

Client Challenge

The client is a multi-billion-dollar independent tire, wheel, and automotive accessories retailer, operating over 1,000 stores under different banners across the United States. In 2022 the client engaged Parker Avery to optimize their product warranty pricing, resulting in more than \$80M of additional annual operating margin.

As a result, the retailer recognized an opportunity to optimize base tire pricing across all regions and channels. The company's original pricing approach relied on rudimentary pricing rules, and the company's leadership wished to improve its competitive pricing position for private label products using a modern, AI-driven price optimization solution.

Parker Avery Solution

Parker Avery's approach preserved the client's price image using a mix of competitor price matching and AI-driven price optimization while improving the sales mix to augment financial metrics.

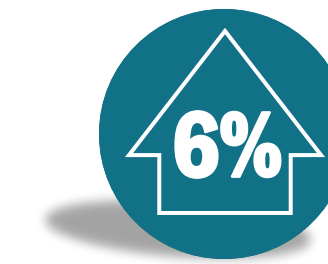
Combining Parker Avery's Enterprise Intelligence demand platform and the firm's deep retail industry and pricing expertise, the Parker Avery team partnered with the client's analytics, product, and operations teams to optimize the retailer's private label tire pricing across regions, products, and channels.

Parker Avery staged, cleansed, and filtered multiple years of transaction-level data, representing several terabytes of information.

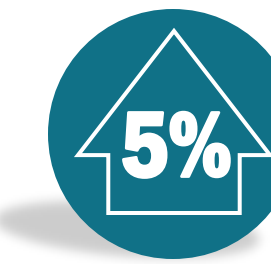
The team integrated the previously modeled product warranty price with private label price information to model price elasticity and cross elasticity. The elasticity models span the company's private label products, geographies, and selling channels to optimize units, revenue, and margin.

Parker Avery's team designed and conducted a multi-stage field price test that confirmed the benefits of the price recommendations on financial results.

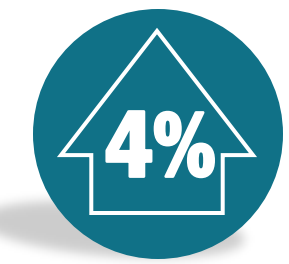
RESULTS



INCREASED
UNIT SALES



INCREASED
REVENUES



IMPROVED
MARGIN

With Parker Avery's Enterprise Intelligence demand platform as the foundation for the client's AI-driven price optimization initiative, the team identified a combination of pricing opportunities focused on private label products.

As measured by the client from the onset of the platform rollout, pricing changes delivered an approximate 6% increase in unit sales, a 5% lift in revenue, and a 4% margin improvement. Parker Avery continues to generate weekly pricing recommendations, monitor performance, update elasticity estimates, and fine-tune the price optimization solution configuration to ensure optimal ROI and performance for the client.