How to Create a Competitor Price Monitoring Strategy

In real estate, the three most important elements are location, location, location. In e-commerce, it could very well be price, price, price. The product has to be decent, and the tide is slowing turning to put more emphasis on the overall user experience (some experts predict that it will exceed both price and product as the key differentiator by 2020), but we're not there yet.

Online shopping means online comparison shopping. If your prices are not similar to or better than the next retailer, you're going to lose the sale. It's that simple. Consumers browse. They check out various sites and portals. They can even use a website designed specifically for that purpose – like Google Shopping or SlickDeals – which pull data from several sources and display it side-by-side to find the best overall deal. You have to be competitive, because in the digital realm, you're competing against everyone . And the stakes are high. Very high. We've compiled some statistics in the infograph to the right:

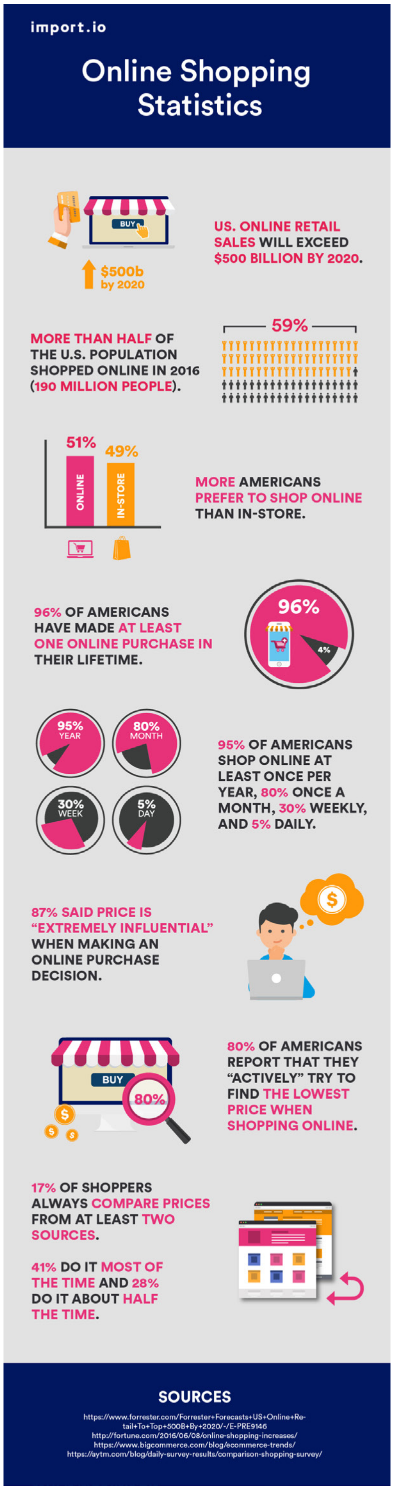
In short – 86% of consumers are checking out your competition for at least half of their purchases.

Do your prices measure up? Are you competitive? How exactly do you get and stay competitive in 2017?

With competitor monitoring. Watch them closely.

" A horse never runs so fast as when he has other horses to catch up and outpace ."
– Ovid

With it, you get a bird's-eye and real-time view of the market at any given time. You can reevaluate and tweak your pricing strategy in response to market trends, customer behavior, stockroom levels, what the competition is doing (promos, bundle deals, discounts), how much they're charging, and more.



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Price Optimization

Competitor monitoring is a crucial cog in the wheel of price optimization, the strategies and tactics used to find the perfect price at the perfect time. It's both an art and a science (you need data... lots and lots of data).

Monitoring the competition shouldn't be the only criterion you use to set your prices, but it most definitely should be part of that equation. Competition in the e-commerce industry is fierce. You should be looking at internal data – your historical sales and trends, promotions, your brand and products' perceived value etc. – and external data – competitor prices, holidays, time of year, special events, and more.

Together, they provide the raw data you need to make an informed decision about your prices. This type of big data can help online retailers in other ways, too, but let's just focus on monitoring the competition for today. It's one of the best and easiest ways to maximize your overall competitiveness in the cut-throat e-commerce arena.

Big online portals like Amazon are constantly monitoring the competition and the market, and they adjust their prices accordingly dozens of times every single day. Ditto for major airline websites, car rental agencies, hotel booking sites, and virtual retail portals specializing in everything from books and makeup, to tech toys and appliances.

The modern business world waits for no one. 24/7 monitoring makes you 24/7 proactive and able to react almost immediately. Your competition may be monitoring or thinking about monitoring you already. Beat them to the punch.

Price Monitoring: The Why

We've already mentioned what's up for grabs, and the popularity of online shopping with modern consumers. But a competitor price monitoring strategy has a few other benefits for the tech-savvy e-retailer.

In addition to tracking their prices – which help determine your own – you'll gain valuable insight into their assortment, too. You'll be able to track what products they're carrying, what they're dropping, and what they've recently added, as well as any discounts they're offering. You get a full data set on the Big 3Ps – price, product, promos.

" Your margin is my opportunity."
– Jeff Bezos , CEO and Founder of Amazon

Price monitoring allows you to identify anyone ignoring the minimum advertised price (MAP). This would give them an unfair advantage over the competition (that's you). You can find optimal price points based on both real-time and historical data for yourself and your competition, giving you a 360-degree picture of the market and everything inside it.

Finally, you may be able to locate your "place" in the industry hierarchy: are you top, middle, or low end? Find your data-backed answer, and you can better market to your target audience. Pricing obviously impacts your sales: too high, and customers will run away screaming, too low, and you're leaving money on the table.

In the real world, people may do some comparison shopping to find the best deal. In the e-commerce world, they absolutely will. It's just so easy, and 60% of online buyers consider price to be the first factor they look at while making a decision.

The Pricing Problem

There are many pricing strategies you could opt for:

- Cost-oriented pricing : Unit cost + target profit margin = product price.
- Market-oriented pricing : Reacting to and predicting market and competitor prices (you,
- of course, need to monitor for this one).
- Consumer-oriented pricing : What are your customers willing to pay?
- Vendor pricing : Simply going with the manufacturer's suggested retail price (MSRP).

Then you could test a few tips and tricks of the trade, like prestige pricing (deliberately higher than the competition), anchor pricing , or charm pricing (prices ending in the odd numbers 5, 7, and 9 are perceived as cheaper and therefore a better deal), to see if any give you a sales boost.

Many of these fall under the umbrella of psychological pricing , and there are many different tactics in that category.

Regardless of the strategy and tactics you ultimately decide on, market pricing should be in there someplace. No business is an island unto itself, and loyalty is a thing of the past. Consumers are only interested in getting the best product at the best price.

You've got to optimize those prices. And to optimize properly, you've got to monitor your competitors.

Price Monitoring Strategy: The How

In a word: scraping.

An automated web scraping tool like Import.io not only saves you time and effort, it helps eliminate input errors, everything will be up to date in real-time, you'll never miss a change, and you'll have the data available to make better decisions and predictions.

With a scraper tool, you can extract live pricing data whenever you need it. Hourly, daily, weekly, monthly, or at whatever interval you choose.

To create your own competitor price monitoring strategy, just follow these simple steps.

Step 1. Identify Your Competition

We often say that e-commerce portals are competing against everyone else. And that, in many ways, is true.

In other ways, not so much. But you are competing against at least some of them most of the time.

Identify and find your competitors. Who are you directly competing against in the market?
- Use search engines like Google and Bing. Type in a few products that you sell, with a few other keywords like location (if appropriate), and see who turns up in the results.
- Check website analysis tools to find the top rivals for your audience dollars. Sites like Buzzsumo , SimilarWeb , and SEMrush can provide oodles of details on your direct and indirect competition.
- Research your findings by checking their social media accounts and websites to confirm they are your rivals.

Develop your own system to identify them , and then use it to update your competition rolodex as often as necessary.

Step 2. Identify Your Competitive Assortment

This may sound fancy, but it's really quite simple. Which products of yours would give the best data points when comparing with someone else's? It may not and need not be absolutely everything you sell.

Choose your products for comparison based on historical sales data (what are your best sellers?), current demand, relative keyword search volume, and so on.

Remember the Pareto Principle , which basically tells us (in this scenario) that roughly 80% of your sales likely come from just 20% of your product line. Identify that 20%, and use it as your competitive assortment.

Organize those products into categories and SKUs (stock keeping units) for easier comparison.

Step 3. Determine the Frequency

You need to decide for yourself how frequently you want to monitor your competitor prices and scrape the web data.

A company like Amazon does it almost constantly. A smaller business may opt for weekly. Depending on your products, your competition, and the situation, you may go for every X minutes, hours or days, or weekly, monthly, quarterly, or annually.

Find what works best for you, but keep in mind that the fresher the data, the better.

Step 4. Gather the URLs

Next, gather the relevant product URLs from your competition's digital portals and bulk import into your scraping tool. You might also decide to simply scrape an entire website depending on the number of products they carry that you want to monitor.

You can drag and drop the data you need, and discard the data you don't, to create a report perfect for your needs.

Step 5. Analyze the Data

Run the data set through an analytics platform like BigML or something similar, and you can quickly identify trends, make educated predictions, compare, contrast, and evaluate your current prices against the "enemy."

To make this all fast, easy, automatic, and convenient, at its most basic you need:

1. An extractor to pull or scrape the data.
2. A script to query the extractor every X minutes or hours or days or weeks.

You can set up automatic schedules to monitor multiple retailers at the same time, or include more than just price points (data such as reviews, ratings, specs, product data, and more). You'll also want to monitor stock availability in addition to prices, look at historical trends and averages, and set up alerts to notify you whenever a change occurs (keep your finger on the pulse of you, them, and everyone else). Pull what you need to succeed.

Import.io provides you with everything you need, but doesn't demand you understand coding or install complicated software. Cloud-based and user-friendly, you'll be scraping valuable data before you know it – keeping a close and profitable eye on the competition – and revolutionizing your pricing strategy the 21st century way. Just point, click, and save.

Studies show that only about a quarter (25.6%) of businesses consider the competition when setting their prices. That's appallingly low, but it's a golden opportunity for you to be better than 74.4% of others with one simple addition to your tactics.

Your prices are pivotal to your prosperity in the e-commerce palace. And your pricing strategy needs to pull data from your costs, your product value, the market demand, your cash needs, your competitor's pricing, and more. It's only with all of that duly collected and considered that you get the whole picture and can find and keep the pricing sweet spot .

It's not a set-it-and-forget-it scenario. Online pricing tends to be very fluid and in constant flux. Prices rise, prices fall. Ignore it, and you'll lose customers, revenue, and reputation (which most would consider a bad day at the office).

Monitor. Manage. That's the two-step plan to pricing success. Competitor price monitoring is not the only tool in your shed, but it's definitely one of the most useful.