PRICE OPTIMIZATION STRATEGY

Price increases are a fairly controllable tactic finance teams can explore to improve profitability.

EXPLORATION

- MACRO/COMPETITIVE CONDITIONS
- PRODUCT/SERVICE PRICE ELASTICITY
- CHANNEL/CUSTOMER UNIQUENESS

IMPLEMENTATION

1. DATA MINING
2. LOW-HANGING FRUIT
3. PRODUCT/SERVICE MIX
4. CHANNEL/CUSTOMER MIX
5. OPTIMIZE SALES & MARKETING TOOLS
6. ADJUST SALES INCENTIVES

EXPLORATION (EXPANDED)

MACRO/COMPETITIVE CONDITIONS

Conditions should be stable if a price increase is being proposed. In challenging conditions or with aggressive competitors, the timing may not be best for a price increase—unless the solution/product in question is deemed to be uniquely positioned.

PRODUCT/SERVICE PRICE ELASTICITY

Market research should be attempted early to gauge elasticity implications from proposed price increases against static and dynamic competitive scenarios. A beneficial result across most potential outcomes can help build internal support/buy-in.

CHANNEL/CUSTOMER UNIQUENESS

Certain channels/customers may have leverage to push back on proposed price increases except in direct-to-consumer businesses. All channels will be wary of price increases, but some may be justified in stressing their strategic position (e.g., exclusivity).

IMPLEMENTATION (EXPANDED)

1. DATA MINING

Collect and break down available net pricing data to see what controllable sales & marketing tools affect net price per unit (e.g., channel mix, assortment or rebates).

2. LOW-HANGING FRUIT

Grouping net pricing by dimensions such as customer, channel type and geography should illustrate easy initial opportunities (e.g., non-strategic customers, channels or geographies).

3. PRODUCT/SERVICE MIX

Transaction data can illustrate optimal product mixes by customer type or geography. Working collaboratively with the sales team can improve profitability of the product mix best suited to market realities.

4. CHANNEL/CUSTOMER MIX

Transaction data can illustrate high cost-to-serve, less-profitable customers/channels. Factors such as high expedited shipping instances, return volumes, co-op marketing needs or specialized packaging are cost-to-serve components that should be reviewed with Sales teams.

5. OPTIMIZE SALES & MARKETING TOOLS

Sales and marketing tools do not have to be made available to all customers. For example, data may show a certain channel type (e.g., e-commerce) is more profitable with higher levels of rebates, but not co-op marketing. Even some changes can provide incremental profitability.

6. ADJUST SALES INCENTIVES

To motivate sales to implement the optimal pricing changes, according adjustments should be made to their incentives, such as commissions and compensation.

Bring in the *Professionals*

If you need support determining and implementing optimal pricing, 8020 Consulting can help. With a team of nearly 100 professionals headquartered in Los Angeles and capable of working remotely to serve companies across Southern California, we can quickly assess and respond to your unique requirements and mandates. Even in this unique time of business, we are ready to apply our commitment to the value of "continuous improvement" and "focus on the critical" to generate immediate results.

Contact us today to support your price optimization efforts and strategy—**now is the time**.

8020 CONSULTING

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