

Improving bottom line results with a transformative pricing strategy

To improve bottom line results organizations often look at their profitability ratios/margins to find strategic opportunities. Our client suspected that their margins would improve with a pricing strategy that was more in line with their business objectives, however they needed a better understanding of how to do it.

Pricing Solutions built a project plan that began with a series of quick wins which resulted in bottom line gains. Following the quick wins, a transformative pricing strategy was recommended based on segmentation and research results determined through client data.

Finally, Pricing Solutions assisted in all aspects of the implementation of the updated pricing strategy, offering training and support to supplement and align the team.

The pricing efforts resulted in major gains for the client including bottom-line gains, confidence in pricing methods, sales organizational pricing alignment and an adjustable pricing strategy which was implemented and supported by a pricing tool developed specifically for the client.

1.5%

Growth in Annual Revenue

.2%

Increase in Margin

4-6

Months to Project Completion

The Challenge

The multimillion dollar foodservice client experienced significant business growth however the client felt their low margins were holding them back from potential profits. The low margins were the result of a pricing strategy which:

- Established prices on “one-off” basis with little consistency among customer or product segments
- Did not incorporate competitive benchmarks or reasons behind wins/losses
- Drove high fulfillment costs due to distributors being able to place small and frequent orders
- Was run by the sales force who had limited guidance or incentives to increase margins

Pricing Solutions objective was to develop a pricing strategy that incorporated existing data and customer research.

Building a Solution That Fits

The Pricing Solutions team was able to deliver a 3 part solution which led to short, medium and long term gains. The comprehensive end-to-end solution included:

1. Quick Wins

- Identified pricing opportunities based on industry best practices
- Established bracket structure to drive distributor order behaviour including: efficient order allowance/inefficient order surcharges

2. Comprehensive Pricing Strategy

- Segmented customers based on value provided and received
- Segmented products based on value differentiation as perceived by customers
- Established floor, target and expert price levels for all customers/product segment combinations based on GM goals
- Identified specific pricing opportunities through comparing current pricing levels with new pricing targets
- Developed easy-to-use pricing tool to enable fast & consistent price calculations based on customer & product segments

3. Personalized Implementation & Support for each recommendation

- Assisted implementation planning

- Sales incentive program to reward achievement of target
- Custom-made & delivered sales training
- Continuing & on-going support

The Result?

Within 4-6 months short, medium and long term gains were already being realized. The client gained all of the aforementioned deliverables but also benefited from:

- 2-3% in annual, short term bottom line improvement through achievable pricing opportunities
- Greater confidence in pricing methods & decisions through a company-wide pricing culture change
- Consistent & sustainable pricing processes which were implemented and supported by the Pricing Tool & the Pricing Solutions team

What's the Pricing Solutions Difference?

Pricing Solutions integrated approach to pricing strategy uncovered pricing opportunities the client hadn't previously considered. The project merged existing and new data combined with customer research and insights to create a winning strategy.

In addition Pricing solutions successfully led the project through the development, implementation and support of the new pricing strategy. The client not only gained a winning strategy but they were able to put their new pricing strategy into practice and more importantly see positive results.

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.

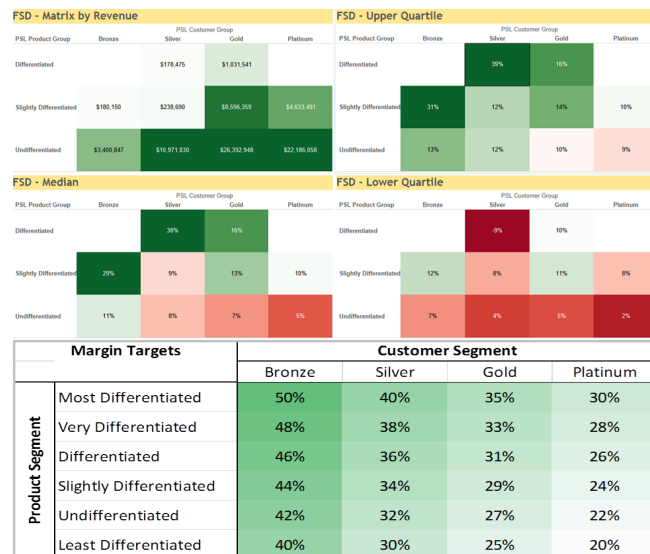
We deliver customized cross-functional solutions, helping our clients achieve a typical payback of 10:1 on their investment.

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



Left: Target pricing matrices at start of project

Below: Sample target pricing matrix at end of project. The target market pricing matrix. Displays what margins should be for product/customer segments; dark green = high margins, red = below threshold margins