

Optimizing Price Across Multi-Site Business

Pricing across a multi-site business such as health clubs, cinemas, franchises and even restaurant chains can be particularly difficult to manage for head office. Many organisations opt for national pricing with no adjustment for local costs, competition, demand, differences in value delivered or willingness to pay. In general, national average pricing will not be optimal for multi-site businesses. Other organisations leave it to the local manager to decide, but without guidance and structure this can lead to inconsistent pricing and sub-optimal decision making.

This UK-wide company that rents sports facilities on an hourly basis was worried about the variations in pricing potentially leaving money on the table. Their prices weren't standardized or regulated by head office, leading to inconsistencies and customer confusion – they needed a better strategy to offer recommendations for local managers. Pricing Solutions was brought in to create consistency and apply reason to the price setting process.

The Challenge

Each facility was managed at a local level meaning that there was no standardized, efficient way to decide on regional prices. Without proper regional competitor data and/or a wider perspective on prices within the company, the facilities were not capturing the full value offered from their prices. The client needed every location to understand what inputs to consider when setting their individual prices.

A successful pricing strategy would have to be:

- **Competitive** at a regional level
- **Aligned** with broader business objectives
- **Built on data** and not gut feeling
- **Successful** in the context of a franchisee business

Building a Solution That Fits

Pricing Solutions took a three-pronged approach to inform the final pricing strategy; collecting customer and competitor research points, and conducting a regression analysis on historical transactional data.

The project began with customer research to better understand the decision-making process for the client's customers. Additionally, it allowed the team to gauge their feelings towards different pricing structures.

ENTERTAINMENT & RECREATION

The customer research also provided a background understanding that was used in the data analysis to read between the lines and understand the behavioural patterns that were seen in transactional data.

The core of the project was to analyze transactional data from current sales, leading to a regression analysis that determined the relevant customer fields. Three fields came through as significant:

- **Regional location** – facilities in more expensive areas, like London, logically had to set higher prices to offset costs.
- **Utilization rate** – the facilities with the highest use also trended towards higher prices as there was clearly high local demand.
- **Current discounting** – certain facilities had resorted to discounting more than others, indicating that their prices were set too high or they were unable to sell to their market.

“...their expertise in pricing was incredibly valuable as we formed our strategies for migrating customers, during this complex product restructuring. We are now more able to mitigate our revenue risks and capture opportunities for price increases.”

- Product Marketing Manager



The regression analysis that was conducted also included a component of competitor market research used to ensure that changes were in line with what the market could bear.

Included in the project was the collection of competitor pricing and facility quality information, that informed the pricing analysis. Then there was a deep dive analytics component where the team analyzed transactional data from current sales.

The Result

Combining learnings from the two research components and the regression analysis, Pricing Solutions created an overall pricing strategy for the client. Additionally, a multi-year action plan was delivered to bring regional pricing levels in line with the rest of the company instead of adjusting all at once and potentially ostracizing current customers. Several facilities were identified as underpriced which are now on track using the multi-year plan to adjust to a more aligned price.

Right The plot shows one visualisation of the regression analysis outputs, showing the distribution of facilities current list prices (blue) vs. their relative pricing score, and you can see there is a correlation here. The regression analysis gives a calculated price that would make all facilities 100% consistent based on pricing score



Pricing Solutions provided greater insight by taking customer transactional data and producing robust regression analysis. The results were also aligned with the clients business goals to mitigate revenue risks and capture opportunities for price increases. The solution delivered was so comprehensive that it was immediately implemented after the project was complete.

What's the Pricing Solutions Difference?

Pricing Solutions is focused on delivering actionable results that combine pricing strategy, research, analytics and training/ implementation support. This comprehensive approach combined pricing best practices, pricing research expertise and change management tailored to the specific needs of the client. For this project, a tailored approach and 360° pricing expertise were unique differentiators for the Pricing Solutions team.

Our Firm

Our mission is to dramatically improve clients' profitability and market share through improved pricing. Pricing Solutions' four core services include Pricing Strategy & Management, Pricing Research & Analytics, Pricing Training and Pricing Tools & Systems. 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.

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