

A strategic 'deep dive' into pricing to capture unrealized profit across business units

Heavy manufacturing is a unique industry that is characterized by very cyclical, high capital investments. Traditionally, companies have faced strong competition from both local and international players, making it essential, yet difficult to communicate the value of their offerings in pricing. Our client was manufacturing company that sold products primarily through distributors and faced challenges across price setting, execution and monitoring.

Pricing Solutions partnered with its' 5 business units which combined, represented over USD \$870M, to drive business performance and transform profitability. As the result, Pricing Solutions conducted a pricing transformation to uncover millions in uncaptured pricing opportunities, and help the organization realize USD \$12.1M in Q1.

\$12.1M

Captured Revenue After First Quarter

\$8.5M

Impact from Pricing Best Practices

\$1.2M

Impact from New List Prices

The Challenge

The client's challenges across price setting, execution & monitoring were rooted in pricing strategy. The manufacturer's pricing processes were informal and poorly documented. Pricing knowledge was not effectively disseminating through the organization. The company's 5 business units knew it was at risk of falling into costly ad-hoc pricing habits, especially when also faced with growing pressure from low-cost competitors, new entrants and product commoditization.

Building a Solution That Fits

To address given challenges, Pricing Solutions conducted a strategic pricing transformation project lasting a total of 16 weeks and uncovered multiple pricing opportunities in the Deep Dive (Figure 1).

Pricing Solutions worked closely with the manufacturer to address each of the four key pricing process areas. Even within the early stages of the project, the company began achieving real pricing improvement. The project included:

Pricing Process and Infrastructure Diagnostic

- Pricing Solutions conducted internal interviews and surveys in order to understand extent of clients pricing capabilities.
- Client received a full Process & Infrastructure Assessment score to benchmark the company's progress.
- The diagnostic also provided an initial hypothesis for how the clients overall pricing strategy could be improved.

Quick Wins Module

- Launched in Week 7, the module is based on the Preliminary Diagnostic results.
- Pricing Solutions identified top priorities and action items to automate pricing dataflow and develop KPI dashboards.

Implementation Support

- The manufacturer began executing a comprehensive World Class Pricing Roadmap to stabilize the pricing



- organization at Level 2 in Year 1, and then advance to Level 3 in Year 2.
- Pricing Solutions conducted two training workshops with key stakeholders in all BUs, ensuring full capabilities transfer with the cross functional project team.
- Pricing Solutions conducted internal interviews and surveys in order to understand the extent of clients pricing capabilities.

The Result?

- New list prices, re-defined by past-transactional analysis and value assessments had a financial impact of USD \$1.2M.
- Introducing best-practices related to annual price increases had a financial impact of USD \$8.5M.
- Improvements to the efficiency and consistency in the client's pricing policies had a financial impact of USD \$2.4M.

- New Sales tools including execution guides, monitoring tools and an exceptions process, maximized Quick-Wins.

The project had significant financial implications across all 5 business units. In total, captured revenue at the end of the first quarter was 1.4% ROS, or USD \$12.1M.

What's the Pricing Solutions Difference?

Pricing Solutions integrated approach to pricing strategy uncovered quick wins and long-term capabilities the client hadn't previously considered.

With 'deep dive' into the project through the diagnostics, clear action items and support of the new pricing, our client changed their pricing trajectory and realized new implications for growing incremental revenue and annual profit. In this project example, the Net Promoter Score (by project participants) totalled 83%.

Opportunities in Pricing Strategy	Opportunities in Price Setting	Opportunities in Price Execution	Opportunities in Price Monitoring
<ul style="list-style-type: none"> • Segmentation • Integrating Pricing Research into strategy • Implementing value-based pricing best practices 	<ul style="list-style-type: none"> • Leveraging the Pricing Waterfall • Developing customer-facing price negotiation tools 	<ul style="list-style-type: none"> • Increasing sales effectiveness and volumes with Pricing Guides • Collecting market intelligence 	<ul style="list-style-type: none"> • Developing pricing KPIs • Creating visibility into the 'window' for price increases

Above: Pricing Solutions targeted the client's challenges across price setting, strategy, execution and monitoring.

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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