

# Splurge vs. Steal: How to Optimize Promotions With AI Demand Forecasting Tools

Skincare is the fastest-growing segment of the beauty industry, with the global skincare products market evaluated at **USD 141.83 billion**. With **millions of consumers** turning to YouTube and TikTok in search of miracle ingredients and affordable dupes, there's plenty of opportunity to reach your buyers—and plenty of competition.

Finding the optimal promotional pricing for your products can make all the difference in driving sales and revenue and increasing margin. *Are customers willing to splurge on your moisturizer? Or is it better to offer a discount so they feel like they're getting a steal?*

Skincare brand decision-makers need readily-available and persistently accurate insights at their fingertips to make informed pricing decisions in order to compete.

With AI-powered predictions, skincare brands can instantly determine the changing price elasticity of their products, identify which products respond best to promotions, and predict the optimal discount percentage or promotion to maximize revenue and increase margin.



*To build these predictive models, data scientists need to procure, cleanse, and organize vast amounts of historical data from a variety of trusted third-party sources. Decision-makers can then access these AI-powered models to synthesize insights on their own products, their competitors' data, and the broader market to get a hyper-detailed view of how to structure promotions to hit their growth and margin goals. We call this future approach to predictive analytics **demand forecasting 2.0**.*

Keep reading to learn how AI for CPG helps skincare brands optimize their promotional pricing strategy and the benefits of using a more advanced approach.



## 3 Ways to Calculate Skincare Steals and Deals

### 1. Predict price elasticity for seasonal products

Demand planning is an essential tool for skincare brands looking to optimize their pricing strategy. **Price elasticity**, in particular, plays a crucial role because it shows you how customers will react to changes in pricing.

Understanding price elasticity helps brands determine the optimal price point for their products, especially during peak versus non-peak periods. Some brands even pay hundreds of thousands of dollars for one-time projects that analyze their price elasticity. AI-powered dynamic demand forecasting tools can instantly determine price elasticity of products during peak and non-peak periods quickly and easily. By analyzing external third-party data, AI can more accurately predict how customers will react to price changes and help brands make informed pricing decisions.



*For this information to be truly actionable, the models need to predict not just one price elasticity coefficient for a product for the entire year, but to predict dynamic price elasticities for the product based on the selected prediction window (e.g. 3 months, 6 months, 12 months). Products do not respond to promotions in the same manner throughout the year; how they respond to promotions is actually dependent on the period of the year, e.g. a holiday or peak period vs off-peak periods.*

Predictive demand forecasting tools help skincare brands understand how customers will react to changes in pricing and determine the optimal price point to maximize revenue and increase margin. By leveraging data-driven insights, brands can make informed pricing decisions and stay ahead of the competition.

#### SCENARIO : SEASONAL PRICING

A direct-to-consumer skincare brand wants to run a promotional sale during the holiday season. Comprehensive demand forecasting techniques can help brands analyze how customers have responded to similar promotions in the past and determine the optimal discount percentage to maximize revenue and increase margin.


Advanced AI-driven tools can also give revenue management teams insights into future external conditions such as inflation or viral outbreaks to see how they'll impact demand, and in turn, pricing. Alternatively, if the brand sees a dip in sales during a non-peak period, AI can help them adjust their pricing strategy accordingly to maintain sales and revenue.

## 2. Identify which products to promote

Identifying which products to promote can be a challenge for skincare brands. Most brands want to be more analytical, but don't have the people or time, so decisions are made on instinct.

However, with the help of more advanced AI-driven tools, brands can quickly determine which products are likely to respond best to promotions, making it easier to prioritize them in their promotional strategy.

Brands can also leverage these tools to analyze past sales, identify competitor products that have previously sold well during promotions and determine which products are likely to sell well in future promotions. By using this information, brands can focus their promotional efforts on the products that are most likely to generate revenue and maximize their return on investment.



Price elasticity models can help identify which products to promote for your own brand, but did you know you could also use them for a sneak peek into which products your competitors may be planning to promote for their brand, giving you a competitive advantage?

### SCENARIO : IS A BOGO PROMOTION RIGHT FOR THESE PRODUCTS?

A daily face wash brand wants to run a buy-one-get-one-free promotion. Using advanced demand forecasting techniques, they determine which products are likely to perform well and what that performance may look like.


By focusing their promotion on these products, the brand can ensure that their efforts are targeted toward the products with the highest potential for generating revenue or increasing margins with confidence.

### 3. Optimize promotional pricing and discounts

Once skincare brands have identified which products to promote, they need to determine the optimal discount percentage or promotion to maximize revenue. 10% off? 20% off?

AI-powered solutions can help here too.

Using syndicated sales data, an AI-powered predictions tool can help brands dial in their promotions to maximize revenue for each product. By taking into account factors such as price elasticity, competition, and consumer behavior, these tools can provide insights into how customers are likely to respond to different promotional offers.



*In addition to predicting optimal discount percentages, AI can also help skincare brands test different promotional strategies to see which ones generate the most revenue. Using scenario modeling, brands can even compare the effectiveness of different promotional offers and adjust their strategy accordingly to maximize revenue.*

#### SCENARIO : PRODUCT DISCOUNT

An organic sunscreen brand wants to offer a 20% discount on their roll-on product. Using advanced AI-driven decision support, the brand can now analyze how customers have responded to similar discounts in the past and forecast future scenarios to predict how customers will respond to this discount.

If the tool predicts that the optimal discount percentage for this product is 15%, the brand can adjust their promotion accordingly to maximize revenue.



## Smooth the Wrinkles on Your Pricing and Promotional Strategy with Quanto™ for CPG

[Quanto™ for CPG](#), an AI-driven predictive decision-support solution, enables more advanced pricing strategies by giving brands a 360-degree view of the market.

Quanto helps brands determine what price elasticity will be like in 3, 6, 12 months and beyond. These predictions allow brands to make informed pricing decisions to meet their brand and business objectives and hit targets for margin and revenue growth.

Quanto is trained on a massive set of curated alternative data sets from trusted and syndicated third-party sources (e.g. [IRI](#), [U.S. Bureau of Labor Statistics](#)), syndicated POS data, plus macro- and socioeconomic indicators. Our global network of data scientists develops models collaboratively, revealing signals that others miss and improving accuracy. Ongoing testing and validation ensure our models are always accurate.

Quanto's AI-powered predictions don't just look at historic sales data but can also simulate how different macroeconomic changes will affect demand, and how demand changes with pricing adjustments. This means that skincare brands can adjust their pricing strategy in response to changes in consumer behavior, market trends, and economic factors like a pandemic or inflation rate changes.

But can't brands just leverage their own data to gain those insights?  
**Unfortunately, the answer is no.**

Relying solely on internal data leaves companies blind to an ever-changing retail landscape. You only get a view into your own brand. Quanto helps skincare brands overcome tunnel vision by combining a variety of data sources from all over the world to fuel a comprehensive pricing and promotional strategy. Through careful analysis of market trends and macroeconomic factors, Quanto provides skincare brands with a holistic view of the market, allowing them to make more informed pricing decisions.

Quanto provides insights into all the levers that impact demand and helps brands translate this information into optimal pricing to meet their business objectives and revenue targets. By simulating macro changes and using predictive intelligence, Quanto empowers better data-driven pricing decisions and the ability to act before competitors, giving brands a crucial edge in the market.

**Don't let your pricing strategy fall behind the competition.**

[Request a demo of Quanto™ today](#) and see how our pre-built AI solution for revenue management teams can help your brand reach new heights.

# Who We Are

WorldQuant Predictive answers high-value business questions with ready-made, AI-powered predictive solutions. Our intuitive cloud platform Quanto™, hosts an array of industry-specific solutions that predict outcomes, simulate scenarios and optimize for results with ready-made, reliable data science. We find signals others miss.

*WorldQuant Predictive, founded by Igor Tulchinsky, is a separate entity from WorldQuant, LLC, a global quantitative asset management firm.*