

Pricing Strategy



CASE STUDY & INSIGHTS FROM OUR WORK

Pricing Management for a Polyester Yarn Manufacturer



Key Challenges & Insights



Very Volatile
RM costs



Highly price
elastic market



Over 6000 SKU
shade combination

- Client followed **Cost Plus pricing approach** that did not take account operational performance
- Mindset challenge of being in "**Commodity Product**" and **RM prices movement** were deciding factor
- Belief that "**Market Price**" exists and only strategy is to either follow or set the market price
- Pricing decisions done on **Price versus the margin**
- No concept of "**target price**" to compare the quoted price with actuals
- **Impact of pricing decisions were unknown** as month end financials presented only the overall EBITDA



How we helped

- Transaction data analytics revealed the need to standardise pricing across products & customer groups
- Developed "**customer segmentation model**" to identify key customer segments and service needs
- **Dead weight** elimination for tail end & non profitable products and customers
- Established **productivity & operational thresholds** using historic product margins and Annual Business Plan
- Developed **Profit Multiplier tool** for price quotations with Floor pricing and GO/NO-GO decision capability
- Instituted **Management Control System** for monthly review of product profitability



Our Impact

1-3%

Improvement
potential in
Profitability

30%

Deadweight elimination



Intelligent Pricing
Tool Developed