



CASE STUDY

Pricing Margin Expansion

CASE STUDY BACKGROUND



Client: A B2B global medical device manufacturer with a direct sales force of 350+ associates

Challenge: Client had not taken a price increase in 3 years and faced a declining core customer segment (designated “A,B,C” tiering). Identify opportunities for Pricing margin expansion.

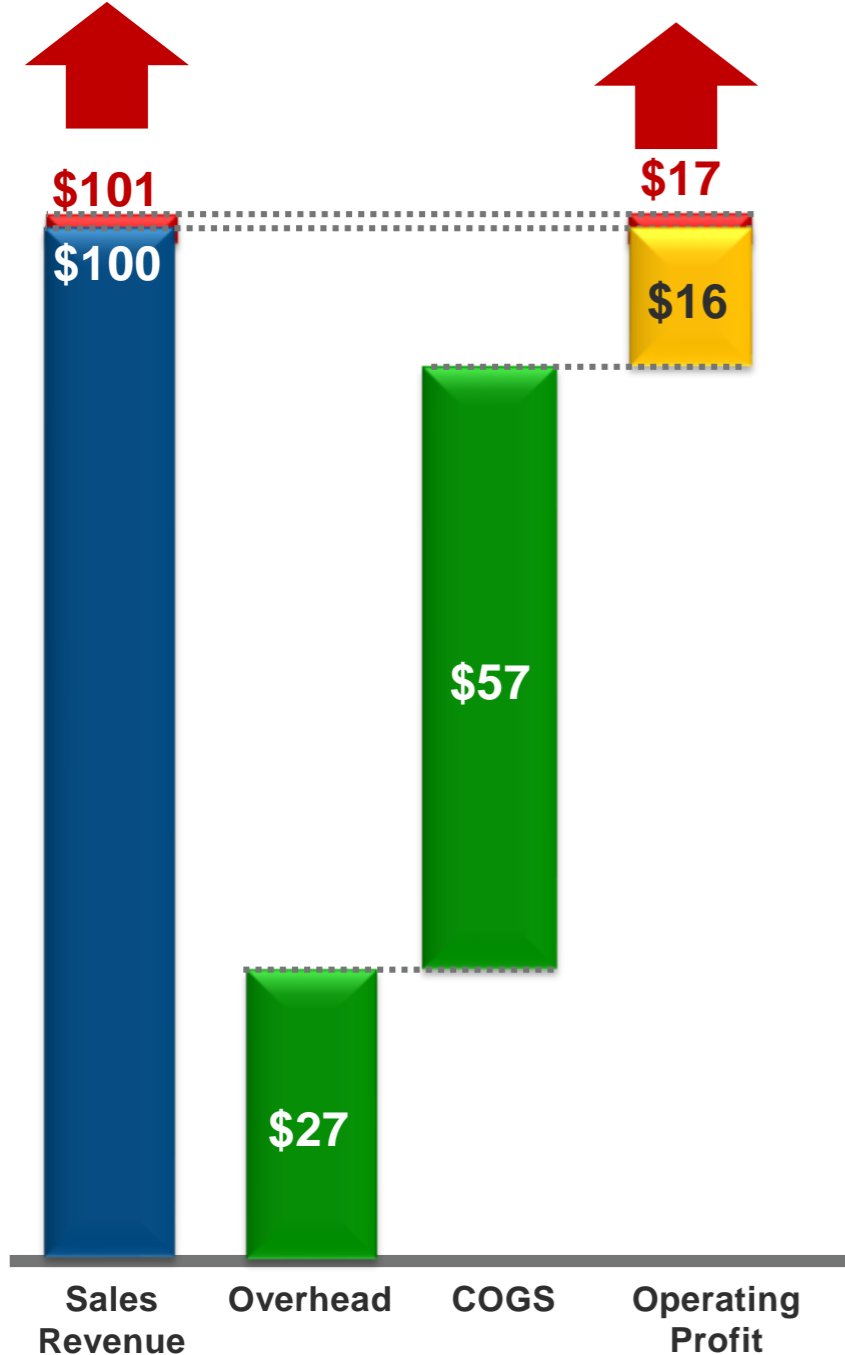
The Approach:

- ▶ Apply Pricing Strategy framework to drive margin expansion across targeted existing and emerging customer segments
- ▶ Assess the Standardized Tiered Discount Structure currently in place for customer loyalty program

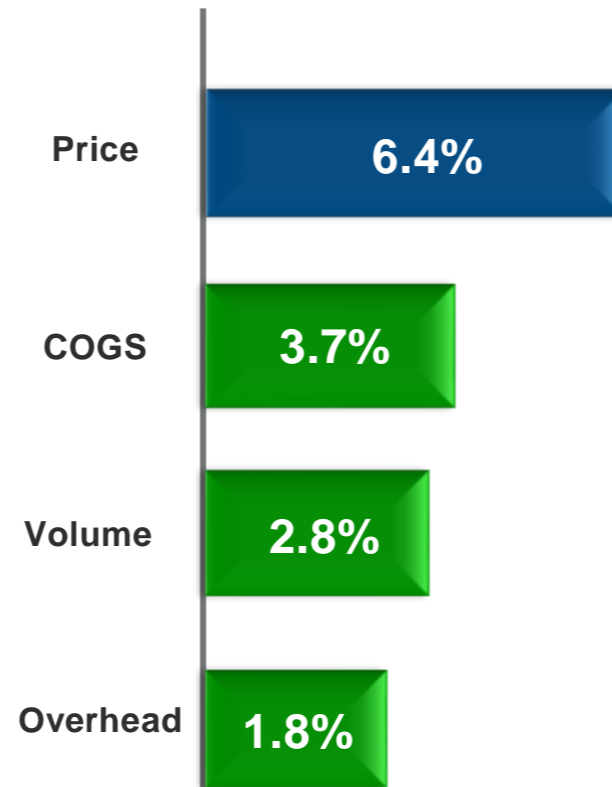
PRICING IS THE BIGGEST LEVER TO DRIVE MARGIN IMPROVEMENTS



By raising price by 1%
Increases profit by 6%!

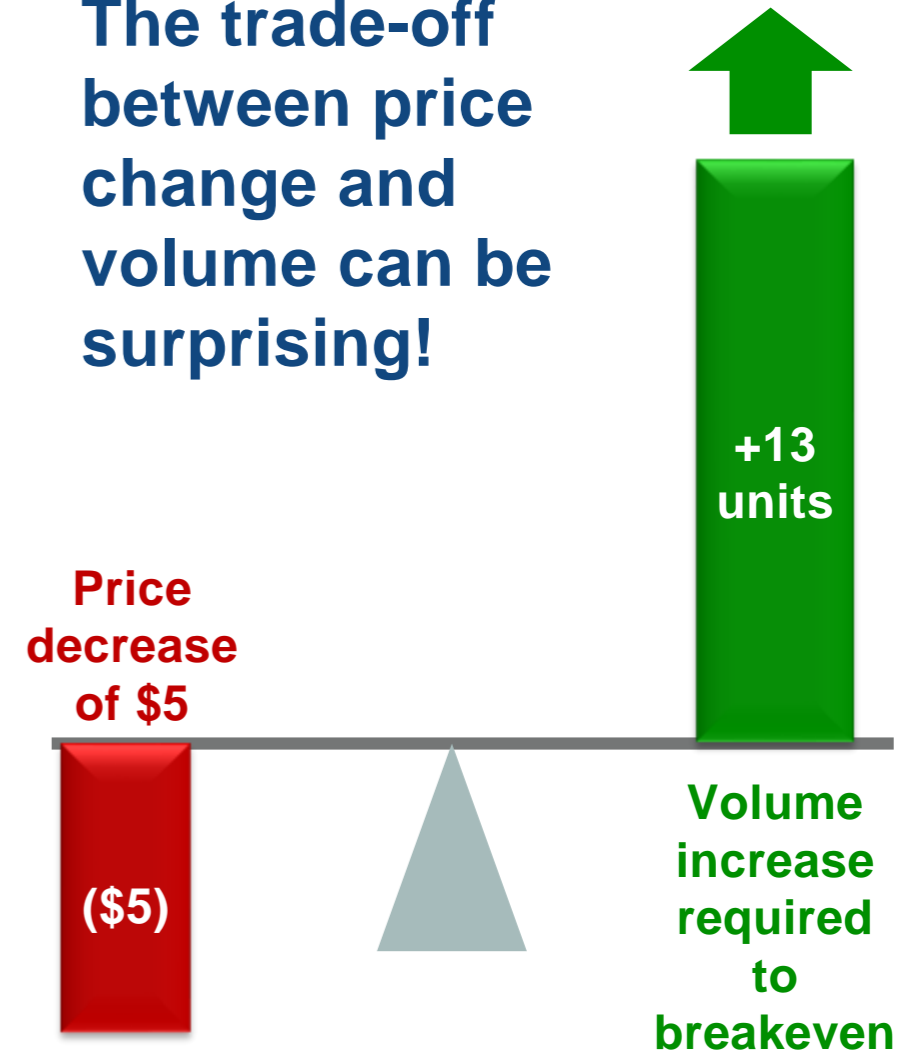


Improving price by 1% can yield significant profit improvement



How many resources are dedicated to cost-reduction vs. simply improving pricing?

The trade-off between price change and volume can be surprising!

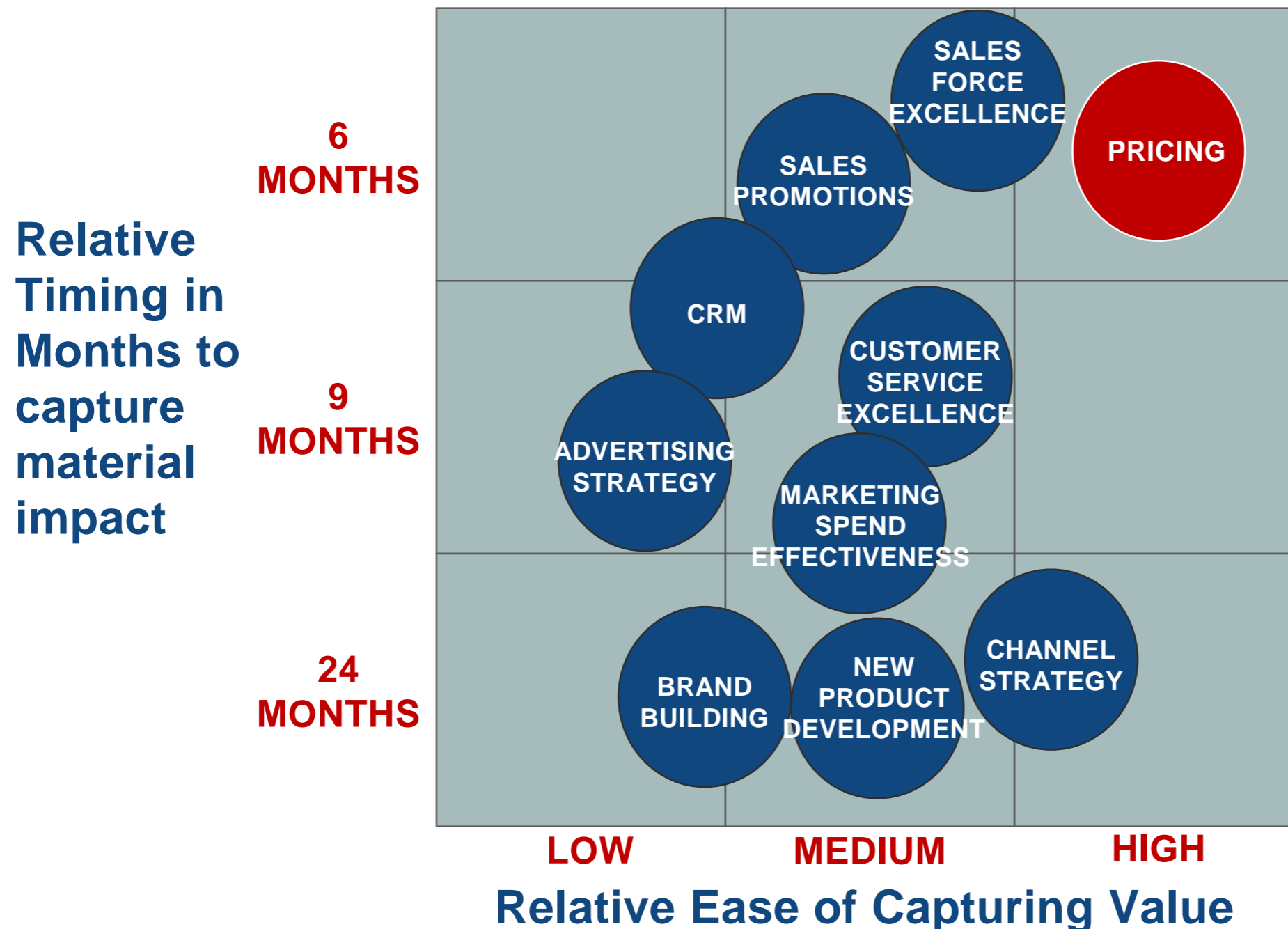


How much "bad" business would you need to trade for "good" business by saying no to low-priced deals?

COMPARISON OF VALUE LEVERS



Pricing also has the potential to deliver more value quicker than any other “Go-To-Market” commercial lever



CASE STUDY: KEY ROOT CAUSES TO PROBLEM



Critical losses in the “A & B” Customer Segment

Top Customers accounts were in decline, with new competitors entering the market with a more consolidated “one-stop shop” approach. The declines in “A & B” top customer accounts was not being off-set by increasing “D & E” size customers.



A Missed Opportunity

The Client was not engaging as aggressively in the rising “one-stop shop” customer segment and needed to formalize a strategy to tackle a vertical pricing structure (incorporating both goods and services), as opposed to the horizontal pricing structure in place.



Who is Impacted by What?

The Company was hesitant to increase prices in fear of losing top “A & B” customers; however, “C,D &E” customers reaped the benefit of the lack of price increases across the board. Margin erosion occurred year after year with increasing losses from the loyalty program.



By identifying the Key Focus Areas for Pricing Opportunities based on fact-based data, the steps towards a solution become much clearer and straightforward

CASE STUDY RESULTS



Results: The client achieved a pull-through of 5.5% revenue gain by year-end

Key Findings:

- New Customer & Existing Customer pricing strategy needed to be assessed & standardized
- Resources needed to drive competitive customer segment pricing including vertical solutions (products + service)

Next Steps:

- Standard Work Kaizen Event to build Discount Structure, Proposal Process, and Templated Contracts for the Sales Team usage
- Action Plan of Price increase communication across Marketing Channels and the Sales Org.
- Pricing Performance tracking through Daily Management