



Improving underlying pricing capabilities to drive millions in margin growth nationally

The North American distribution industry has been in a state of flux. It has been challenged by current industry trends – rising oil prices, SKU proliferation, a shift towards more regional supply chains, increasing modes of freight transportation and expanding trade with emerging markets – but has remained optimistic about future growth.

One electrical distribution company in particular, was working towards competitive business objectives. It had relied heavily on cost-based pricing to date, but knew continued growth would hinge on strong pricing improvement.

It was in search of a corporate pricing philosophy, and partnered with Pricing Solutions to establish a durable pricing structure, strategy and execution.

With sales currently totalling +\$1B in 2013, long-term pricing improvement would ultimately contribute to millions more in annualized margin improvements for the client.

Increase

World Class Pricing Levels

The Challenge

In the past, it had proven extremely difficult to sustain pricing change because each of the company's divisions had a significant amount of pricing independence, including having unique data structures and customer classes. Any pricing project therefore represented a significant undertaking.

The firm's pricing had also been based on cost-plus strategies. If the distributor were to successfully move to value-based pricing, the new pricing infrastructure would need to maintain some flexibility and customization between branches and banners.

Finally, the client recognized the need for a dedicated pricing organization and well-defined pricing roles, but up until that point, hadn't had the support it needed to create an effective division of pricing responsibilities, develop internal tools and train employees nationally.

Building a Solution That Fits

Based on the client's needs, four objectives were within the scope of the project:

ROI

Increase Within First Year

Based on the client's needs, four objectives were within the scope of the project:

1. Identify positive margin growth opportunities across all divisions
2. Create pricing best practices
3. Provide pricing tools to execute the pricing strategy
4. Design an infrastructure that will promote a consistent pricing methodology

The project would span 6-months and include three phases: Discovery & Hypothesis Development, Data Deep Dive and Implementation Planning. The internal interviews, interviews with current customers and transactional data collection/analysis were key inputs to the final project deliverables, including divisional micro-segmentation, pricing governance guidelines, winners and losers analysis, e-Learning sales materials, etc.



The Result?

By the end of Phase III, the distributor had improved its World Class Pricing level from 1.9 to 3 and implemented multiple pricing recommendations.

What's the Pricing Solutions Difference?

Our confidence in delivering against project objectives was evident; Pricing Solutions engaged in risk-sharing in this project example.. The client achieved a return of 10xs their project investment within 12 months. This included generating a step change in the client's own capabilities to ensure continued returns for future businesses.

Pricing Improvement Recommendations	Impact
Quick Wins <ul style="list-style-type: none"> Identified 3 Quick Wins which drove performance in current fiscal year 	Estimated Opportunity Annualized: 3% of revenue <ul style="list-style-type: none"> Reduce price outliers and drive consistency Increase margin by 1% Monitor performance Implement process for identifying future pricing opportunities Strengthen pricing capabilities based on best practices Ensure analytical skills and senior level support for ongoing pricing improvement Support successful implementation of pricing project recommendations
Micro-Segmentation <ul style="list-style-type: none"> Implement pilot based on new Micro Segmentation Roll out new Micro-Segmentation Develop and implement pricing algorithm 	
Pricing Best Practices <ul style="list-style-type: none"> Implement pricing performance metrics Implement annual pricing strategy process Revise pricing job responsibilities 	
Pricing Infrastructure <ul style="list-style-type: none"> Hire new pricing roles and establish a senior Pricing Council Conduct sales training, including e-Learning accreditation 	

Below: Brief Pricing Solutions worked with the client on four specific areas including identifying Quick Win opportunities, establishing a micro-segmentation strategy and a new pricing infrastructure.

Our Firm

Our mission is to dramatically improve clients' profitability and market share through improved pricing. Pricing Solutions' four core services include Pricing Strategy, Pricing Analytics, Pricing Research and Pricing Training. Known for our World Class Pricing™ methodology, we have grown to become one of the world's leading pricing consultancies with offices in North America, Europe, Asia Pacific and Latin America. Our global team of researchers, consultants and partners are recognized thought-leaders.

We deliver customized cross-functional solutions, helping our clients achieve a typical payback of 10:1 on their investment.

Global Headquarters

106 Front St. East, Suite 300
 Toronto, ON Canada M5A 1E1
 Tel: 1.416.943.0505
 Fax: 1.416.943.0507

UK Headquarters

10 Queen St Place
 London EC4R 1BE United Kingdom
 Tel: +44.7323.5059