

Client Challenge

This multi-billion independent tire, wheel, and select automotive accessories retailer, operates over 1,000 stores under different banners across the United States. The retailer utilizes its industry-leading warranty program to stand behind its products and build loyalty with its customer base. Successful execution of this program requires an approach that considers customer perception as much as financial metrics. As such, they recognized an opportunity to optimize their retail warranty pricing to drive customer loyalty and improve bottom-line profit.

The client had decades of transactional information but lacked the deep analytics capabilities to leverage this information to optimize their retail warranty pricing.

Parker Avery Solution

Over three months, Parker Avery's analytics team partnered with the client's analytics and operations teams to optimize their tire warranty pricing across regions, products, and channels.

The engagement utilized Parker Avery's artificial intelligence (AI) driven demand platform and the firm's deep retail industry and pricing expertise.

Parker Avery staged, cleansed, and filtered multiple years of transaction-level data, representing several terabytes of information. The team enhanced the client data with external sources before modeling warranty price elasticity across the company's product segments, geographies, and selling channels. External data sources included COVID-19 and macroeconomic variables.

Parker Avery's team designed and conducted a multi-stage field price test that confirmed the benefits of price changes, both in terms of financial metrics and customer price perception.

RESULTS



PRICING
OPPORTUNITIES
IDENTIFIED



PROFIT
INCREASED



ANNUAL
PROFIT IMPACT
REALIZED

Using Parker Avery's advanced analytics and AI-driven demand platform, the team identified a combination of retail warranty price optimization opportunities. The pricing modifications resulted in a nearly 17% increase in total enterprise profit, representing \$83M annually. Parker Avery continues refining the pricing optimization recommendations and further enhancing bottom-line results, including:

- Monitoring warranty price effectiveness
- Tweaking the pricing model for optimal results by region, channel, and product
- Reporting benefits weekly

Moreover, the company has employed Parker Avery's price optimization solution to generate pricing recommendations across its entire retail product assortment.