GK AIR Dynamic Pricing at BS Apotheken

Efficient pricing for 700,000 products in the healthcare sector

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Quick Facts

About BS Apotheken OHG

BS Apotheken OHG has been successfully selling pharmaceutical products on the market since 2004. The company employs 270 staff, 70 of whom are pharmaceutical specialists.

With its Aliva and Sanicare pharmacy stores, the company covers a wide range of products in the healthcare sector. These include prescription and over-the-counter medicines as well as dietary supplements, health food products, cosmetics, aids, speciality formulations and products requiring refrigeration such as vaccines.

The challenge

Responding quickly to price changes by competitors and volatile demand situations with intelligent prices

Optimising all pricing with regard to differentiated margin targets

Strategically managing prices across the entire product range and all customer segments

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Saving time on routine tasks

The solution

Daily and fully automated pricing of 700,000items in the Sanicare and Aliva online shops using GK AIR Dynamic Pricing

Optimising the average margin per segment and for the global product range

Effective pricing for benchmark and price-focus items as well as long-tail products

Fast response time to changing price-influencing factors

Automated pricing processes allow more time for strategic tasks in category management

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Overview

BS Apotheken OHG is a mail- order pharmacy with over 2.5 million customers in Germany, including end consumers, doctors' surgeries and care facilities. Two sales organisations with their own online shops and different pricing strategies offer customers a product range of over 700,000 items. The best-known and largest online shop is Sanicare.

Efficient processes as a success factor

No consignment leaves the online pharmacies without undergoing multiple pharmaceutical checks. Employees carefully check all orders for interactions and personal suitability, as not every medication is suitable for all ages, for example.

Innovative technical systems ensuring efficient processes are a key success factor for BS Apotheken OHG's pharmacy business. In logistics, for example, more than 60% of all orders are processed fully automatically, and the orders, which average 1,000 per hour, are prepared for dispatch within 20 minutes.

BS Apotheken OHG also leaves nothing to chance when it comes to calculating product range prices. To simplify and simultaneously optimise the pricing of the product ranges in the online shops, the company looked into working with pricing software back in 2015.

At the time, the company opted to use GK AIR Dynamic Pricing and initially integrated the AI solution into Sanicare's online shop. A clear vision and strategy for setting prices for pharmaceutical products was developed in advance together with GK AIR, which was then put into practice using the AI solution.

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Smart pricing that takes relevant influencing factors into account

In order to make the best possible pricing decisions on the market, the AI solution includes all relevant price-influencing factors such as competitor prices, availability, purchasing conditions and product features in the calculations. The BS Apotheken OHG merchandise management system contains 251 product features that can be included in the calculation at any time.

Following the successful roll-out of GK AIR Dynamic Pricing for the Sanicare online shop, the pricing solution was also integrated for the Aliva online pharmacy.

At this point, the price calculation was still an automated batch process without its own user interface. As the AI solution was enhanced, BS Apotheken OHG was able to switch to the new pricing interface in 2019, which also brought with it many new functions and options for the targeted, strategic control of pricing and offered more data-based decision-making options for category management.

"GK AIR Dynamic Pricing is the ideal solution for us to calculate our range prices efficiently and automatically."

Heinrich Meyer,
Managing partner and pharmacist
at BS Apotheken OHG

Solution
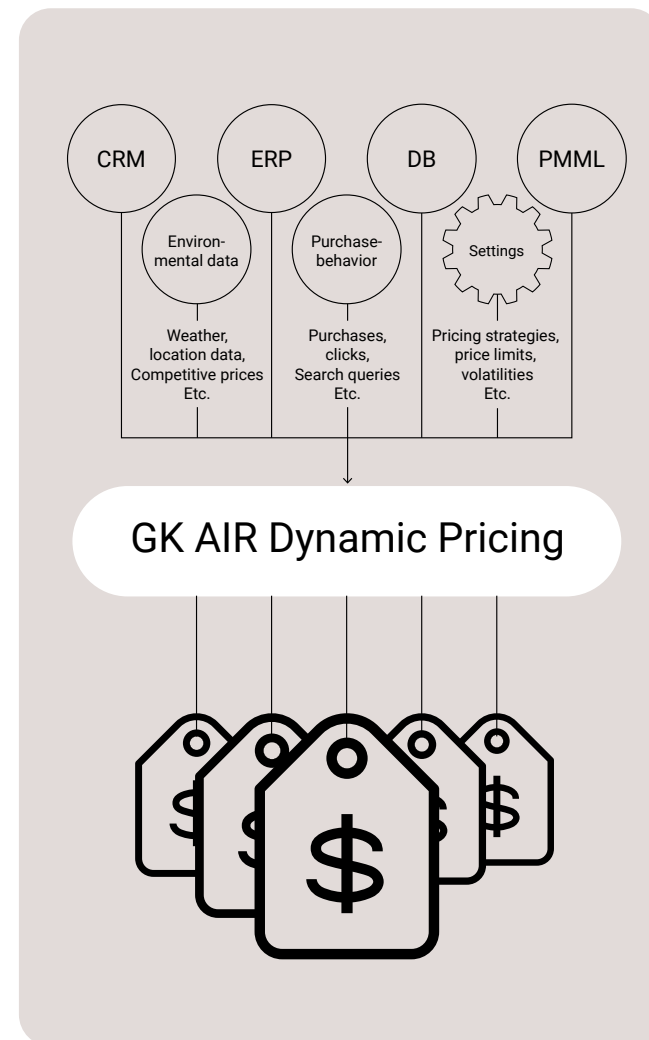
Optimising the entire pricing process with regard to differentiated margin targets

GK AIR Dynamic Pricing is the central authority for the online pharmacies Sanicare and Aliva for

determining daily updated prices, taking into account competitor prices, availability, purchasing conditions, customer demand and other item characteristics;

combining AI-based pricing with rule-based pricing in one process;

carrying out short-term price corrections based on the results achieved.

BS Apotheken OHG operates in a very volatile market environment, as the healthcare sector is shaped by strong competition and high fluctuations in demand. In order to operate profitably and be able to act strategically, the company must be able to monitor all key figures on a daily basis. GK AIR Dynamic Pricing gives the mail-order pharmacy a constant overview of all key figures, allowing it to align the calculation of product prices with its target parameters. As the average margin is an important key figure for the company, the optimisation of the entire pricing is designed to achieve the differentiated margin targets of the two online pharmacies. To this end, the company segments its product portfolio into different product groups and utilises various pricing methods: rule-based pricing, AI-based price optimisation and manual pricing for fixed-price items.

In rule-based pricing, GK AIR Dynamic Pricing implements firmly defined pricing rules. For example, the system calculates prices based on current competitor prices plus or minus x%. AI-based pricing offers many more possibilities, as it uses intelligent algorithms to maximise the KPIs of mail-order pharmacies. The algorithms adjust thousands of product prices fully automatically in line with customer behaviour and constantly changing market and company conditions. They react to changes in influencing factors and learn continuously.

The sales prices for all three pharmacies are recalculated daily on the basis of AI and rule-based pricing. The system operates with high performance when processing very large data volumes of up to 700,000 products per day.

With GK AIR Dynamic Pricing, BS Apotheken OHG implements different pricing strategies for its online pharmacies Sanicare and Aliva based on different price levels.

Price-focus items and long-tail products at a glance

GK AIR Dynamic Pricing also strategically prices long-tail products, which are rarely purchased, in order to achieve the best possible earnings for BS Apotheken OHG.

Another pricing peculiarity is the so-called benchmark or price-focus items, such as aspirin or oral solutions for fevers, whose price is monitored by a large proportion of consumers. These products require special attention and can be priced effectively by the AI tool once the appropriate pricing strategy has been defined, taking into account consumer price sensitivity. In contrast to price-focused items, the price calculation for items with low price sensitivity can be geared more towards achieving an optimal margin.

"We use different optimisation strategies to achieve the specific targets of our various sales organisations. Simulating pricing strategies helps us to assess the impact of the planned strategies and adjust them accordingly until they meet our targets."

Heinrich Meyer,
Managing partner and pharmacist at BS Apotheken OHG

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High-performance data processing in a complex IT infrastructure

BS Apotheken OHG has a complex IT infrastructure in which many processes run in parallel. Due to the tight timing of the processes, the performance of the AI solution is also an important criterion for the company. Data processing and price calculation must take place within a very narrow time window due to the large number of other processes. Andrea Wessel, Category Manager and pharmacist at BS Apotheken OHG: "GK AIR Dynamic Pricing stands out not only thanks to its range of functions, but also due to its performance and the way it processes large volumes of data. For us, the AI solution is a permanently and reliably available application that processes the calculation of 700,000 product prices per day fully automatically and with fast response times."

The numerous IT processes also include processes that ensure a personalised shopping experience in the two online shops. The company uses the recommendation engine GK AIR Personalization, which creates personalised areas in the online shops and thus ensures a customer-oriented shopping experience. The interaction of the two solutions produces synergy effects for the mail-order pharmacy. For example, price-optimised long-tail products can be pushed via recommendation areas in the online shop.

About GK AIR Personalization

GK AIR Personalization personalizes the shopping experience across all sales channels and offers a seamless customer experience. The AI solution analyses customer interests based on current behavioural data, while taking into account historical transaction data. Self-learning algorithms that adapt to customer behaviour in real time ensure the highest recommendation quality. This enables retailers to create personalized content that is tailored 1:1 to current customer needs at every customer touchpoint, thereby driving purchase frequency and sales.

More information at:
https://www.gk-software.com/us/solutions/air/ personalization

Easy to use and differentiated visualisation at segment level

Category management controls the pricing of various product ranges with the intuitive user interface. Thanks to the simple operating concept, pricing strategies can be implemented quickly and category management can see at a glance how the key figures are developing. Strategic changes to the fully automated pricing process can be made at any time: "If necessary, we can adjust the price optimisation parameters in just a few clicks. The comprehensive monitoring and differentiated presentation of prices at segment level help us to easily and transparently track the performance of the price calculations and derive optimisations for the future", says Andrea Wessel.

Price differentiation for different channels

With GK AIR Dynamic Pricing, retailers are able to implement highly dynamic pricing across all channels. They use the software to implement consistent or differentiated pricing for a wide range of customer channels, depending on the respective objectives.

BS Apotheken OHG also distributes the daily recalculated prices to various software solutions/ publishers in order to implement price differentiation, e.g. for PSM, Google Shopping or various marketplaces.

Special features of the AI solution help BS Apotheken OHG to save time when pricing on marketplaces and to optimise key figures.

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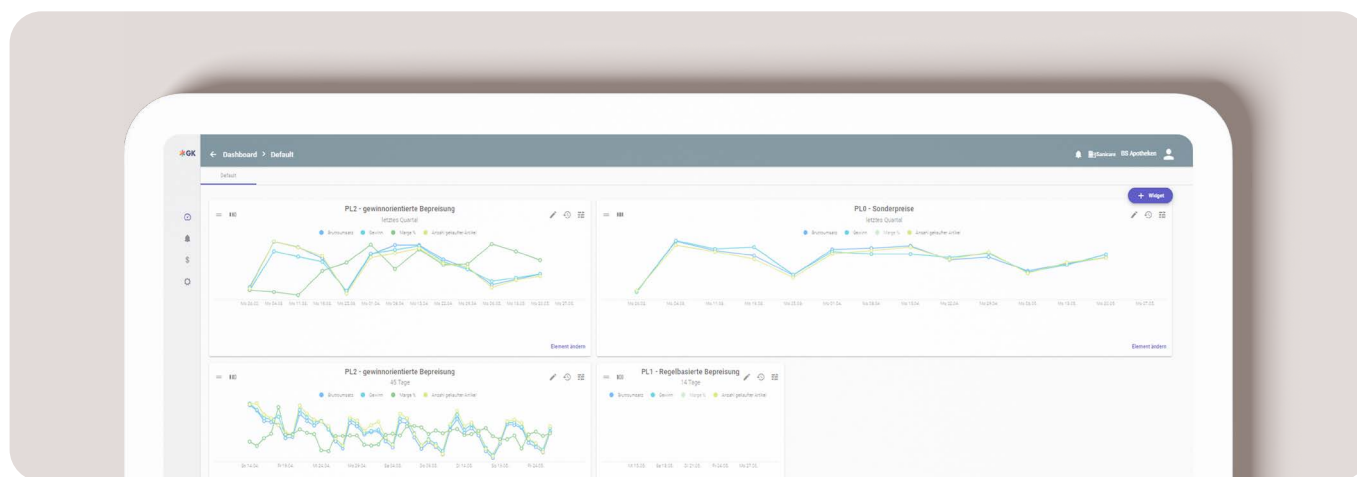
Lean workflows and ease of use for category management

BS Apotheken OHG and GK AIR have jointly established powerful and robust data exchange processes to make the daily pricing process as efficient as possible. Product master data, trans-action data and competitor data are imported daily, prices for two pharmacies are calculated fully automatically and optimised prices are made available. The design of pricing processes and the calculation of product range prices have been optimised over the years, thus reducing the workload and improving performance, e.g. by automating sub-processes in price provision or the definition of price limits.

BS Apotheken OHG's category management particularly benefits from the time saved through automating pricing processes and optimising the average profit margin per segment and globally across all product segments: "The results of GK AIR Dynamic Pricing are so convincing that we wouldn't want to be without the tool for our daily category management tasks – it's easy to use, time-saving and yields the best possible pricing results", says Andrea Wessel.

The benefits of GK AIR Dynamic Pricing

Demand-based, competitive pricing decisions for 700,000 products daily

Margin optimisation and stable sales develop-ment

A high degree of automation, thus saving time

Stable performance and absolute reliability wit-hin the process sequences

Strategic controllability of the pricing process

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