



Elevate the Game Plan

Pricing and Profitability Management

New competitive entrants, sophisticated procurement departments, and slow economic growth are conspiring to pressure profit margins like never before. For companies intent on preserving — and growing—margins, it is imperative to adapt their game plan.

Pricing and profitability management needs to be a key element of that plan. As a lever for growth, it offers an under-leveraged and often neglected opportunity for substantial and sustained revenue and margin improvement. Just a few points improvement in price realization, driven by a more strategic approach and better execution, can translate into substantial enhancement of a firm's profitability.

How we can help

Monitor Deloitte's Pricing and Profitability Management practice helps clients address the spectrum of commercial pricing strategies, processes, and capabilities, aligning them with the organization's business, marketing, customer segmentation, and channel strategies. Starting with the drivers of customer value and layering on transaction-level analysis and insight, we help companies disaggregate their business so they can see its many parts, identify the economic

value of each product and customer, and devise ways to communicate and deliver that value to customers at prices that meet profit objectives.

Our Pricing and Profitability Management team is part of one of the largest finance management consulting practice in the world, spanning North America, Europe, Asia, and Latin America. Our team includes recognized thought leaders and authors on the topic, specialists in advanced data modeling, and a collective experience base

built from the delivery of more than 600 pricing projects to date in a wide range of industry settings. Our client impact is measured in billions of dollars in revenue and margin improvement.

These organizations have developed pricing and profitability management as a sustained source of competitive advantage and are using pricing to outperform peers and achieve significant improvements in their market values.

Targeted pricing strategies, processes, and capabilities can drive substantial revenue and margin growth.

Just a few percentage points improvement in price realization, driven by a more strategic approach and better execution, can translate into substantial enhancement of a firm's profitability.

So clients can actively manage, change, and define the way they deliver value to their customers, we help them build five interrelated capabilities:

- Transactional management that provides guardrails to guide proper execution of the intended strategy.
- Price and discount policies so prices correspond with the value delivered and so discounts and provision of services are properly governed.
- Value communications and framing to influence the customer and present the value story in the most compelling manner.
- Segmented price and offer structure so prices are based on customer willingness to pay or perceived value and so offers effectively meet the requirements of each segment.
- Profitable growth strategy where the previous four capabilities culminate in an overarching ability to redefine the business model so it is adaptable to changing market conditions and new customer needs.

We use a suite of more than 20 diagnostic tools to quickly assess the size and nature of the pricing opportunities available to the organization to allow for an informed dialogue on where and how to invest.

An initial assessment can often be completed in just six weeks and serves as the foundation for designing a broader set of activities to improve a firm's competitive position.

The enduring effectiveness of our clients' pricing capabilities is also advanced through our work with other specialty strategy services within Monitor Deloitte, with human capital and technology consulting services of Deloitte Consulting LLP, and with risk management and tax services provided through the subsidiaries of Deloitte LLP.

Ways to get more value

Understand how value is created and delivered. Clearly link offerings with the benefits that are delivered to customers — and set prices to capture a share of that value.

Improve analytical capabilities. Develop a "pricing dashboard" to detect margin leakages, respond more quickly to pricing opportunities, and execute the pricing strategy more consistently. Develop a clear perspective on which products, customers, salespeople, or channel partners create the most value and which customers and products erode value.

Build pricing optimization capabilities. Assess price and promotional changes in a structured manner, bringing rigor to determine "what needs to be true" for a price move to succeed.

Create structured, repeatable, and supported pricing processes. Focus on processes that will create sustained performance.

Prepare to invest for the long haul. Building pricing into a strategic capability is a major source of competitive advantage but requires new skills, data, and tools, as well as a sustained organizational focus on margin management. Elevate pricing within the organization and make margin management a visible part of the executive agenda.

Redesign the business model to better address the needs of a rapidly changing marketplace.

Bottom-line benefits

- Achieve return on investment within three to six months by identifying and pursuing “low-hanging fruit” and generate margin improvements, typically equivalent to 1 to 3 percent of revenues.
- Implement processes, policies, procedures, and organizational designs that align with revenue and profit growth objectives
- Increase transaction profitability through active management of pricing execution and improved controls.
- Assess the linkage between cost-to-serve and pricing levels in order to build new offer designs that lead to profitable deals.
- Develop the sales-ready content and selling tools that enable a sales force to have effective, value-based conversations.
- Redesign the business model to better address the needs of a rapidly changing marketplace.



The big idea

Effective pricing and profitability management initiatives can quickly add up to 3 percent of addressable revenue to the bottom line. These improvements are typically derived from a series of “singles and doubles” that represent a portfolio of opportunities that can be implemented over time. Once an organization achieves “pricing excellence,” it can outperform its competitors in margin performance and ability to adapt to new market conditions — a source of true sustained competitive advantage.



Learn more

Pricing and Profitability Management is one of many strategic considerations businesses face today. To learn more about how Monitor Deloitte can help, visit www.deloitte.com/us/pricing-profitability-management.

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