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## Quantitative Model for Setting Manufacturer's Suggested Retail Price

Peter Byrd

*Southern Methodist University, peterbyrd@yahoo.com*

Jonathan Knowles

*Southern Methodist University, jknowles@mail.smu.edu*

Dmitry Andreev

*Southern Methodist University, dandreev@mail.smu.edu*

Jacob Turner

*Southern Methodist University, jturner@smu.edu*

Brian Mente

*KidKraft, Brian.Mente@kidkraft.com*

*See next page for additional authors*

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### Authors

Peter Byrd, Jonathan Knowles, Dmitry Andreev, Jacob Turner, Brian Mente, and LaRoux Wallace

# Quantitative Model for Setting Manufacturer's Suggested Retail Price

Dmitry Andreev<sup>1</sup>, Peter Byrd<sup>1</sup>, Jonathan Knowles<sup>1</sup>, Dr. Jacob Turner<sup>1</sup>, Brian Mente<sup>2</sup>, and LaRoux Wallace<sup>2</sup>

<sup>1</sup> Master of Science in Data Science, Southern Methodist University, Dallas TX 75275 USA {[dandreev](mailto:dandreev@smu.edu), [peterb](mailto:peterb@smu.edu), [jknowles](mailto:jknowles@smu.edu), [jturner](mailto:jturner@smu.edu)}@smu.edu

<sup>2</sup> KidKraft, 4630 Olin Road, Dallas, TX, 75244, United States {[brian.mente](mailto:brian.mente@kidkraft.com), [laroux.wallace](mailto:laroux.wallace@kidkraft.com)}@kidkraft.com  
<http://www.kidkraft.com/>

**Abstract.** In this paper, we present a quantitative approach to model the manufacturer's suggested retail price (MSRP) for children's dollhouses and establish relationships among key features that contribute most to establishing MSRP. Determination of the MSRP is a critical step in how consumers respond with their wallets when purchasing an item. KidKraft, a global leader in toys and juvenile products, sets MSRP subjectively using product experts. The process is arduous and time-consuming requiring the focus of specialized resources and knowledge of the interaction between key attributes and their impact on consumer value. An accurate prediction of MSRP during the early stages of the design process is critical to aligning the cost of design features with the expected revenue. Finding out that the MSRP is set incorrectly too late in the design process can result in costly redesign. Four models are constructed for a simple objective approach to calculating a dollhouses MSRP. Each model is evaluated for accuracy and simplicity, and a model using linear regression with forward selection is chosen based on ease of interpretation, limited sample size and to prevent over-fitting. The top five features with the greatest impact on MSRP are also highlighted. The chosen model allows for a quick and easy determination of MSRP and can validate that proposed features align with the predicted MSRP while still early in the design process.

**Keywords:** KidKraft · Manufacturer's Suggested Retail Price · MSRP

## 1 Introduction

Setting the right price for goods and services is an age-old problem in the retail world. With the explosive growth of online shopping within the last decade[1], companies are reevaluating their pricing strategies. Before rushing into a price matching war with their competitors, an objective must be defined. Retailers confront a seemingly impossible dual competitive challenge: grow the top line revenue while also preserving their bottom line. Innovations in pricing and promotion provide considerable opportunities to target customers effectively both

offline and online[5]. Different pricing practices are emerging that refer to the use of information on customer value, competition, and costs respectively[6]. Some companies are looking to maximize profits on each unit sold, while others are trying to protect a certain share of their market. To keep up with the ever-changing behaviors of the typical consumer, retailers are moving away from relying heavily on traditional methods for setting the manufacturer's suggested retail price in favor of using data-driven techniques for faster and more accurate pricing[4].

Determining MSRP is difficult and time consuming and requires significant product expertise[7]. Design inputs such as construction, materials, accessories, number of levels, competition, and many others each contribute to the real and perceived value of a product. Each influence, at different levels, the final MSRP for the product. Currently, new product pricing requires product experts in each product category to leverage their experience along with product features and publicly available competitive information to determine an appropriate MSRP. This puts a heavy emphasis on knowledgeable product experts and increases the potential for human error.

Finding that the MSRP is set incorrectly late in the design process can be very expensive. Expected revenues from product sales must align with the costs associated with certain features to ensure acceptable margins for the business. Uncovering an MSRP misaligned with cost late in the design process may require redesign and exclusion of some of the features in the original design plan. Calculating the MSRP early in the design process can save money by limiting product redesign.

We create an automated model to determine the MSRP given the product features and categories. This offers a quick and easy way to align expected revenue with key features and provides the flexibility to adjust design plans before construction begins. We also make the connection between key features and the impact each has on the MSRP for the product.

KidKraft provided a list of five-hundred products they manufacture. There are six distinct categories: dollhouses, roll play, toddler toys, vehicle play-sets, furniture, and outdoor. Each item is described with its dimensions and a long list of features that make it unique. Publicly available information on competitors was also included. Product features are reorganized into discrete values and used as the basis for price modelling.

The data consists of a relatively small number of rows, with a large number of features for each item. One-hot encoding was used on categorical and ordinal features to prepare them for use in the regression models. The amount of data available by product category doesn't lend itself to deep learning algorithms or similar advanced learning techniques and falls into the realm of traditional statistics.

Several highly correlated features were present during exploratory data analysis, and feature reduction was required to close in on a stable model. Ridge, Lasso and Elastic Net regression are equipped to handle highly correlated features and therefore were also used in the model evaluations. For the general linear

model, a feature reduction of highly correlated features included the removal of height, width, length, competitor indicator, product number, and material. All four regression models produced accurate results with limited errors. The dependent variable was defined as MSRP, and within each category the product features are the independent variables.

The chosen solution was a general linear model with forward selection. Prediction errors were limited, and good model interpretation was a key factor in the selection. A limited number of MSRP values per product required forward selection of parameters to identify the features with the greatest impact to determining MSRP and prevent a long list of features with small incremental impact. Based on the linear model with forward selection, the top five features impacting MSRP are: x8, x7, x10, x9, and x14.

Another interesting observation from the model is the impact of the value attribute x9 has on MSRP. Predicted MSRP has a positive relationship with this attribute. However, there does appear to be a point of diminishing returns. Additionally, inclusion of attribute x14 to a dollhouse design appears to have a strong positive affect, increasing the MSRP when this attribute is included.

Model performance shows good residual distribution across the MSRP price range, and the Normal Q-Q plot verifies our assumption of a normal distribution of MSRP values. BIC optimization shows the best performance with five model predictors without over-fitting the data. Mean squared error of predicted MSRP vs. actual MSRP is strong for all models with ranges from 1028 to 1830.

A linear regression model with forward selection provides a means for quickly determining the MSRP for dollhouses based on key product features. Leveraging this simple model in the early stages of the design process for building children's toys can ensure that design features align with the expected revenue. As a validation tool for product experts, the model is capable of catching errors in MSRP calculations and avoiding costly design changes. By leveraging advanced statistical techniques, this research provides an approach for KidKraft to set and validate the MSRPs in conjunction with their product experts.

## 2 Related Work

Few published articles detail approaches to set the manufacturer's suggested retail price. Most are focused on value delivery versus cost of production. The study of *Successful New Product Pricing Practices* delves into the conditions upon which success is contingent and "distinguishes three different pricing practices that refer to the use of information on customer value, competition, and costs respectively[6]." Although the focus of this research is similar to our objective of setting product prices, the framework described centers more on pricing strategy than an automated tool to determine MSRP.

In an article from *The McKinsey Quarterly*, using value to determine price is explored. "The trade-off between benefits and price has long been recognized as

a critical marketing mix component[1].”<sup>1</sup> The article emphasizes the importance of setting price based on consumer value and not on cost alone. The approach we use takes this further with the creation of an automated model that leverages feature value for price setting. Our evaluation of products features determines how valuable a specific feature is and feeds into the model for determining price.

When creating a prediction model, a good practice to follow is starting with the simplest model for the task at hand as Ameisen points out in his *Medium blog post*[2]. Using a simple model as a baseline can provide a better understanding of the dataset such as feature importance and what direction to take in terms of refining the model. After establishing the baseline, more complex models such as elastic net are explored[15]. This is somewhat generic guidance, but good practice. We follow this approach using a baseline linear regression model as a first step in analysis prior to model optimization.

In Selim’s *Determinants of house prices in Turkey: Hedonic regression versus artificial neural network*, home values are determined using “multiple regression techniques on large data sets[11].” The use of regression techniques for determining house values is very similar to the approach being used for calculating the price of toys. We can draw similarities between Selim’s approach and our problem of determining the price of a dollhouse. However, data on house prices is significantly larger which allows for advanced techniques like deep learning. These techniques will not work on our much smaller set of product information and the approach must be adapted without the use of deep learning algorithms.

In Smith’s *Clearance pricing and inventory policies for retail chains*, a calculation of clearance pricing is performed based on “price, seasonal effects, and the remaining assortment of items available to customers[12].” This is another example of leveraging key attributes to determine optimal pricing. Smith also points out a similar concern that “pricing errors result in either loss of potential revenue or excess inventory[12].” Although the approach is similar, the objective is different. Our focus is on setting a price based on key attributes, whereas Smith is modifying price to limit inventory and maximize revenue.

### 3 KidKraft

KidKraft is an industry-leading global business. Their toys are sold in more than 90 countries by more than 28,000 sellers worldwide. KidKraft is well-known for their award-winning dollhouses and play kitchens, and have expanded product categories to also include train-sets, play-sets, furniture, swing-sets, playhouses, and the World of Eric Carle. KidKraft is focusing efforts on quantifying the relationship between descriptive features of products within a given category of toys and the MSRP for those toys. Inputs such as construction, materials, accessories, number of levels, competition, and many others each contribute to

<sup>1</sup> More information may be found at <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/setting-value-not-price>. Last accessed 5 Jun 2019.

the real and perceived value of a product and each influence, at different levels, the final MSRP for the product.

KidKraft is best known for their dollhouses. They come in many different sizes and categories including platforms for 5 inch, 12 inch and 18 inch dolls. As the largest product category in their range of children's toys, this is our primary focus for predicting MSRPs.

### 3.1 KidKraft Method for Determining MSRP

At KidKraft, manufacturer's suggested retail price is currently set by product experts that spend years achieving the experience required to determine the retail price of a new product. This requires intimate knowledge of each feature that is part of the product, as well as a clear picture of the customer value for those features. Not only is it critical for the product expert to understand feature values for the new product, but it is also important that they know what competitors are introducing to the market and how it compares to the feature set of the new product. The pricing strategy includes a decision on pricing on value, competition, or cost, and likely includes some combination to set the final price.

Pricing for new products consists of a combination of toy category, features, competitor comparison, and current market dynamics. Product experts gain an understanding of what features contribute the most value to a new product, and through competitive analysis can begin to make decisions on setting a price point.

This level of knowledge is not easily obtained and requires years of investment in human capital to efficiently set the MSRP for new products in each toy category. Human error is a concern and mistakes can be very costly. Improperly setting the initial price of a product has ramifications to consumer demand, product market share, product margins and company profitability.

## 4 Exploring Product Categories

The five-hundred items in the KidKraft product lineup provided are grouped into six major categories: Dollhouses, Roll Play, Toddler Toys, Vehicle Playsets, Furniture and Outdoor. Each major category is further segmented into sub-categories. There are a total of 52 sub-categories. The sub-categories are an independent variable used in modeling, and models are grouped by the six major categories.

Based on the available data within each category, a decision was made to narrow the focus to a group of categories with a high amount of records. The product categories used in modeling include: Dollhouses for 5' dolls, Dollhouses for 12" dolls, Dollhouses for 18" dolls, and Mansion Dollhouses for 12" dolls. A further description of dollhouse variables is included later in this document.

## 5 Tutorial Topics

Our approach to predicting MSRP based on product details compares multiple models to determine which provides the best performance. A small data set with limited items and many features doesn't have a sufficient number of records for deep learning techniques and requires a traditional statistics approach. GLM, Ridge regression, Lasso regression, and Elastic Net are all considered. More information of each of these model approaches is included in this section.

### 5.1 General Linear Model

The general linear model (GLM) is a statistical method which is used to relate responses to the linear sequences of predictor variables, such as dimensions and features. In our case, the dependent response variable is manufacturers suggested retail price, and the predictor variables are dimensions, features, categories, and many more. GLM is widely used in applied research.

GLM is the basic method for the Analysis of Variance (ANOVA), Analysis of Covariance (ANCOVA), t-test, f-test, regression analysis, and most of the multivariate techniques like canonical correlation, cluster analysis, discriminant function analysis, factor analysis, multidimensional scaling, and many more[9].

The general linear model is a useful framework determining how a set of independent variables affect a continuous variable. The base formula for a general linear model takes the form:

$$\hat{Y} = \beta_0 + \beta_1 X \quad (1)$$

In the equation above,  $\hat{Y}$  is the dependent response variable, in our case MSRP.  $\beta_0$  is the intercept of the equation.  $\beta_1$  is a coefficient which determines how much each variable contributes, and X is a predictor variable such as height, weight, material, etc.

This procedure isn't restricted to only a single variable but can handle a wide variety of variables, including a non-numerical ones. These categorical variables are encoded to numeric variables for regression analysis. Some manipulation of the product features are required to create discrete variables. The expanded regression formula takes the form:

$$\hat{Y} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 \dots \beta_n X_n \quad (2)$$

Regression is a univariate general linear model. Univariate GLM is a method which is used in Analysis of Variance for experiments having two or more factors. GLM ANOVA analysis for determining an MSRP in this setting is performed using a number of steps which are described in Table 1 below.

Step 1: Check variables After initial data cleaning, the continuous and categorical variables are separated. The distribution of the continuous variables are checked and scaling issues taken care of. A check for outliers is also performed to determine if they are present and how to handle them. Categorical variables may



**Table 1.** GLM Analysis Steps

Process Steps	Brief Description of Steps
Step 1	Check variables
Step 2	Feature engineering
Step 3	Summary statistics
Step 4	Train and test set
Step 5	Build the model
Step 6	Assess performance
Step 7	Improve the model

require encoding to numeric values, and plots of the distribution of the response variable for each category is useful.

Step 2: Feature engineering Some of the features may need to be recast to be statistically meaningful. Others may have no impact on the result and may be considered for omission.

Step 3: Summary statistics A set of summary statistics should be created to validate assumptions are met. Interactions between variables should be evaluated, and a visualization of the correlation between variables produced. Highly correlated predictor variables may require other techniques such as Ridge, Lasso, or Elastic Net regression.

Step 4: Train and test set Data should be split between training and test sets for model evaluation. Model parameters will be determined using the training data, and accuracy checked by predicting the response for the test set.

Step 5: Build the model Once the data is prepared, select the appropriate response and independent predictor variables and set the model to run. Results should include a plot of means with confidence intervals, typically set for alpha equal to 0.05, with p-values for each variable to show their significance.

Step 6: Assess performance Performance of the model can be measured using metrics such as AIC, BIC, adjusted R squared or mean squared error (MSE). Assumptions of normality and equal variance should be verified as part of the analysis.

Step 7: Improve the model Identify which effects and interactions are significant by reviewing the p-values for each predictor. Further simplification of the model may be possible by removing highly correlated predictors via Ridge, Lasso or Elastic Net. This may also lead to a model that is easier to interpret.

The ordinary least squares estimator is unbiased, however, it can have a large variance especially when the predictor variables are highly correlated or there are a large number of predictors relative to the size of the data set. This can result in an unreliable model.

To counter this we may elect to reduce variance at the cost of introducing some bias. This approach is called regularization and is almost always beneficial for the predictive performance of the model. There are three popular techniques for achieving this: Ridge Regression, Lasso Regression, and Elastic Net.

## 5.2 Ridge Regression

Ridge regression is a technique used to analyze data which is multicollinearity in nature. It is a remedial measure taken to alleviate multicollinearity amongst regression predictor variables in a model. This occurs when there are high correlations between multiple predictor variables.

Often predictor variables used in a regression are highly correlated. When they are, the regression coefficient of any one variable depends on the other predictor variables included in the model. The predictor variable does not reflect any inherent effect on the response variable, but only a marginal effect, given the other correlated predictor variables being used. Ridge regression adds a small bias factor to the variables in order to alleviate this problem.

Ridge regression addresses the issue of multicollinearity by shrinking the coefficient estimates of the highly correlated variables, and in some cases shrinking it close to zero thus effectively removing the influence of the variable.

Ridge regression performs L2 regularization. A penalty is calculated by multiplying the tuning parameter,  $\lambda$ , by the square of the magnitude of coefficients. When  $\lambda = 0$ , it is similar to least squares regression. When  $\lambda$  is large, the sensitivity of the response to the predictor variable is minimized. Ridge regression doesn't result in the elimination of coefficients, and therefore doesn't result in sparse models.

## 5.3 Lasso

Lasso regression is another type of linear regression that encourages simple, sparse models, by using shrinkage to reduce the number of predictor parameters. It is used for variable selection and parameter elimination to simplify models and make them easier to interpret. Similar to ridge regression, lasso regression is well-suited for models with high levels of multicollinearity. The acronym "LASSO" stands for Least Absolute Shrinkage and Selection Operator. Lasso regression differs from Ridge regression is that it can effectively eliminate variables used in the model as opposed to only minimizing their affect on the response.

Whereas Ridge regression uses L2 regularization, Lasso regression performs L1 regularization, which adds a penalty equal to the absolute value of the magnitude of coefficients. Some coefficients can become zero and eliminated from the model all together. This is ideal for producing simpler models and makes Lasso far easier to interpret and prevents over-fitting.

A tuning parameter,  $\lambda$  controls the strength of the L1 penalty. When  $\lambda = 0$ , no parameters are eliminated and the estimate is equal to the one found with linear regression. The higher you set  $\lambda$  the more penalty is applied to the coefficients and the smaller the coefficients will be with some potentially going to zero.

## 5.4 Elastic Net

Elastic Net combines the penalties of ridge and lasso regression. It incorporates penalties from both L1 and L2 regularization. In addition to choosing a lambda

value, elastic net also uses an alpha parameter where  $\alpha = 0$  corresponds to ridge and  $\alpha = 1$  to lasso, and we can optimize the model by adjusting alpha between 0 and 1.

## 6 Data Set

The data set we use in our analysis contains 85 records of dollhouses with 21 variables captured for each. To describe the variables we have broken the variables down by whether they are continuous or categorical and provided a brief description and examples values for each.

**Table 2.** Continuous Variables

Continuous Variable	Example Value(s)
MSRP	119.99
x3	47.5
x4	13.25
x5	34.25
x6	22763.92
x7	28.6
x9	3
x10	11
x15	2
x16	21

**Table 3.** Categorical Variables

Categorical Variable	Example Value(s)
x1	945867
x2	Yes, No
x8	5, 12, 18
x11	Yes, No
x12	Yes, No
x13	Yes, No
x14	Yes, No
x17	1, 2, 3, 4
x18	Yes, No
x19	Yes, No
x20	Yes, No
x21	Yes, No

Because we are working with a smaller data set, only 85 records, we will be restricted in the types of regression methods we can perform, and we discuss this

later in this paper. With a large number of relevant potential predictor variables, 20, we have potential to understand which specific features have the most impact, if any, when determining what the MSRP of a dollhouse should be; and as the features and their values are descriptive it will ease in the interpretation of the model we produced.

## 7 Exploratory Data Analysis

To gain insight into the categorical variables, we created a barplot of each variable against MSRP. The data seems to meet the assumptions for regression and there was nothing that would indicate a transformation being required for any of the variables. In reviewing the plots, a single outlier was identified that was expanding the scale of our diagrams; when we reviewed our findings with a subject matter expert from KidKraft they informed us that this record was indeed an outlier and should be removed. Figures 1 and 2 show that we do not see any issues with distribution, the means, or standard deviations that will cause any issues with our regression analysis.

Continuous variables in the dataset are examined to check for relationships between explanatory variables and the target variable. To compare the relationship of each continuous variable against MSRP and the distribution between them we created the table of paired scatterplots with their distributions included in Figure 3. In examining the table we are looking for polynomial or non-linear relationships between our potential explanatory variables and our target variable, as well as uneven or a skewed distribution of the values. As Figure 3 shows, there are no issues regarding non-linear relationships or uneven distribution of the values in the dataset.

## 8 Model Selection and Predictions

When approaching a prediction task for a continuous variable, it is good practice to create a baseline model[2]. Without knowing how each predictor variable affects the MSRP of toys, applying a general linear model is a logical starting point. In this scenario, the model suggests that the MSRP increases on a linear scale as the size of the toys increase and they include more features. However, this could place too much emphasis on a few of the most important predictor variables while essentially ignoring the remaining majority of predictors. Due to the simplicity of such a model, predictions may be less accurate than that of alternative models.

The next step to explore is the possibility of non-linear behavior of MSRP. The dataset has high dimensionality so without prior knowledge of which predictor variables have the highest importance with relation to MSRP, it doesn't seem reasonable to discard any of them. Rather than implementing every regression algorithm available for the sake of improved accuracy, the ridge regression model proved to be a suitable next step. The dataset also has several variables that are highly correlated which can ultimately affect the prediction accuracy of

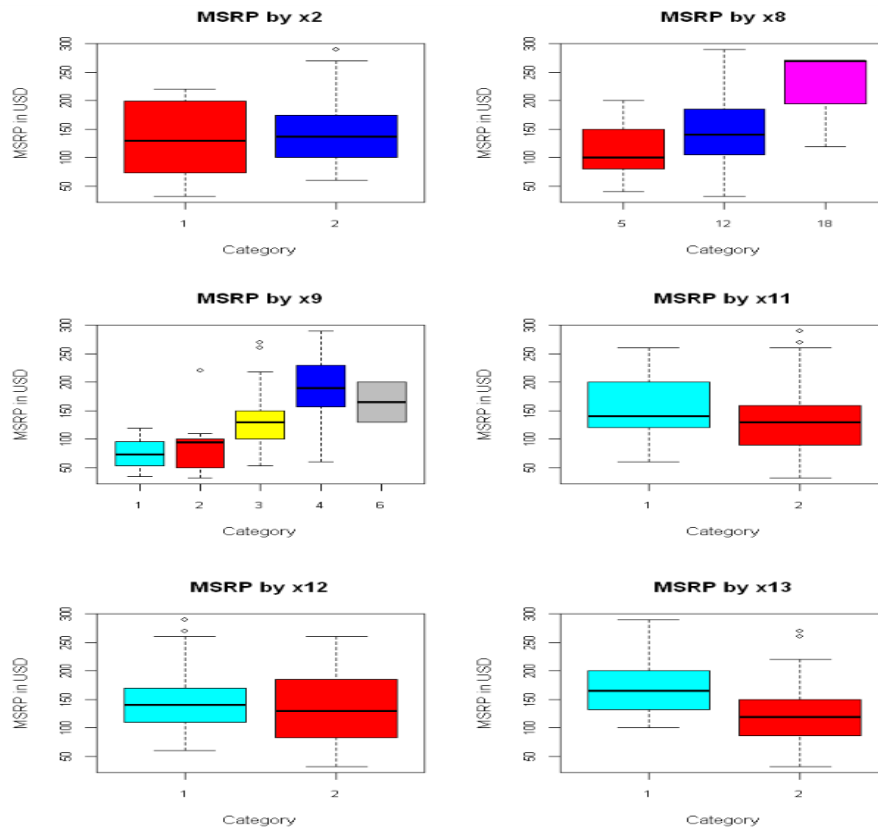


Fig. 1. Barplots for EDA of categorical variables

the model if not properly accounted for. Despite having gone through the process of feature reduction, ridge regression helped to further reduce any effects of multicollinearity from the variables that we kept after EDA.

Since the ridge regression method aims to keep all the available variables, we noticed that the majority of them had almost negligible estimators and decided to try the Lasso regression method. In doing so, the number of predictor variables used dropped significantly from 20 down to 6. This makes for a less complex model that is easier to interpret and explain how each feature impacts the MSRP to the end user at KidKraft.

As a middle ground between ridge and lasso regression, we wanted to see how elastic net would compare. Using this method, we keep 15 predictor variables which falls between the number used in the lasso and ridge models. Once again, we see that the majority of these variables have negligible coefficients and only 6 out of the total of 15 had a coefficient large enough to suggest an actual relationship with MSRP.

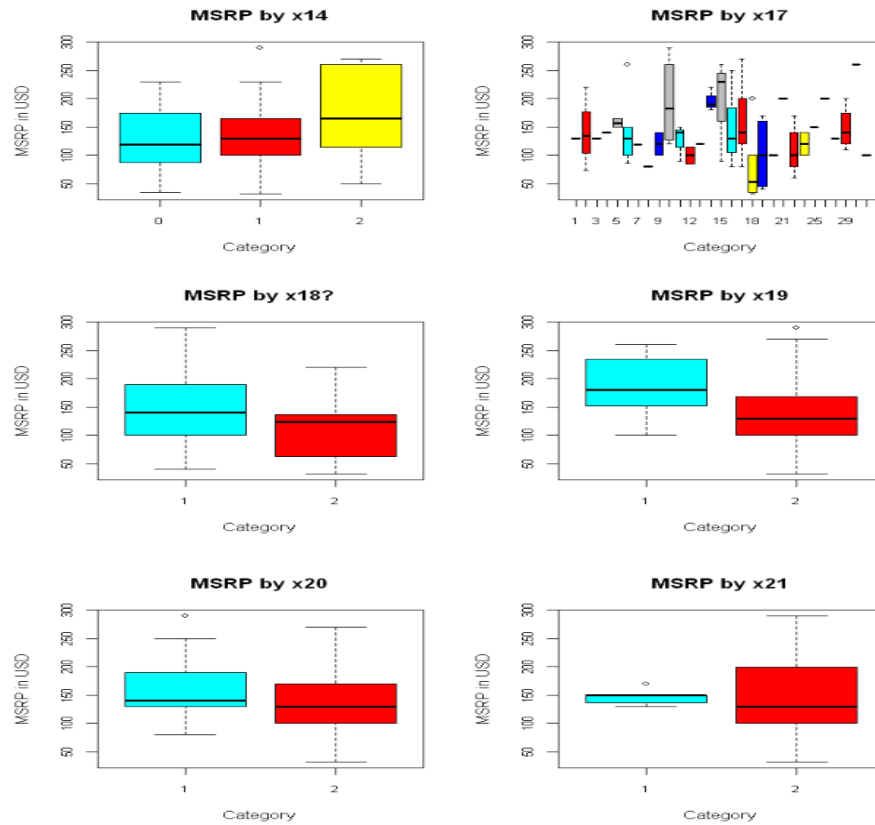
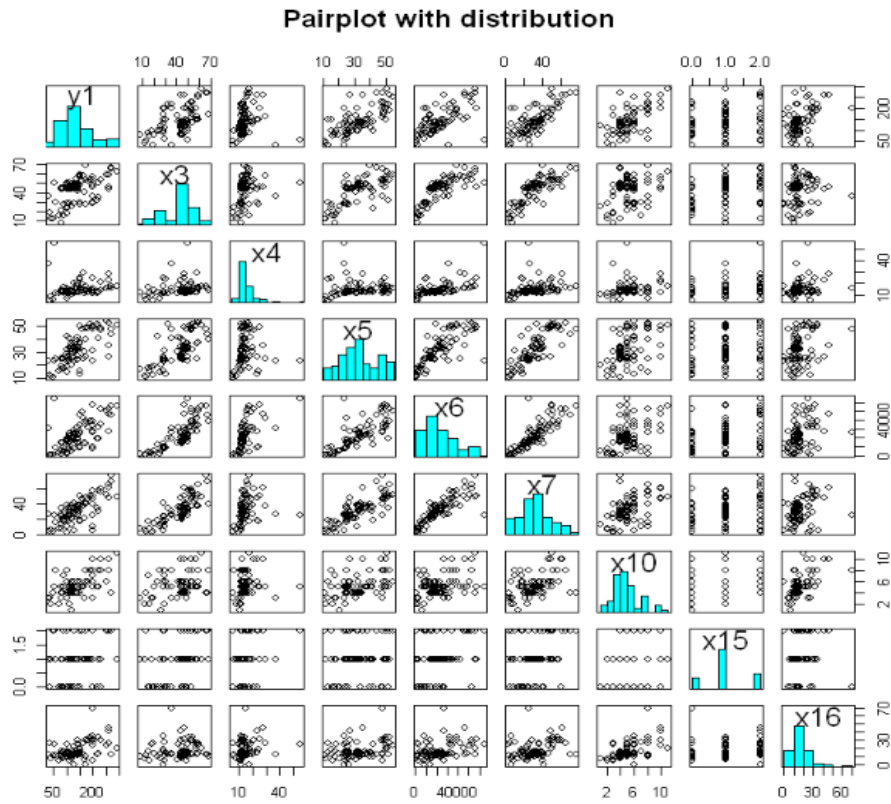


Fig. 2. Barplots for EDA of categorical variables

Since we did see a reduction in the model MSE of 1830 for ridge regression down to 1115 for lasso regression and an even further reduction down to 1028 when applying elastic net, we felt that we were moving in the right direction by using a feature selection algorithm. With this in mind and the desire to have a model that can be easily explained, we reverted back to the initial GLM to see if we could add a feature selection method. To meet the aforementioned requirements, we found that a forward selection method provided us with an optimal solution. By using the BIC metric as our stopping criteria, the model required only five predictor variables to give an accurate prediction which included the features: x8, x7, x10, x16, and x14.

## 9 Performance and Results

After selecting GLM with forward selection method as our final model, we proceeded to look at the standard statistical diagnostic plots to ensure the assump-



**Fig. 3.** Pairplot to check for normal distribution and evidence of correlation amongst continuous variables

tions for a linear model have been met. Throughout this section, we will be referring to the Figure 4 on the next page.

To start, the normality assumption is satisfied since the Q-Q plot of residuals follows a straight line trend[3]. There is a slight downward deviation at the top right corner of the plot suggesting that the model is slightly skewed at the higher end of MSRP. A majority of the dollhouses that we encountered during EDA fell within the \$50 - \$300 price range, however, there were several limited edition items that were above \$500. Since there are a limited number of products that are priced that high, it is logical that the model encounters larger errors when trying to predict their MSRP. Considering the skewness is slight and the lack of data points at the higher price range, we felt that the overall straight line trend for the normality assumption was reasonable[14].

For the equal standard deviation assumption, the residuals plot didn't provide any strong evidence for a change along the entire price range. For this reason, we consider this assumption to be met. When looking at the Cook's

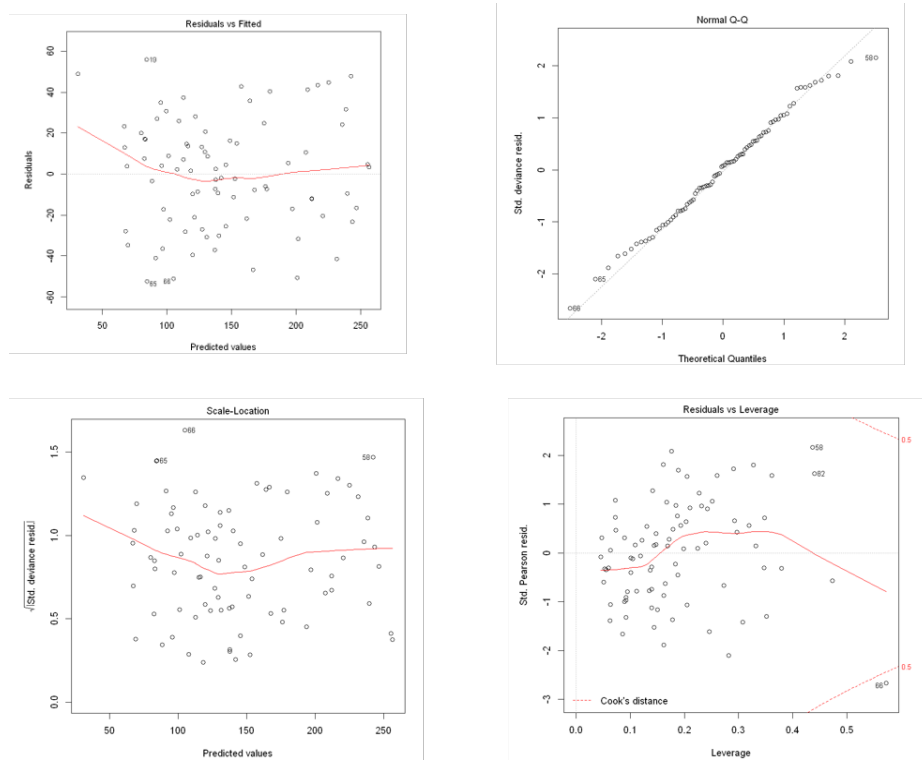


Fig. 4. Diagnostic plots to check model assumptions for GLM with forward selection

distance plot, we did not encounter any highly influential data points[10] which makes sense because any extreme or missing values had already been dealt with during EDA. Lastly, the independence assumption is also met[8] as we reduced any variables that showed high correlations, such as the dollhouse length, width, and height. These variables were combined into a single volume variable which is depicted in the evenly distributed residuals plot.

## 10 Ethics

There is an increasing focus on ethics surrounding even the most common business practices. Determining the manufacturer's suggested retail price for children's toys is no exception to this emphasis. Establishing an objective approach based on the presence of key features and competition, provides a foundation for an ethical approach to price setting. The method presented provides for consistent and fair product pricing across the entire business, regardless of the employee responsible for pricing or the customer purchasing the product. The result is an efficient and consistent one for the employee making it easier to



perform their job without error and establish MSRP estimates based on past results.

There is a responsibility to understand and communicate the boundaries and limits of the regression approach to modeling prices. Misrepresentation of the capabilities of the model as a end all solution should be avoided. While the model can be an effective tool for determining and validating manufacturers suggested retail price, it is likely not a replacement for employing product experts. The value a product expert provides goes beyond the bounded inputs used in the model. Representation of the model as an alternative to the vast experience and capabilities of product experts is a misrepresentation of the model that over emphasizes its capabilities and diminishes the breadth and depth of experience of the experts. A cost benefits analysis should not assume the value of the model to be equivalent to the operating expense of employing and maintaining product experts.

For the consumer, the process ensures that they are treated fairly despite the individual product expert, market fluctuations, or seasonal influences, and that they are protected against even unintentional inconsistencies in pricing. This can prevent price manipulation at busy times of the year and ensure the delivery of a clear and consistent price for all high-end children's toys.

Another consideration is security and privacy of the model. The model is purpose built based on pricing strategies at KidKraft. Extending the specific model to competitors is a violation of a non-disclosure agreement and reveals internal pricing practices. Leaking this information may provide competitors with an unfair pricing advantage and negatively impact product sales. Like all internal intellectual capital, this model should be protected with the same level of rigor as all other company data. Sharing the model algorithm, with or without the data used to create it, is an unethical act, and potentially criminal.

In providing this model to the company, we offer a data driven approach free of human motives that could influence product pricing. An objective model is built to ensure the most accurate MSRP based on consumer value that specific features provide. As developers of the pricing model, responsibility rests on us to make certain we offer an objective model that supports business objectives and aligns with consumer value.

## 11 Conclusion

Accurate, objective, data driven prediction of MSRP based on product category and key product features is a valuable tool that can be used by product experts to determine a product's initial starting price[13]. This saves time during pricing and validates design features before construction. Using this quantitative model as a tool during the design process, KidKraft can validate that the proposed features for a new toy being developed align with the predicted MSRP while still early in the design and phase. If the model predictions don't agree with the opinion of the product experts, KidKraft can take this opportunity to understand what is driving this misalignment and quickly react to make the

necessary changes before beginning the manufacturing process. Ultimately, this will help minimize any mistakes in pricing that lead to costly redesigns and loss of revenue.

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