

CASE STUDY

PAC2000A-Conad Enhances Price Consistency, Market Leadership and Bottom-Line Results with DemandTec Price Optimization

About PAC2000A-Conad



PAC2000A-Conad is the largest of the cooperatives associated with Italy's National Retailers Association (CONAD). Founded in 1972, with a sales network that today extends beyond national borders (Malta) and in much of Central and Southern Italy - from Umbria to Sicily via Lazio, Campania and Calabria - it has over 1000 partners, who carry out the mission every day for which the first retailers joined almost 50 years ago: to develop cooperation between operators, protect and grow the profitability of associated companies, constantly improve the quality of the service and offer, to respond to customer needs.

With the completion of the merger process of the Conad Sicilia cooperative, PAC2000A-Conad has consolidated its position as the first cooperative, both in terms of turnover and territorial extension, of the Conad Consortium.

The actual PAC2000A-Conad is a large cooperative made up of 1,080 entrepreneurial members linked to the territory and the community, united together to better face future challenges through the consolidation of the Conad business model, competitive strengthening, new logistical and organizational synergies and above all a greater ability to invest for a growth and development plan throughout central and southern Italy.

The contribution of the new Sicilian territory has allowed the creation of a group from **5,3 billion euros** in turnover, a net worth of plus of 950 million euros and a market share of about 20% which decrees the brand's leadership in central and southern Italy. The sales network is made up of 1,500 points of sale with over 29.100 employees producing a turnover of over **7.2 billion euros**. We have strong roots in 5 regions of the territory (Umbria, Lazio, Campania, Calabria and Sicily) in which PAC2000A-Conad operates by strengthening the collaboration with the almost 980 local suppliers with which it has developed a turnover close to 0.5 billion euros.

Business Challenge

With nearly 50 years of history serving Central and Southern Italy, PAC2000A-Conad has a history of growth both organically and acquisition. Longtime Chief Information Officer Vanni Chioccoloni recounts the cooperative's quest to offer more consistent and competitive prices.

Vanni notes that

“Our stores are a mix of different format stores that are all managed by entrepreneurs and recently we acquired a lot of stores and hypermarkets from Auchan when they exited the Italian market”

With such diverse store ownership and formats, individual prices were determined by many different people using many different processes. At the same time, PAC2000A was going through a period of significant growth, further adding to the need for more sophisticated and consistent business processes.



As Vanni explains,

“In addition to have inconsistent prices, our manual pricing processes meant we could only focus on a small part of the assortment at any given time. In 2010, we began to formally assess price optimization in order to address three primary business goals. First, we wanted to help associates with market-leading pricing capabilities and provide consistent rules and pricing across local PAC2000A stores in the regions we serve. Second, we wanted to increase our efficiencies and deliver more consistent pricing with systematic, scientific pricing tools and processes. Finally, we wanted to be able to address pricing across the entire assortment at consistent intervals.”

Solution: **DemandTec Price Optimization**

**demand^{tec}
pricing**

The PAC2000A team had contacts with their sister organization, now named Conad Nord Ovest. A couple of years prior Conad Nord Ovest had begun its own price optimization journey, for which it chose to partner with DemandTec. Based on the experience of Conad Nord Ovest, plus additional testing to ensure DemandTec would meet PAC 2000A's requirements, Vanni and his team also decided to partner with DemandTec and began driving their pricing transformation.

Business Impact

The path to achieving PAC2000A-Conad's business goals was not without its challenges. The organization undertook a profound restructuring of many of its existing processes, which involved collaboration and transformation from the IT, commercial and pricing teams, among others.

The culture of change not surprisingly met some resistance from some of the buyers and merchants. However, with strong executive sponsorship to support the adoption, including a top-down focus from both the commercial and IT areas, PAC2000A was able to achieve its desired goals.

The result was that the organization achieved measurable pricing consistency and created a holistic pricing organization that was both structured and efficient. Working closely with the implementation team, the PAC2000A team worked to optimize results in individual categories. They developed a shared sense of pride in the implementation and with experience grew more and more sophisticated in using DemandTec science.



Vanni notes that

“The PAC 2000A pricing analysts have become more strategic, and they now optimize and present the pricing strategies and scenarios results to merchants, faster than before when the competitors update their prices. People enjoy their jobs more and can see how using DemandTec helps them achieve the organization's goals. As the teams adjusted to and gained confidence in the DemandTec science, **compliance grew from less than 70% to over 95%**, and today the system is very well-liked among its users. And we've also delivered measurable profit improvements to the business.”



Implementing DemandTec made PAC2000A the first retailer in their territory to adopt a price optimization solution. Over the years, the system has enabled PAC to maintain their competitive advantage even as competitors also began to adopt price management and optimization technologies.

The business now also has more agility in matching competition where it matters most to their shoppers.



As Vanni says,

“Historically competitive pricing was not an area of strength for PAC. It was difficult to keep current with competitive pricing and to react quickly to their changes. **Now we can closely monitor competition, even at the micro-area as needed.** When we first implemented DemandTec, competitors didn’t even care about our pricing moves because we just weren’t a competitive factor. After we implemented DemandTec, they were taken by surprise at how effectively we could respond to changes in their pricing across large areas of the assortment, and how quickly. Competitors began to take notice and come into PAC stores, even multiple times per day, to try to track what we are doing and how we are doing it.”

Today the use of the platform is very much woven into company processes and is a key part of daily activities. They continue to work side by side with price strategy consultants to deliver additional value from the DemandTec system, further maturing their processes and maintaining a best-of-breed focus.

DemandTec is continuing to grow with PAC2000A-Conad. When Auchan exited the Italian market, PAC2000A acquired about 30 of its supermarkets and 6 hypermarkets. As Vanni notes, “We redesigned the organization and refreshed our assortment, pricing and processes to align with our price strategy and image, leveraging our DemandTec knowledge and capabilities.

“Additionally, in 2020, Conad Sicilia joined PAC2000A, adding 180 entrepreneurs and approximately 350 stores. Initially, a standalone proof of concept for the DemandTec pricing optimization solution was implemented, aimed at streamlining resources, enhancing competitive pricing monitoring, and improving profitability. Once the full systems integration was completed, Sicily was seamlessly incorporated into the wider organization's DemandTec solution.”



A pioneering leader for decades, DemandTec continues to usher in the new era of retail pricing technology. With its AI-powered pricing, promotions, markdowns, and collaboration solutions, CPG and retail partners can balance real-time shopper demand with business objectives to drive sustainable, profitable revenue growth.

To learn more, visit www.demandtec.com.

