

Pricing and Bundling Strategies at Wellness Forever Medicare Limited

Introduction

In contrast to wholesale, which refers to the sale of goods and services to businesses and institutions, retail refers to the sale of goods and services to individual consumers. Wholesale refers to the sale of goods and services to businesses and institutions. The most profitable strategy for a retailer is to buy in bulk from the manufacturer, either directly or through a wholesaler, and then sell the product to individual customers in quantities that are more appropriate for their needs. In the supply chain, retailers represent the final link between manufacturers and end users, or customers. In contrast to wholesale, which refers to the sale of goods and services to businesses and institutions, retail refers to the sale of goods and services to individual consumers. Wholesale refers to the sale of goods and services to businesses and institutions. The most profitable strategy for a retailer is to buy in bulk from the manufacturer, either directly or through a wholesaler, and then sell the product to individual customers in quantities that are more appropriate for their needs. In the supply chain, retailers represent the final link between manufacturers and end users, or customers.

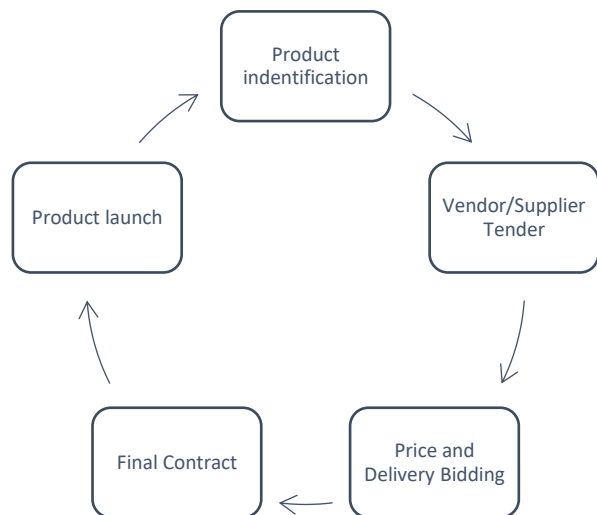
Wellness Forever Medicare operates approximately 500 24-hour wellness retail stores in Maharashtra, Goa, Karnataka, and Madhya Pradesh. They offer approximately 800 unique categories and over 90,000 products. In Bhiwandi, Maharashtra, they operate a large storage and management facility where they store, package, label, distribute, and deliver goods. The warehouse and storage facility are managed by its headquarters in Kajurmarg, Mumbai, in addition to sub-headquarters in various states.



They have also collaborated with Dunzo, Magic Pin, Swiggy, Zepto, and other expedited delivery service providers.

Products and Categories

Wellness has dedicated merchandising, marketing, and analytics teams that develop and design the pricing strategies and product structures in collaboration. They have a structured process for pricing any product. This process enables them to offer the most competitive prices to customers without compromising their profit margins. The structure of the method is as follows:



The cycle starts with product identification where the company with the help of trends and analysis, identifies trending and customer requested products. Post that the merchandising team launches the product supply and delivery tender among its network of suppliers and vendor. The various suppliers and vendors provide the merchandising team with various quotations. The team chooses the most efficient supplier(s) based on a variety of factors, including price offered, delivery durations, credit line offered, and other considerations. When onboarding a vendor, the merchandising team considers the manufacturer's conditions and regulations for certain products with which the

vendor must comply. The legal team and the merchandising team collaborate on the final contract process. After finalizing the contract, the merchandising team provides the product information to the various stores, as well as the Digital and IT teams, for display on the company's website and third-party e-commerce stores.

Pricing

Product pricing is determined well before product information and inventory are sent to stores and before the product is displayed on the official website and third-party e-commerce sites. Wellness began with pharmaceutical products, and products remain a significant source of revenue for the organization. This product category offers an average margin of 35% to the organization; therefore, it was a major contributor to the organization's growth engine. The company offers a minimum 5% flat discount on all pharmaceuticals, with higher discounts on products based on their margins. Pricing FMCG and pharmaceutical products is challenging, especially when the product is listed in multiple e-commerce stores. The pricing of FMCG and pharmaceutical products is determined by the following variables:

- Product Margin
- Platform/Vendor Commissions
- Delivery Region
- Order Quantity
- Payment Methods
- Stock/Inventory load

At all the company operated stores and website, the pricing is similar but in case of third party e-commerce stores, the pricing is variable and dynamic, depending on the platforms discounting and policy, the prices change very frequently. Also, many 3rd party e-commerce stores have fixed margins that they include over the pricing provided by Wellness. During the establishment of the partnership with Magic Pin, for instance, the Magic Pin team requested a 9% margin on all products listed on their platform. After numerous negotiations, both Wellness Forever and Magic Pin settled on a 5% middle

ground. Oftentimes, with these margins, to compete with other sellers on these platforms and establish a market presence and attract customers' attention, the company must reduce its prices. Wellness also has its own high-margin brands, such as Better Body Bombay, which are promoted more by the company. Many home brand products are offered at 20 to 30 percent discounts off the maximum retail price. Company has recently started to work on impulse product category development. This project involves categories of impulse products, which customers may purchase without considering their immediate needs. Impulsive purchasing is essential for marketers.

Occasionally, customers see a product and purchase it without much thought. If a product is absent, sales are lost. Most FMCG items involve this decision, so companies try to position their products and messages so customers can see them and decide. Many factors influence impulsive purchases. Companies must plan their message, SKUs, and prices to ensure a seamless purchasing experience for the customer. Company plans to use this impulse product category for launching group-buying on its official website and mobile application. Group Buying, also known as collective purchasing, offers significantly discounted products and services on the condition that a minimum number of buyers will perform purchasing. With this, the company hopes to achieve several goals, including attracting customers to its official selling platforms, increasing the average time customers spend on its website, promoting word-of-mouth marketing, stock clearance, and achieving better margins and prices based on large item orders, among others.

The Chinese e-commerce behemoth Pinduoduo is largely responsible for the widespread dissemination of the idea of group purchasing in modern times. Pinduoduo is an online shopping platform that largely makes use of the WeChat application developed by Tencent as its major conduit for user engagement in group purchasing deals. The following describes the

method in which they have constructed their system: Product sellers or retailers display their wares with detailed product descriptions and specs, as well as the required minimum number of customers to obtain the advertised price for each item. An ideal buyer or consumer will register and give some basic information about themselves. These prospective buyers or consumers then form or join groups dedicated to the product that interests them if they decide to make a purchase of it. They focus on developing and publicizing these groups to attract more people whose interests are like those of the group they build, if they create any groups or teams at all. These groups are time-sensitive and can only be used for a period of 24 hours before they become invalid. The transaction to buy something is started as soon as the group reaches the minimum number of buyers that was specified by the seller. In India, Meesho, Shopsy, Gobillion, and most recently Cred has begun to offer the group buying option on their own platforms. Pinduoduo also takes a cut of the revenue generated by successful purchases made through its site.

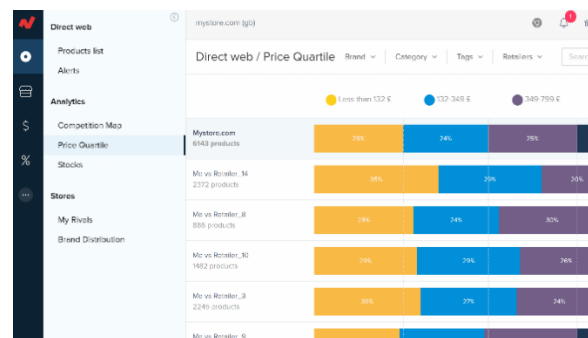


Pinduoduo

For pricing effectively and efficiently, Wellness uses multiple enterprise solutions which give a real-time comparative analysis of pricing products on different platforms. By this practice, Wellness aims to price its products competitively while maintaining profitable margins. In industry, there are multiple organizations and service providers which automate and streamline such pricing practices. One such tool is netRivals. It offers businesses and individuals an all-encompassing perspective of the market through competitive pricing analysis, with the goal of assisting you in arriving

at pricing decisions that are better informed and, as a result, increasing your company's sales and revenue. For retailers such as Wellness Forever, they provide features such as:

- **Google Shopping Price Tracking and Analysis:** Assists in developing and executing campaigns considering the current state of competition in the market.
- **Amazon Rival Sellers' Real-Time Tracker:** Netrivals gives organizations access to a powerful set of tools that monitor changes in product prices across competing sellers on Amazon.
- **Competitor Monitoring:** Aids in acquire a global perspective of the market, considering price as well as product attributes, and take the lead in the competition.
- **Dynamic Pricing:** Assists in re-evaluating pricing strategy, and then accelerates expanding online store's conversion rate.



netRivals dashboard

Organizations can also combine the data from netRivals with any of the own data. It provides the ability to combine the information gathered by netRivals with data related to any of the following business areas or departments: sales, finance, customer relationship management, and data science. Organizations need to improve both the quality and quantity of the data metrics that its BI tool provides. Enhancing KPIs by adding data from other market competitors and generating dashboards with organizations customizations.

Pricing analytics, assortments, and merchandising management were previously

handled by Intelligence Node, which is an independent data powerhouse that compiles the most exhaustive, holistic product and pricing dataset using AI-driven proprietary algorithms. However, Wellness has terminated their partnership with Intelligence Node due to issues with their budget, and they are currently looking for a new partner to provide these services.

The use of marketing analytics enables businesses to monitor the actions of customers and gain insight into their activities, thereby facilitating the formulation of future strategies. An example of the marketing analytics technique deployed at Wellness Forever: Organization has invested extensively in development of market and customer analysis. The analytics team has used the Recency, Frequency and Monetary model for prediction of the purchasing patterns and habits. Recency, frequency, and monetary value (RFM) is a marketing analysis and study technique used to determine a company's top customers based on their spending patterns. An RFM study conducts an analysis of clients and consumers by giving them scores based on how recently they have made a purchase, how frequently they make purchases, and the total value of their transactions. A score ranging from one to five is assigned by the RFM model to each of the three different client categories (worst to best). RFM analysis gives companies the ability to predict with a certain degree of accuracy whether customers are likely to buy their products again, how much revenue comes from new customers as opposed to repeat customers, and how to convert occasional purchases into habitual ones. Let's look at an implementation on some sample data to get a better idea: A dataset of sales made by customers is obtained. To build an RFM model, you will need to provide each individual customer with a score based on their recency, their frequency, and their monetary value. After that, the unprocessed information, which can be obtained from a customer database based on previous transactions, is entered into a spreadsheet or database, and organized.

Next, divide the RFM database into clusters based on each of the RFM scores. The

order of tier identification is from highest to lowest. In terms of monetary worth, for instance, one is assigned to large spenders and five to poor spending customers.

id	country	recency	frequency	monetary	r	f	m
1807854	IN	281	2	2420.16	1	2	3
1808130	IN	50	5	13553.04	4	4	4
1808184	IN	127	1	12113.88	2	1	4
1808346	IN	267	13	5787.36	1	5	4
1808352	IN	113	10	18166.26	3	5	5
1808376	IN	99	9	13339.44	3	4	4
1808388	IN	85	5	15815.7	3	4	5
1808466	IN	1	8	20580.6	5	4	5
1808742	IN	169	3	5294.4	2	3	4
1808832	IN	267	7	50370.06	1	4	5
1809138	IN	162	4	2168.52	2	3	2
1809156	IN	29	6	3187.5	4	4	3
1809258	IN	29	6	10466.64	4	4	4
1817820	IN	29	9	48457.14	4	4	5
1818024	IN	365	1	315	1	1	1

Sales data assigned with Recency, Frequency, Monetary scores.

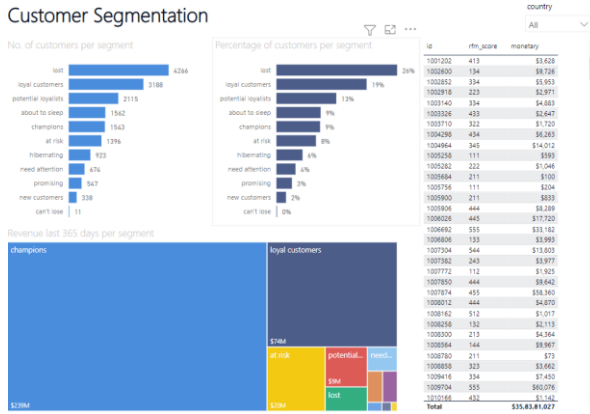
Currently, we have 125 different segmentations of customers which will make the analysis very complex. By combining 'f' and 'm' score ($FM = (f + m) / 2$), we would get 11 segmentations.

Step three entails selecting the divided customer group with the highest customer value. We begin to assign titles to segments of interest, such as champions, loyal customer, potential loyalist, hibernating, at risk, need attention and other, by organizing the RFM segment.

id	country	recency	frequency	monetary	r	f	m	rfm_score_fm	segment
1805998	IN	267	2	1156.26	1	2	2	1.5	at risk
1806234	IN	78	10	31623	3	5	5	3.55	5 loyal customers
1806372	IN	15	29	199352.8	5	5	5	5.55	5 champions
1806432	IN	29	3	15477.06	4	3	5	4.35	4 loyal customers
1806474	IN	57	19	23391.84	3	5	5	3.55	5 loyal customers
1806648	IN	22	11	22267.38	4	5	5	4.55	5 loyal customers
1806756	IN	1	22	49130.82	5	5	5	5.55	5 champions
1806936	IN	288	4	6097.32	1	3	4	1.34	3 at risk
1807134	IN	1	9	41580.54	5	4	5	5.45	4 loyal customers
1807338	IN	50	13	19546.98	4	5	5	4.55	5 loyal customers
1807470	IN	43	4	5241.66	4	3	4	4.34	3 potential loyalists
1807500	IN	71	2	5021.4	3	2	4	3.24	3 need attention
1807566	IN	78	2	2169.84	3	2	2	3.22	2 about to sleep
1807590	IN	71	6	10486.56	3	4	4	3.44	4 loyal customers
1807716	IN	8	7	13417.02	5	4	4	5.44	4 loyal customers
1807854	IN	281	2	2420.16	1	2	3	1.23	2 lost
1808130	IN	50	5	13553.04	4	4	4	4.44	4 loyal customers
1808184	IN	127	1	12113.88	2	1	4	2.14	2 hibernating
1808346	IN	267	13	5787.36	1	5	4	1.54	4 at risk
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1808388	IN	85	5	15815.7	3	4	5	3.45	4 loyal customers
1808466	IN	1	8	20580.6	5	4	5	5.45	4 loyal customers

Sales data assigned with Segments.

Based on the segments, create a unique customer outreach plan and marketing strategy for each segment based on the behavioural trends of that segment. Using the RFM Analysis, marketers may effectively communicate with customers in a manner consistent with customer behaviour.



Customer Segment	Activity	Actionable Tip
ABOUT TO SLEEP	Before average recency, frequency and monetary values. Will lose them if not reactivated.	Share valuable resources, recommend popular products / reneals at discount, reconnect with them.
AT RISK	Spent big money and purchased often. But long time ago. Inevitable to bring them back!	Send personalized email to reconnect, offer renewals, provide helpful resources. Win them back via renewals or newer products. Don't lose them to competitors. Ask for them.
CANT LOSE	Made biggest purchases, and often. But haven't returned for a long time.	Reward them. Can be early adopters for new products. Will promote your brand.
CHAMPIONS	Bought recently, buy often and spend the most!	Offer other relevant products and special discounts. Increase brand value.
HIbernATING	Last purchase was long back, low spenders and low number of orders.	Reinforce interest with reach out campaign, ignore otherwise.
LOST	Lowest recency, frequency and monetary values.	Upsell higher value products. Ask for reviews. Engage them.
LOYAL CUSTOMERS	Spend good money with us often. Responsive to promotions.	Make limited time offers. Recommend based on past purchases. Reconnect them.
NEED ATTENTION	Above average recency, frequency and monetary values. May not have bought very recently though.	Provide on-boarding support, give them early success, start building customer habits.
NEW CUSTOMERS	Bought most recently, but not often.	Offer membership / loyalty program, recommend other products.
POTENTIAL LOYALISTS	Recent customers, but spent a good amount and bought more than once.	Create brand awareness, offer free trials.
PROMISING	Recent shoppers, but haven't spent much.	

Dashboard view of segments.

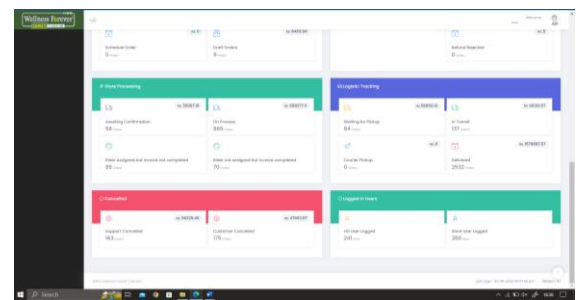
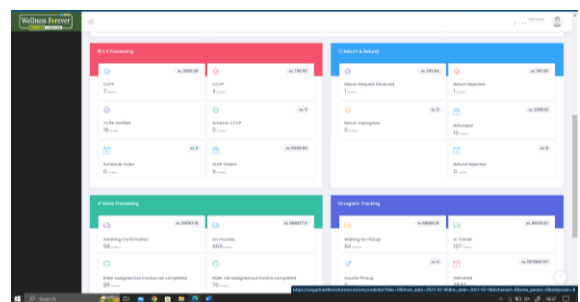
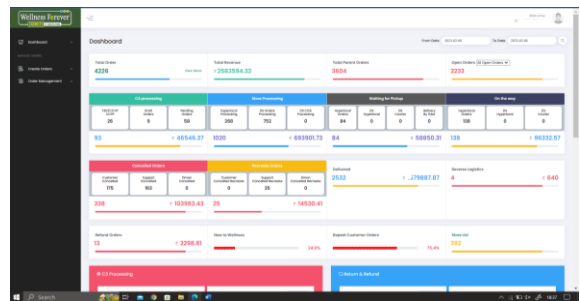
Tools

Wellness uses many tools within the organization for the smooth functioning and integration of various tasks and organizational functions. These tools enable Wellness to perform functions like strategy development, plan execution, corporate governance, data analytics, and technology management.

For purchase and sales management, branch management, warehouse management, accounting and financial tasks, customer engagement, operations and control and inventory and expiry management, Wellness uses an advanced enterprise management system developed by C-Square Info Solutions limited, called EcoGreen. Wellness is a stakeholder in C-Square and its management actively participates in C-Square's development and decision making. This also enables Wellness's management to ensure quality and efficiency of a product on which the organization heavily relies on. EcoGreen is a highly scalable ERP system which comes with addition modules which are store tracker, inventory management, delivery track,

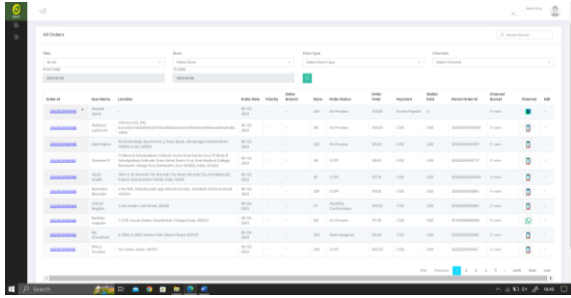
asset management, API integration with external/3rd party service providers, queue management, tender management, marketplace, stock auditing, customer feedback management and much more.

For tracking of orders, deliveries, and its related issues such as returns, cancellations and many others, Wellness uses an in-house management system called Angadi. Angadi in an underdevelopment ERP system which, using APIs, provides a single window view of delivery and order data from all the 3rd party service providers and e-commerce platforms. Below are the screenshots views from Angadi.



Dashboard views of Angadi

The dashboard at Angadi provides a comprehensive view of orders, deliveries, revenue and all the other necessary information for smooth supply chain management and supervision. All the information is time sensitive and real-time displayed.



Channel-wise view of orders

The channel-wise view provides efficient tracking and ease in delivery management.

For data management, the organization has adopted Microsoft Azure DataBricks. There is a specialist dedicated from the Data Team for updating, access controlling, scaling and delivery management of the data. The company uses DataBricks for keeping the operations, marketing and management dashboards updated and interactive.

Analytical coding is extensively Python based. Python provides a quick and readable interface and platform for analytical coding. For dashboard development, the company heavily relies on Power BI. It is also essential for all the employees in various departments to be skilled in basic dashboard development and management. The top-management has made it compulsory for all departments to use dashboards in-place of standard presentations for ensuring dynamic information presentation.

Bundling

Product bundling refers to the practice of selling many products as a single unit for a single price. This method is employed to increase client product purchases. Wellness Forever focuses highly on effective and efficient bundling to achieve objectives such as:

- **Increase order value average:** Bundling of products aims on increasing the revenue and sales of individual items over time. By grouping products, Wellness encourages customers to purchase multiple items in a single transaction, thereby increasing the average order value. Customers have the

option of purchasing a 5 litre Oil Can with an additional 1 litre pack as a set rather than a single 1-litre pack, thereby increasing the average order value.

- **Reduces marketing and distribution expenditures:** Bundling products and services together not only boosts sales but also cuts down on expenses for marketing and distribution. In lieu of marketing each product separately, they may offer complementary products as a unit. By bundling disparate items together, they hope to store them in a single warehouse bin as opposed to multiple bins. In addition, bundling enables them to ship fewer boxes of various products, thereby reducing postal costs. Instead of creating print and web ads for each individual product, Wellness presents in a form of a group, which reduces their marketing expenses and promotes all their products simultaneously.
- **Reduce stock wastage:** Merchandise that has not been sold is kept as "dead stock" in the company's inventory, which raises the company's overall holding costs. Eventually, it is either thrown away or sent back to the manufacturer in exchange for a small refund. This dead stock is eliminated through bundling before it becomes a problem. Customers are more likely to buy a bundle that contains an item that is slow-moving or stagnant in sales and a product that is selling at a faster rate if the bundle is presented as a deal. This helps reduce wasted inventory, frees up space in the warehouse, and lowers the costs associated with holding inventory.

For Bundling, they follow multiple bundling techniques which are as follows:

- **Pure bundles:** In pure bundling, the individual products included cannot be sold individually. This method limits the user's available options. In this category, they sell items with extremely low profit margins and item quantities. This contributes to achieving a significant overall margin and makes such products easier to handle and store. For

instance, these products include candies and chocolate that sell individually for Rs.1 each. They don't come with any significant margins as an individual unit but as a pure bundle, they provide considerable margins.

- **New product bundles** This strategy pairs newly introduced products with existing or popular products to help consumers discover the newest offering. Wellness increases the visibility of a new product by combining it with their best-selling merchandise. Wellness also affords businesses the chance to purchase spots in such bundles to rapidly expand the market presence of their new product.
- **Cross-sell bundles:** In this method of product bundling, Wellness sells complementary products in addition to the main product. This type of bundling is effective for low-priced items or accessories or parts that complement a more expensive item. For instance, they bundle mini packs of baby wipes with small packs of diapers. This method is heavily promoted in the company's retail locations.
- **Gifting bundles:** Gift sets are aimed at consumers who wish to present a loved one with a collection of complementary products. Wellness has introduced an assortment of curated gift baskets and gift packs in preparation for the approaching holiday season. During the holiday season, a team of specialists, consisting of a sommelier, food category specialists, and merchandising staff, creates these gifting options for every taste and preference. These gifts include an assortment of beauty products, fragrances, healthy snacks, chocolates, party essentials, international cuisine, an assortment of dried fruits, and tea and coffee. Prices range from Rs.199 to Rs.8000. Customers can personalize gift



baskets based on their preferences and budgets by selecting from a selection of over one million products.

- **Inventory clearance bundles:** A faster-moving inventory item is paired with a stagnant or slower-moving inventory item in this bundling strategy to clear inventory space and reduce inventory holding costs. This strategy includes discounts on bundles to increase the likelihood that shoppers who are interested in a best-seller will purchase the entire bundle. Wellness uses Inventory Clearance bundles extensively on its website and plans to increase product sales through these bundles using its under-development Group Buying feature.
- **Buy-one-get-one bundles:** When a customer purchases a primary item, they would receive a discount on a complementary item or receive a third item for free. This method is used for products with a single purchase. For instance, a customer who purchases a Health Care Device from Wellness will not return to buy the same item. Therefore, offering a free item, a discount, or a gift card will encourage customers to buy additional items at a lower price.

At Wellness, the procedure of bundling is performed manually. Each member of the category operations team is allocated distinct e-commerce partners, and these bundles are produced based on data such as platform discounts, average bill value, maximum selling goods, minimum selling items, margins, and inventories.

About Report:

From May to September 2022, I worked at Wellness Forever Medicare as a Management Intern for the Digital and IT Department. During this time, I worked with multiple departments and projects. For this report, I drew from my internship experience and recent talks with Mr. Manoj Nalla, Business Analyst for Digital and IT.