

Successfully Implementing a Price Increase in Consumer Packaged Goods

Many companies only consider price changes when there is a new product launch or brand acquisition. Our client, a tier two CPG company, knew they needed to raise prices but they faced downward price pressure from their distributors/retailers. They needed a strategy to combat pricing objections and capture the fair value of their products.

The team leveraged existing data, conducted competitive research, and applied Pricing Solutions' proprietary methodologies to build a solution that the client could implement with confidence. Pricing Solutions created a price increase process for each brand which allowed the client to achieve a 97% acceptance rate on their updated prices.

97%

Capture of Price Increases

The Challenge

The client hadn't been able to raise prices in years. They had tried to raise prices however powerful distributors/retail customers negotiated the sales team back to the original price. The client wanted a new pricing strategy for each of their brands, an infrastructure/process assessment and sales negotiation training to prevent the same thing from happening again.

It was important that the overall pricing solution:

- Was Based on Value
- Established Processes That Could Be Repeated Over Time
- Optimized the Price Gap Between the Client and Competitors
- Was Backed by Real POS Data & Facts

Overall the client wanted a solution that was simple, fair, equitable and could be implemented seamlessly.

Building a Solution That Fits

Pricing Solutions developed an approach that incorporated many different methodologies in order to create the best pricing strategy for each brand. The Process Included:

1. **Analytical Deep Dive:** Leveraged current data to analyze the impact of:
 - SKU, sizes, formats, categories
 - SKU margins and volumes
 - Brand volume by channel
 - Trade spending by brand, channel, spending type
 - Promotional lift (Promo Elasticity)
 - Promotional Intensity
2. **Competitive Landscape Evaluation:** To understand the positioning of the brand
3. **Leverage Strategic Pricing Tools:** Applied a variety of tools to help guide the development of brand strategy
 - Pricing Power Grid: Understanding where the client's prices were relative to their competitor and to determine if they were able to lead a CPG industry price increase.
 - Value Map: Seeing the value of the brands relative to one another and to their competitors.
4. **Break-Even Sales Curve:** Assessing the risk and rewards of a price increase and to help



- pinpoint an optimal price point.
- Size Slope by SKU: Assessing the optimal price gaps between various SKU sizes
- Response Strategy for Competitors: Preparing for possible responses from competitors with the new pricing strategy
- Promotional Strategy: Proven tactics to smoothly implement price changes
- 5. **Salesforce Training:** 1-day training session on negotiation and sales objections to align the team and give them the confidence to succeed

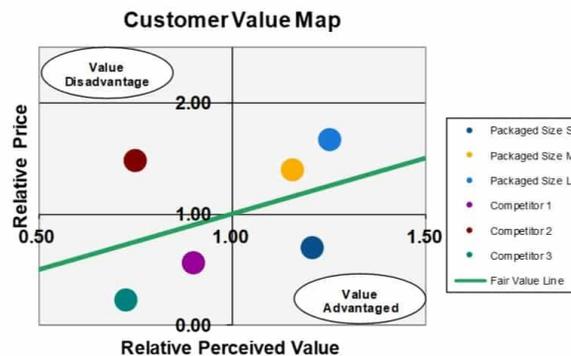
The Result?

The project was a huge success enabling the client to capture 97% of their price increases. The division we worked with quickly became one of the most profitable divisions globally.

Furthermore, the recommendations and processes developed by the Pricing Solutions Team were implemented as Global Best Practices throughout the entire organization.

What's the Pricing Solutions Difference?

Pricing Solutions extensive experience in the consumer packaged goods industry allowed the team to deliver a tailored solution to drive continued profits. Furthermore, the World Class Pricing methodology acted as a guide for developing impactful pricing strategies while still being flexible enough to adjust for market subtleties. Finally, ongoing implementation support and training ensured that the whole sales team was aligned and had the confidence to deliver the target prices.



Above: Example of a Customer Value Map for one brand, this exercise was completed across 7 different brands and over 20 SKU's

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.

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