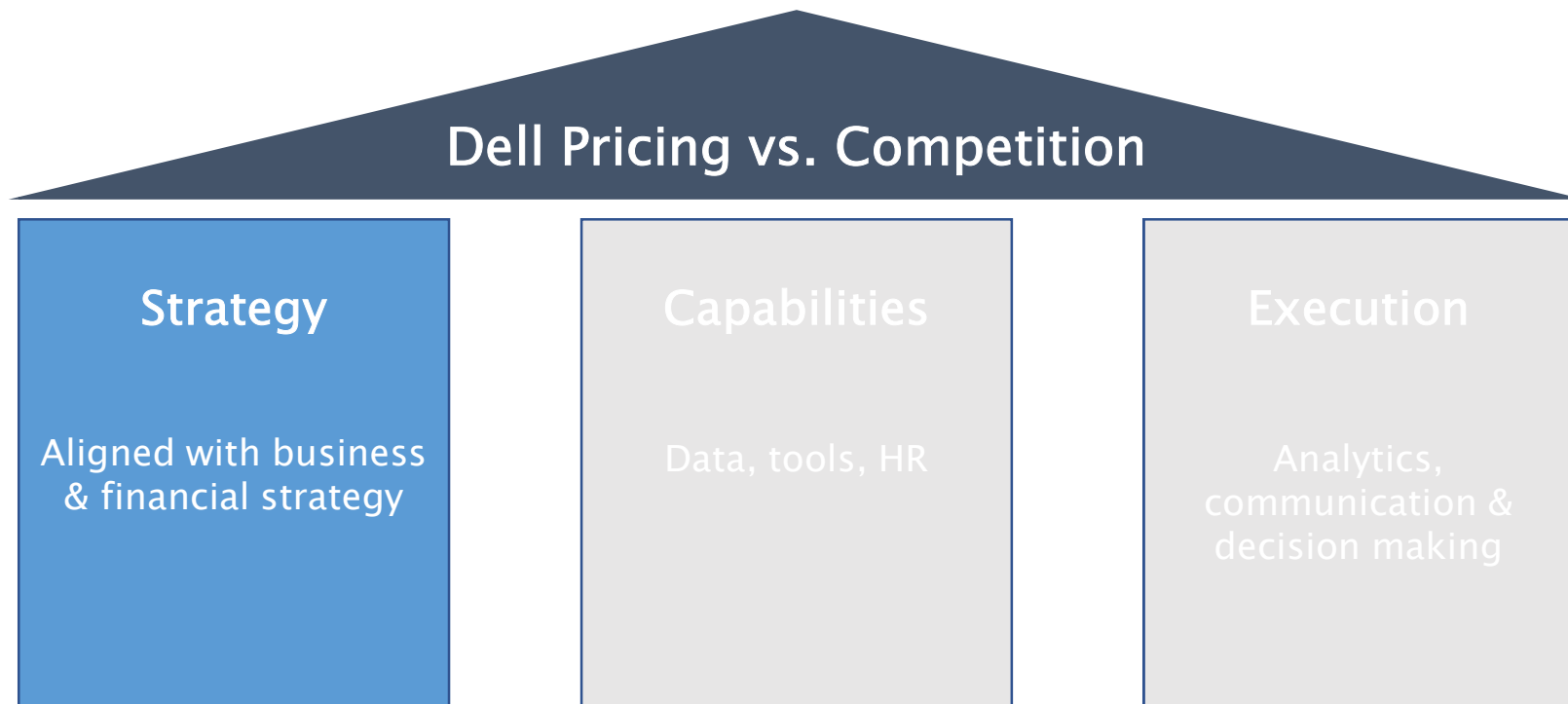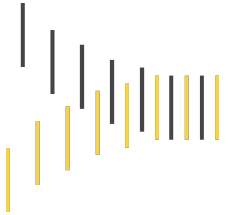
A single KPI used across the organization

W. A. P. P.
Weighted Average Price Point

Product matching Dell vs. competition	Components alignment rules	Weighting assumptions by brand and offer based on Dell sell out and Market sell out (GFK)	Calculation of weighted price index (1.0 WAPP value means perfect parity)

WAPP Strategy differentiated by Market Share, Market Size and Brand / Product Differentiation
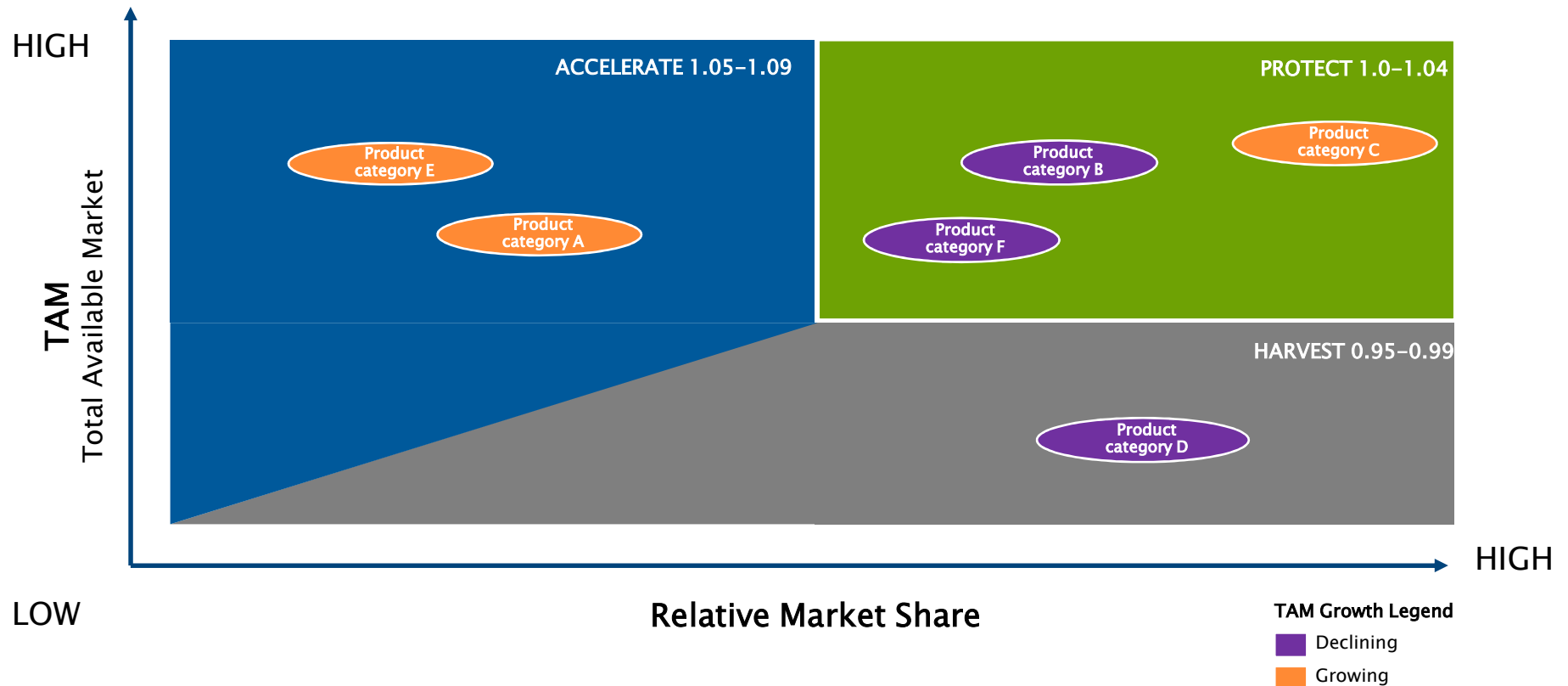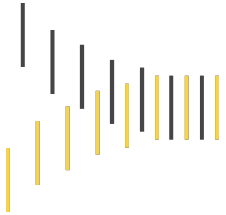
Illustration Wapp strategy

XPS Notebooks Wapp strategy:

Relative Market Share	Total Available Market	TAM Trend	Brand / Differentiation
Low	Low	Declining	Challenger
Medium	Medium	Flat	Parity
High	High	Growing	Premium

Leader	Strategy	Wapp target
Dell	Harvest	0.95 – 1.0

3 pillars supporting Dell pricing vs. competition

Dell Pricing vs. Competition

Strategy

Aligned with business & financial strategy

Capabilities

Data, tools, HR

Execution

Analytics, communication & decision making
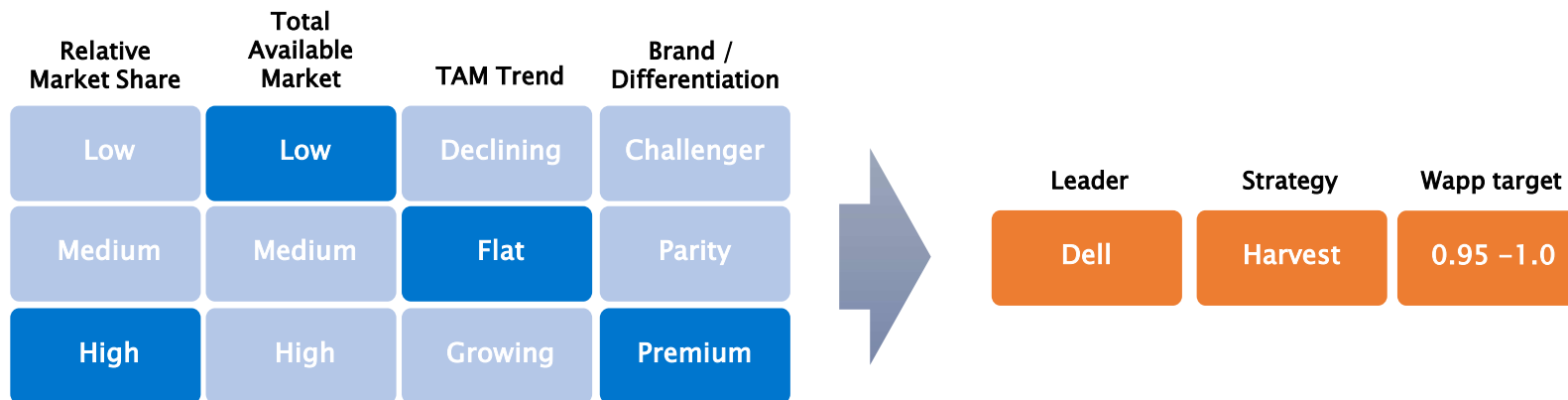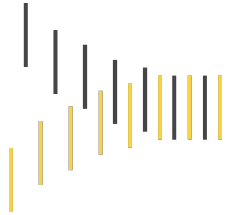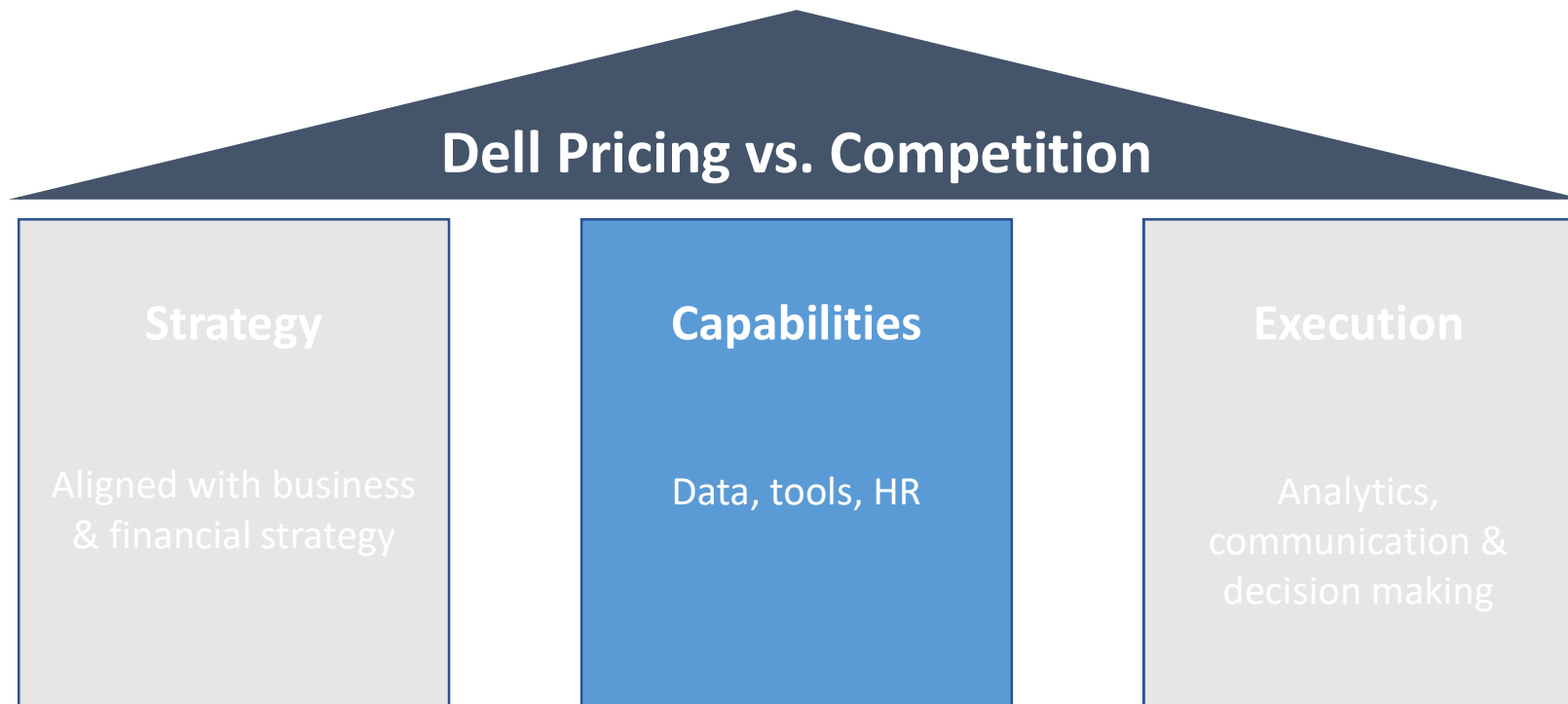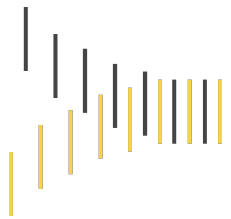
In house solution: EMEA WAPP Tool

8+4 (emerging)	6000+	300+	50+
Countries supported	**Competitor tracked from 50 websites**	**Dell SKU compared**	**Dell platforms across Consumer brands**

EMEA WAPP Tool
Robust and Scalable Pricing Solution

Competitor and Dell bundles with units

SQL Server

Product Matching Algorithm

Algorithm to calculate Weighted Price Index with units

WAPP tool with excel front end Pricing decisions based on this
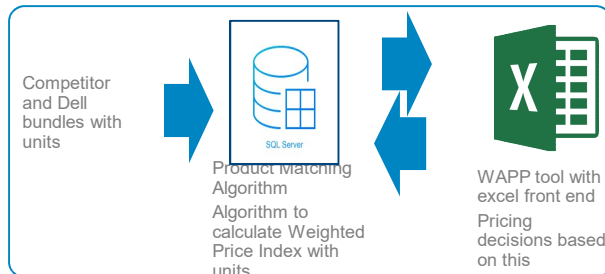
Product Match Algorithm

- Algorithm based on component level matching

- Suggests closest match of dell bundle with competition price post value adjustments

+

Weighted Price Index with Units

- WAPP at Competitor Level - GFK Units

- WAPP at Platform/Series level - Dell Units

- Accurate WAPP Positioning due to units weightage

=

DELL SERIES	Acer	Apple	Asus	HP	Lenovo	MSI	Total
G Gaming 3000 series	1.07		1.16	1.07		1.18	1.11
G Gaming 5000 series	1.06		1.10	0.95	0.96	1.20	1.11
Inspiron 3000 series	1.15		1.13	1.09	1.09		1.09
Inspiron 5000 series	1.05		1.18	1.01	1.20		1.09
Inspiron 7000 Gaming	1.07		1.02	1.08	1.05	1.27	1.14
Inspiron 7000 series	1.01		1.02	1.10	1.05		1.08
XPS Notebooks	0.96	1.14	0.88	0.94	1.03		1.06
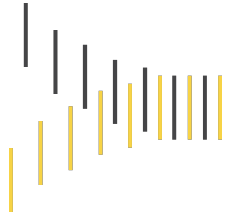
EMEA Pricing & Merchandising teams supported by in house Business Intelligence capabilities

EMEA Pricing CoC

WAPP managers Notebooks / Desktops
- Interface between Business and BI
- WAPP advanced analytics
- Reports building & communication

Pricing Managers
- Provide input to improve WAPP accuracy
- Permanent pricing owners

EMEA Merchandising

Merchandising Managers
- Provide Dell products briefing (products to be included in the WAPP analysis)
- Promo owners

Business Intelligence

Team of Analysts dedicated to EMEA (based in India)
- Web crawling & database building
- Algorithm & calculation engine maintenance
- Reporting automation

3 pillars supporting Dell pricing vs. competition

Dell Pricing vs. Competition

Strategy	Capabilities	Execution
Aligned with business & financial strategy	Data, tools, HR	Analytics, communication & decision making

Key pre requisites: Product Matching Matrix & components alignment rules

- **Provide a referential for the Wapp calculation**

- **Defined and aligned among PLM, Pricing and Merchandising**

- **Need to be updated on a regular basis**
  - At least once a quarter to take into account market evolutions (+ ad hoc adjustments)
  - Ad hoc when a new Dell product is introduced

- *Illustration of the Product Matching Matrix*

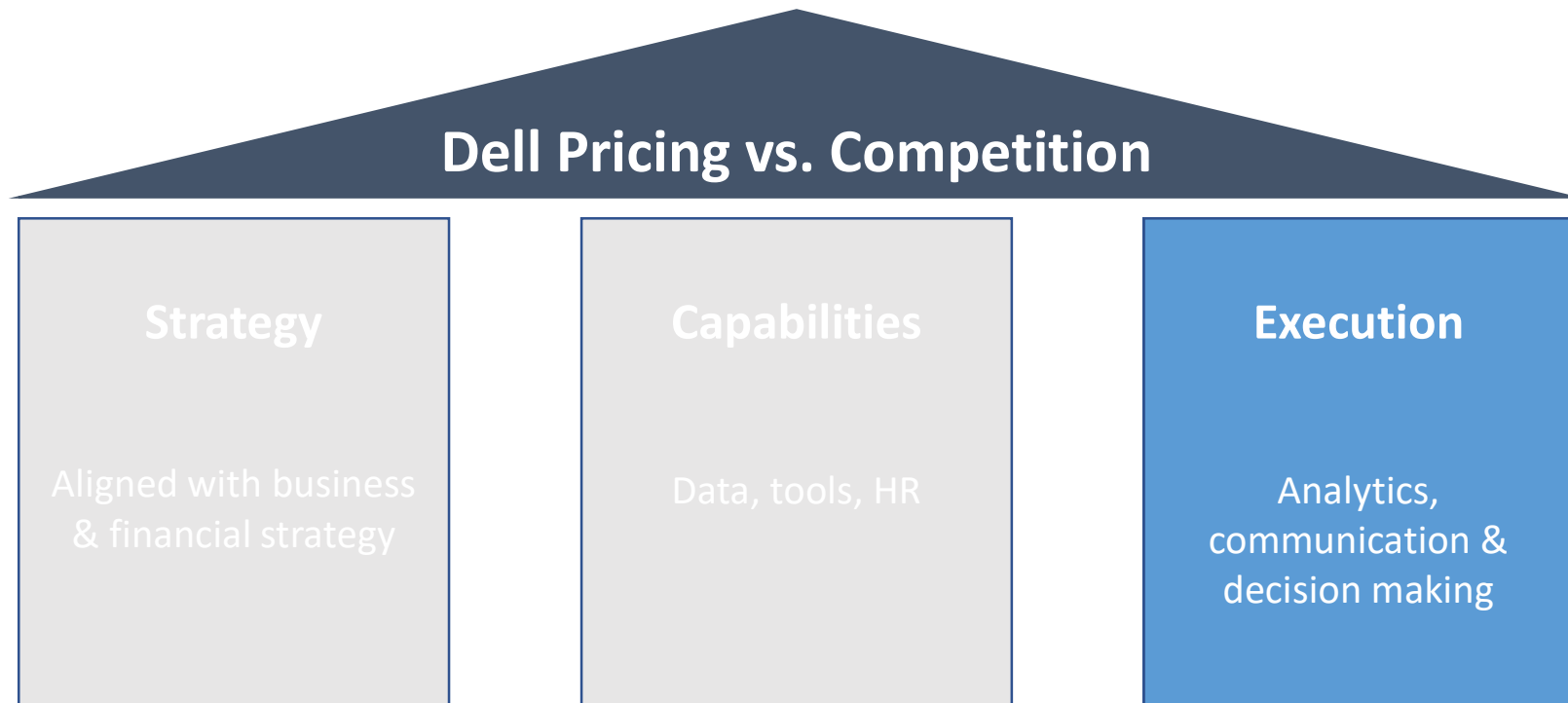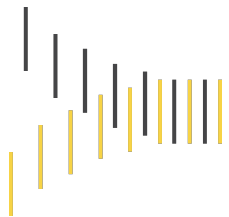| DELL PRODUCT				MAIN COMPETITION				
LOB	Name	Codename	Model	HP	Lenovo	Acer	ASUS	Apple
XPS Notebook	XPS 13	Italia KBL-R/WHL	XPS 13 9370/9380	Spectre 13	Yoga C930			MacBook Pro 13 (2018)
	Old XPS 13 9370 approaching EOL			Spectre x360 13	Yoga 920			MacBook Air (late 2018)
	XPS 15	Berlinetta CFL	XPS 15 9570	Spectre 15				MacBook Pro 15 (2018)
				Spectre x360 15 (except KBL-G				
	XPS 13 2-in-1	Aventador	XPS 13 9365	Spectre Folio				
	XPS 15 2-in-1	LaFerrari	XPS 15 9575	Spectre x360 15 (only KBL-G CF				
Inspiron 7000 Series	Inspiron 13 7000	KyloRen 13 MLK	Inspiron 7380	Envy 13	IdeaPad 730s 13	Swift 7 13	Zenbook 13 UX331/UX333	
					IdeaPad 720 13	exclude Swift 7 14	Zenbook 13 UX391/UX392	
							exclude old UX305/UX310	
							exclude ZenBook Pro 14, Pure 14	
	Inspiron 15 7000	KyloRen 15 MLK	Inspiron 7580	Envy 15	IdeaPad 730s 15	Aspire 7 15	Zenbook 15 UX550/UX580	
					IdeaPad 720 15		Zenbook Pro 15 UX550/UX580	
							Zenbook 15 UX510	
							Zenbook 15 UX530/UX533	

Key pre requisites: Product Matching Matrix & components alignment rules

- **Illustration of components alignment rules**

Value Adjustments - NB			Welcome Gleyze, Thomas	Load/Reload		Insert/Update			
Component	**Crawled_Data**	**Dell_Price_Codes**	**DE**	**GB**	**FR**	**ES**	**IT**	**NL**	**CH**
Screen	17.3" FHD Non Touch	Inspiron 17-3781 FHD IPS NT	40	40	40	40	40	40	50
Screen	17.3" FHD Non Touch	Inspiron G7 17-7790 FHD IPS NT 144Hz	40	40	40	40	40	40	50
Screen	17.3" FHD Non Touch	Inspiron G7 17-7790 FHD IPS NT	40	40	40	40	40	40	50
Screen	17.3" FHD Touch	IN 17-5758 17.3" FHD TL Touch	80	70	80	80	80	80	90
Screen	17.3" FHD Touch	IN 17-5759 17.3" FHD TL Touch	80	70	80	80	80	80	90
Screen	17.3" HD Non Touch	IN 17-5767 17.3" HD+	30	30	30	30	30	30	40
Screen	17.3" HD Non Touch	Inspiron 17-5770 HD+ NT	30	30	30	30	30	30	40
Screen	17.3" HD Touch	IN 17-5758 17.3" HD+ TL	50	40	50	50	50	50	60
Screen	17.3" HD Touch	IN 17-5759 17.3" HD+ TL	50	40	50	50	50	50	60
Screen	17.3" QHD Non Touch	Alienware 17 R5 QHD 120Hz ET Black	130	120	130	130	130	130	150
Screen	17.3" QHD Non Touch	Alienware 17 R5 QHD 120Hz ET G-sync Black	130	120	130	130	130	130	150
Screen	17.3" QHD Non Touch	Alienware 17 R5 QHD 120Hz ET G-sync Silver	130	120	130	130	130	130	150
Screen	17.3" QHD Non Touch	Alienware 17 R5 QHD 120Hz ET Silver	130	120	130	130	130	130	150

For each component, a $ value is defined to allow value adjustments
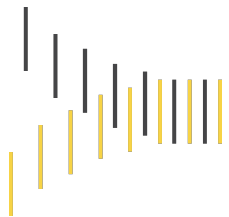
Wapp analytics are provided to the Pricing team and communicated to key stakeholders on a weekly / monthly basis

From high level Top management synthesis…

	Inspiron 3xxx	Inspiron 5xxx	Inspiron 7xxx	G Series NB	XPS NB	AW NB
UK	🔴 0.91	🟢 1.04	🟢 1.04	🟢 1.02	🟢 1.04	🟢 1.01
Germany	🟢 0.98	🟡 0.99	🟢 1.03	🟢 1.02	🔵 1.10	🟢 0.95
France	🟢 0.99	🔴 0.96	🟢 1.04	🟢 1.04	🟡 0.96	🟢 1.00
Sweden	🔵 1.12	🔵 1.09	🔵 1.08	🔵 1.10	🟢 1.04	🟢 0.97

… to detailed vision at sku level for each country…

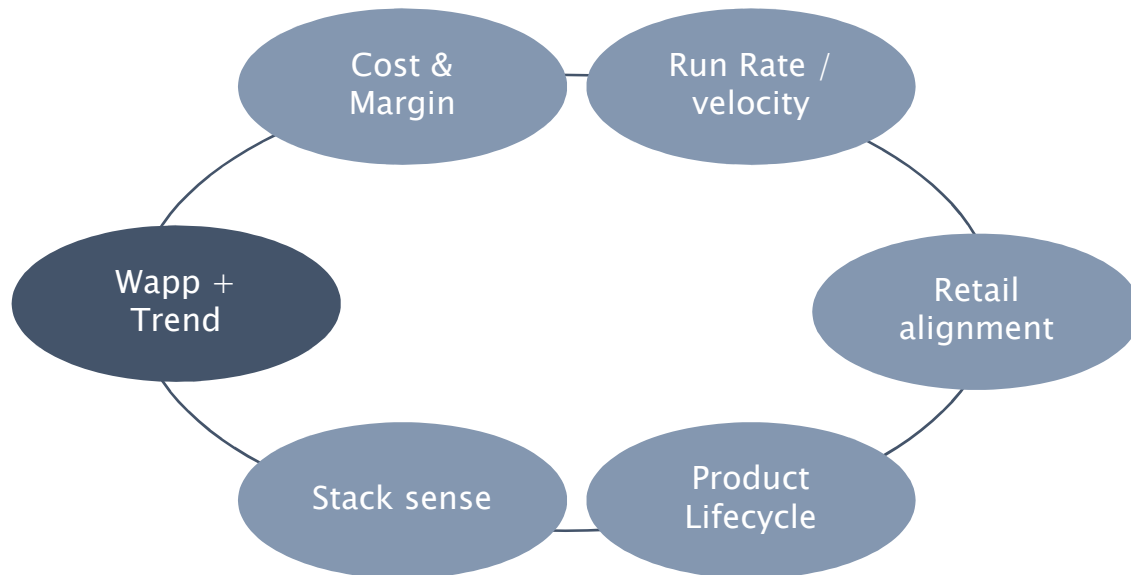| Sum of _pwapp				OEM						
DELL SERIES	DELL MODEL	DELL BUNDLE	OCCURRENCE	Acer	APPLE	Asus	HP	Lenovo	MSI	All OEM
⊟ G Gaming 5000 Series	⊟ Inspiron G5 15-5587	⊟ CN55820	4				🟢 1.08		🟢 1.31	🟢 1.08
		⊟ CN55821	5	🟢 1.42			🟢 1.10		🟢 1.17	🟢 1.35
		⊟ CN55823	19	🟢 1.08		🟢 1.30	🟢 1.08	🟢 1.01	🟢 1.06	🟢 1.08
	⊟ Inspiron G5 15-5590	⊟ CNG5501	14	🔴 0.90			🟡 0.99		🟢 1.09	🟡 0.98
		⊟ CNG5502	20	🟢 1.13		🟢 1.25	🟢 1.19		🟡 0.98	🟢 1.13
		⊟ CNG5505	3			🟢 1.02	🟢 1.12			🟢 1.09
		⊟ CNG5504	2				🟡 0.96		🟢 1.00	🟡 0.97
		⊟ CNG5503	3				🟡 0.95			🟡 0.95

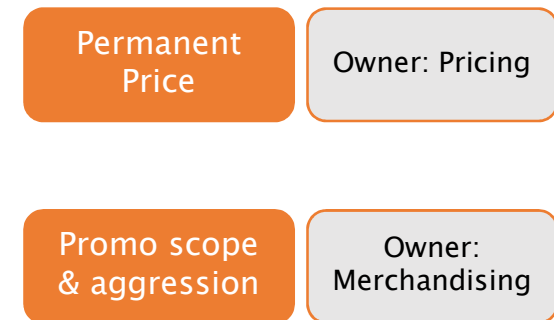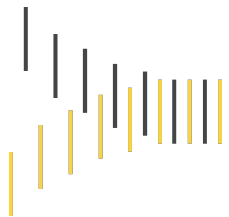… provided on a monthly basis for Permanent Prices and on a weekly basis for Promo Prices
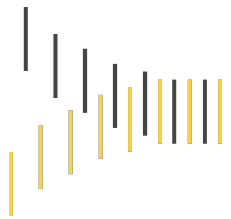
Decision making process: WAPP is not the only driver for pricing actions

WAPP / competition is one component of the equation:

Pricing levers:

Cost & Margin

Run Rate / velocity

Wapp + Trend

Retail alignment

Stack sense

Product Lifecycle

Permanent Price — Owner: Pricing

Promo scope & aggression — Owner: Merchandising

Illustration of decision making process for Permanent Pricing (monthly cadence)

1 — Identification of Permanent Pricing challenges

DELL SERIES	Acer	APPLE	Asus	HP	Lenovo	MSI	Microsoft	All OEM
⊞ G Gaming 3000 Series	1.12		1.09	0.98	1.10			1.06
⊞ G Gaming 5000 Series	1.14		1.14	1.00	1.01	1.09		1.01
⊞ Inspiron 3000 Series	0.99		1.32	1.01	0.98			0.99
⊞ Inspiron 5000 Series	1.04		0.92	1.01	1.05			0.96
⊞ Inspiron 7000 Series	1.08		1.03	1.04	1.12			1.06
⊞ XPS Notebooks		0.97		0.85	0.93		1.00	1.03
Grand Total	**1.05**	**0.97**	**1.03**	**0.99**	**1.03**	**1.09**	**1.00**	**1.01**

2 — Drill down at platform level

| DELL MODEL	Acer	Asus	HP	Lenovo	All OEM
⊞ Inspiron 13-5370	1.13	1.37	0.93		1.00
⊞ Inspiron 15-5580	0.94	0.96	1.06		0.96
⊞ Inspiron 14-5480	1.12	0.90	1.00	1.01	1.01
⊞ Inspiron 15-5584	1.28	1.02	1.19	1.24	1.04
⊞ Inspiron 14-5482		0.81	0.88	1.08	0.88
	1.04	0.92	1.01	1.05	0.96

3 — New pricing proposal at config / SKU level

SCREEN	PROCESSOR	RAM	HDD	GRAPHICS	Segment	Current price	New Retail Price	Price Proposal	vs. current price	TM% Direct	Wapp
15.6" FHD	WHL-U Core i3	4GB	1TB HDD	UMA	D	€ 579		€ 549	-€ 30	7.7%	0.92
15.6" FHD	WHL-U Core i5	8GB	256GB SSD	UMA	D+R	€ 749	€ 699	€ 699	-€ 50	9.4%	0.90
15.6" FHD	WHL-U Core i5	8GB	256GB SSD	Nvidia MX250 2GB	D	€ 799		€ 749	-€ 50	9.5%	
15.6" FHD	WHL-U Core i5	8GB	128GB SSD + 1TB	Nvidia MX250 2GB	D	€ 799		€ 799	€ -	11.5%	
15.6" FHD	WHL-U Core i7	8GB	128GB SSD + 1TB	Nvidia MX250 2GB	D	€ 899		€ 899	€ -	13.7%	1.11

D: Direct
D+R: Direct + Retail

4 — Validation with Merchandising & Country Management

Conclusion: Key takeaways
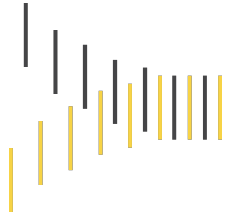
Key takeaways

1 Clear strategy / pricing framework is a prerequisite to avoid endless debate and stay focused on execution

2 Trust in numbers: KPI accuracy & stability is key

3 Balance has to be found between reactivity & coherence: focus on most sensitive products

4 Omnichannel alignment can be a strong limitation if not fixed with a clear managerial & decision process

5 Next step is automation of recommendation tool to allow Pricing Managers to dedicate more time to strategic / complex issues and ultimately bring more added value to the business