


IRIS PRICING
SOLUTIONS

Maximizing Revenue Growth through Enhanced Discount Strategies

Leveraging Value-Based Pricing and Micro-Segmentation to
Drive Financial Success.

Manufacturing & Industrial



Maximizing Revenue Growth through Enhanced Discount Strategies

Leveraging Value-Based Pricing and Micro-Segmentation to Drive Financial Success.

Background

Our client is a **private equity firm specializing in indoor air quality**, with a diverse portfolio consisting of over 15 businesses, collectively generating annual revenues of approximately \$5Bn. Experiencing **remarkable growth exceeding 50%**, the company aims to further boost margins by about 5% over the next three years. Their strategy emphasizes the **crucial role of pricing** in driving this financial achievement. They recognize that their businesses vary in pricing maturity levels and lack a unified pricing vision. Our client believes there is a significant immediate opportunity to introduce and develop **World Class Pricing best practices** across their portfolio and establish a long-term pricing vision.

The Approach

Iris Pricing Solutions proposed to develop a value-based pricing strategy and targets based on **Micro-Segmentation** for one of its companies. The overall approach was to identify immediate pricing opportunities based on **Pricing Analytics Deep Dive** to identify and quantify customer and product factors that indicated higher or lower pricing power, create a micro-segmentation framework and associated pricing targets based on pricing power, identify potential pricing opportunities, and train the sales team on value-based pricing and how to use new pricing tools and prepare for customer conversations.

Leveraging Value-Based Pricing and Micro-Segmentation to Drive Financial Success.

Building a Solution That Fits

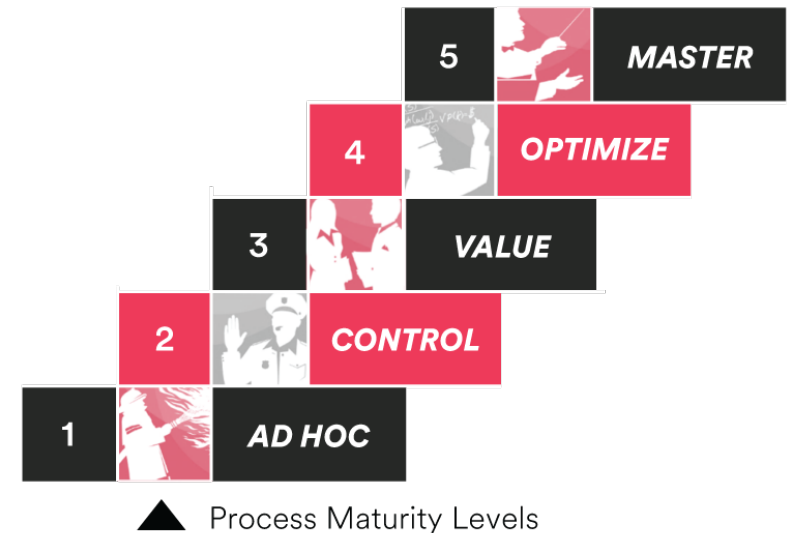
Phase one of this 4-month project started by conducting a **Pricing Diagnostic and Quick Wins**. The Iris Pricing Solutions (IPS) team conducted six internal interviews to better understand the company's pricing needs and gain general knowledge about the business.

The **Pricing Diagnostic** evaluates the company's performance against the **5 Levels of World Class Pricing**, identifying and planning a roadmap of initiatives to enhance pricing performance. Implementing **Quick Wins** helps uncover immediate pricing opportunities that can deliver short-term revenues, using techniques such as dispersion analysis, 80/20, and target price setting.

The team collected data from the previous 2-3 years to develop a validation model, identifying **excessive discounting** offered to our client's customers and the opportunity to reduce it through **dispersion analysis**. Utilizing Pricing Analytics Deep Dive techniques, they conducted an extensive analysis of the client's pricing data. This in-depth examination allowed them to identify immediate pricing opportunities within the client's portfolio.

Additionally, the IPS team conducted ten customer value interviews to understand the various customer types and sizes.

World Class Pricing



Value Pricing Strategy

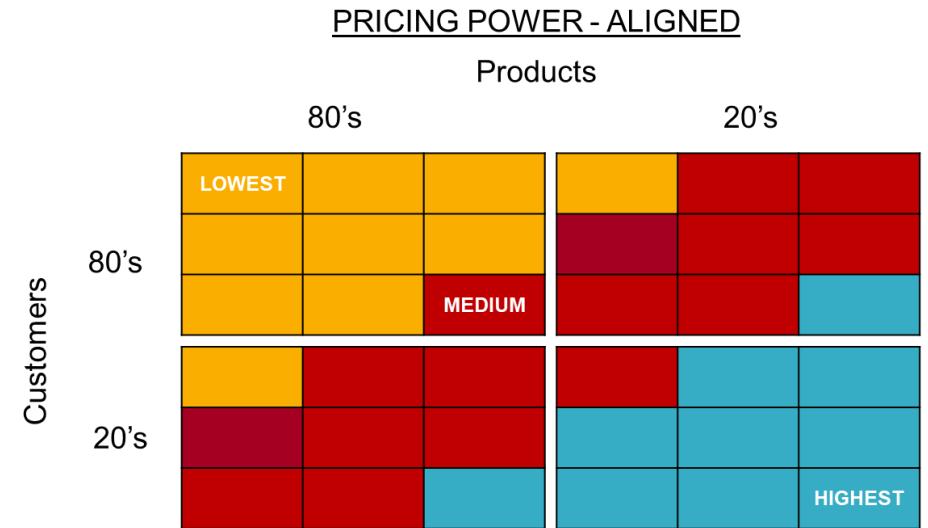
The **second phase** of this project consisted of developing customer segments to create a value-based pricing framework and pricing models. Leveraging their analytical capabilities, the team systematically identified and quantified customer and product factors influencing **pricing power**. By understanding variables such as demand elasticity, market dynamics, and product differentiation, they could determine which factors indicated higher or lower pricing power.

Building on their insights into pricing power, the team developed a **micro-segmentation framework**. This framework segmented customers and products based on their unique attributes and behaviors. Within this framework, they established floor, target, and stretch pricing targets. This ensured a comprehensive approach to pricing optimization tailored to different segments.

Elasticity analysis was used to determine whether sales are affected by the time of year, using seasonality analysis to generate price recommendations. These recommendations factored in elasticities, seasonality, and psychological pricing rules. Additionally, a dashboard was created to provide price recommendations for each product and season.

Following this phase, our client will leverage the tool to identify:

1. Customer and product value.
2. Establish a price structure and pricing strategy.
3. Utilize price setting tools including target price setting.



Micro-segmentation creates value-based pricing targets based on **Pricing Power**: Ideally, the highest margin should be paid by non-strategic customers on premium products, and the lowest margin should be paid by strategic customers on commodities

Leveraging Value-Based Pricing and Micro-Segmentation to Drive Financial Success.

Sales Training

Recognizing the pivotal role of the sales team in executing the new pricing strategy, the team conducted a comprehensive training session. They educated the sales team on the principles of Value-Based Pricing, equipping them with the skills to articulate value propositions effectively and negotiate pricing confidently. Additionally, the team provided thorough training on how to utilize the new pricing tool, empowering sales representatives to leverage data-driven insights during customer interactions and prepare for pricing discussions.

Through this multifaceted approach, the team not only identified immediate pricing opportunities but also equipped the client's sales team with the tools and knowledge needed to drive value-centric pricing conversations and effectively implement the new strategy.

Leveraging Value-Based Pricing and Micro-Segmentation to Drive Financial Success.

Results

The Iris Pricing Solutions team developed two possible scenarios, labeled as moderate and aggressive, to shape the discount strategy. By doing so, the team identified an opportunity to increase the bottom line by **\$3-7 million**, depending on the chosen scenario. Additionally, the implementation of this new discount strategy is anticipated to bring an additional **revenue increase of approximately 8-16%**.

Ultimately, the Iris Pricing Solutions team **created a guidance tool** providing extensive insights and facilitating the calculation of target discounts based on product and customer ratings. This tool offers recommendations for both moderate and aggressive scenarios, with the flexibility to incorporate factors such as seasonality and installation, further influencing the discount strategy.

BOTTOM LINE
INCREASE

\$3-7 MM

ADDITIONAL
REVENUE

8-16%



Leveraging Value-Based Pricing and Micro-Segmentation to Drive Financial Success.

What's the Pricing Solutions Difference?

Iris Pricing Solutions specializes in crafting tailored discount strategies to address the specific challenges businesses face. Through meticulous research and data analysis, our team formulates customized approaches that leverage insights to meet pricing objectives effectively. Our commitment to research-driven strategies empowers organizations to optimize their pricing structures and maintain a competitive edge in the global market.

Contact Us

Global Headquarters

106 Front St. East, Suite 300 Toronto, ON Canada M5A 1E1 Tel:
1.416.943.0505 Fax: 1.416.943.0507 Website:

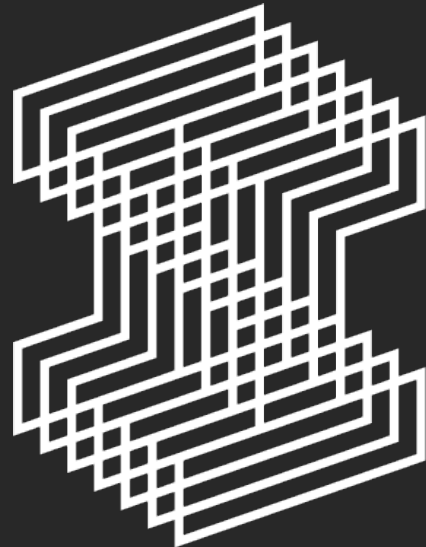
<https://www.pricingsolutions.com/contact/>

UK Headquarters

10 Queen St Place London EC4R 1BE United Kingdom

Website: <https://www.pricingsolutions.com/contact/>





**PRICING
SOLUTIONS**