



Addressing Lost Revenues with Value-Based Guidance

The recent economic downturn has created a lot of uncertainty across different industries and has contributed to unstable and turbulent market places. With many companies seeing revenue declines, it's important to look beyond pricing for potential solutions. A decline in revenue at this time could be related to a temporary market contraction, but it could be due to other factors as well such as an increase in discounting or promotions, better value options, trading down to lower value options to preserve cash, or permanent market changes. Once the cause of the decline has been determined, then it becomes important to make changes and adjust to the new market environment as soon as possible to minimize short and long-term negative outcomes.

Our client, a \$1B+ newspaper company, had been experiencing significant year-over-year revenue declines due to falling circulation and the growth of online advertising. This resulted in the company **losing advertising insert revenues at the rate of 8-10% per year.**

In just six weeks, the Pricing Solutions team built a value-based pricing strategy that **reduced revenue decline to 3-4% per year** and provided the client with guidance for future implementation.

REVENUE DECLINE REDUCED BY

50%

The Challenge

Although 80% of client's insert revenues were contracted, the use of discounts was accelerating and requests to decrease annual rates were becoming more common.

As a result, the client needed to develop a pricing strategy for its insert advertising business (which involved leveraging its growing online advertising business) to support customer negotiations and mitigate revenue declines.

With this environment in mind, the key questions Pricing Solutions addressed were:

- What is the best pricing strategy to remain competitive, while capturing the unique value delivered?
- How will the client increase confidence in negotiating with key accounts?

Building a Solution That Fits

Our team developed a customized solution for this client that included:

1. Marketing Positioning and Value Assessment

- Defined customer segments as well as the client's offer, pricing, and discounting for each customer segment.

- Completed Pricing Power Assessments by customer segment and Perceived Value Maps by product.

2. Conducting Market Research

- Identified specific local and regional competition in each customer segment.

3. Pricing Strategy Development

- Developed an Offer Structure for each unique account segment
- Leveraged SIVF (Scarcity, Incremental Value and Fences) framework to create targeted insert offers
- Established price levels for offers, including identifying pricing increase opportunities from Perceived Value Maps.

4. Implementation Planning

- The Pricing Solutions team conducted a series of value workshops with our client's Sales and Pricing teams to ensure they were ready to implement the new pricing strategy.



The Result?

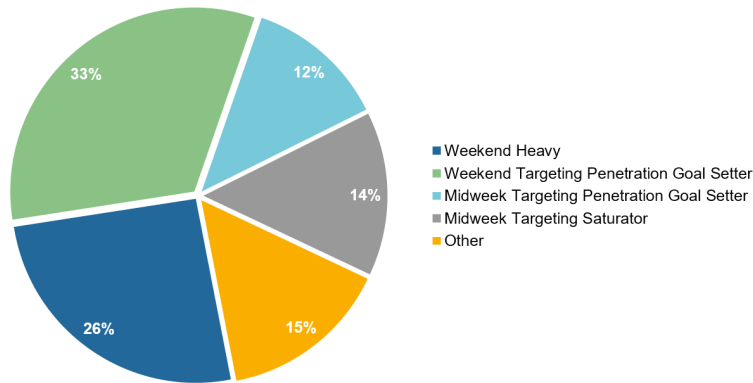
- Reduced revenue decline to 3-4% per year by identifying where the client could capture value and differentiate their services within the market (i.e. unique days of the week, turnaround time, audience, and time of year)
- Leveraged the client's burgeoning online advertising business to create joint high value offers that increased overall revenue
- Provided training (and confidence) to Sales teams which significantly reduced ad hoc discounting.

What's the Pricing Solutions Difference?

The Pricing Solutions team provided this client with a customized approach to optimize their pricing strategy that reflected the current market environment and leveraged extensive market research, diagnostics and data to uncover value and minimize pricing leakages.

With our team's guidance, we ensured that our client had the confidence needed to implement our recommended pricing changes and reduce discounting. This confidence ensured that the pricing strategy was not only achieved, but also maintained. With our support, the client was able to navigate a change in pricing activities, even during an uncertain and disruptive time in their industry, **reducing revenue decline by 50%.**

Customer Segments



Identified four customer segments accounting for 85% of revenue

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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