Retail Innovation Shout-Out: Everlane Triumphs with Transparency

A consumer's willingness to pay for goods is by no means a foreign concept in the economics of retail. In fact, complex models and strategies are often employed to determine the go-to-market pricing for goods and services based on projected demand curves. Typical pricing strategies involve a variety of approaches to analyze features, define product/service tiers, execute competitor and comparative analysis, conduct consumer research/focus groups, etc. All of these elements are used to provide as much data as possible to minimize the deviation between the retail price and the consumer's actual willingness to pay for the product. This is a critical concept for retailers, as selling a projected volume at an average retail price is necessary to meet revenue, margin and overall growth targets.

We'd like to highlight online retailer Everlane for employing pricing strategies (and overall operations) centered around transparency. Everlane justifies the price set for their products by providing a breakdown of cost to the consumer and comparative benchmark. Many factors go into determining an individual consumer's willingness to pay. However, Everlane eliminates the information gap most consumers face with regards to cost and reduces the time and opportunity cost associated with researching comparable products to improve the purchasing experience and speed up decisions for their consumer.

Everlane's most recent post-Holiday promotional event has garnered attention from a variety of press. The retailer's "Pay What You Want" sale allowed consumers to choose the price they paid for the product from three options. (Note: Everlane does not build discounting into their pricing which most likely attributes to their lower prices in general since their average retail will be equivalent to their initial markup). Each price option highlighted the margin Everlane would stand to make and the impact to the company. It can be hypothesized that by allowing the consumer to make an informed decision while also adding an element of what some call “morality,” they personalize the online sales transaction in a novel way while reinforcing the unique tenants the retailer has injected to the marketplace.

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