



## Pricing and Profitability Management.

### Overview

Sustainable Pricing and Profitability Management helps businesses significantly increase their margin or market share by implementing a clear long-term strategy combined with careful execution across all functions.

### Increase margin through price management

As an improvement lever, nothing delivers a dollar for dollar return like Pricing. But its complexity can be daunting: the cross-functional nature can be intricate enough, and it is compounded by the sheer volume of data to be analysed and decisions to be made. Here is a way how to get a handle on pricing.

**Start by improving your analytics capabilities.** Prices begin to erode the moment you publish your price list. The use of Pricing Analytics can help you develop a sustainable competitive advantage as you increase the value and margin captured from the original price at the transaction level.

**Examine your prices at the transaction level.** Each line item on each invoice that you deliver to your customers makes either a contribution to or a subtraction from your operating profit. You must manage your sales activities at that level.

### Find tangible ways to control margin leakage.

Identify customers, products, sales people, and channels that are unprofitable for your company and fix or remove those that do not demonstrate compelling financial or strategic value.

**Define a pricing strategy that is consistent with overall business objectives.** Incorporate the industry dynamics, the competitive situation and the company's value propositions to fully understand and capture the value of your offering relative to competitive alternatives and customer demands.

### Getting it done

We have developed techniques and tools that can help a company in its efforts to get results more quickly whilst making structural improvements for longer-term success.

**Create structured repeatable and supported pricing processes.** Focus on the key processes that will help create sustained performance over time.

**Focus on value provided to customers, as well as the prices charged.** Clearly define and communicate the value you provide to customers. Articulating why a customer will purchase from you versus the competition will help you focus your efforts on what matters most.

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**Make your pricing improvements sustainable and repetitive by adopting technology.** The benefits gained from examining your pricing process need to continue to pay dividends into the future. Consider a technology solution to put information in the hands of your pricing decision-makers time and time again.

**Align the company to focus on price.** Consider compensation incentives that better align employee goals with the goals embedded in your pricing strategy.

### Bottom line benefits

- Achieve measurable ROI within three to six months by identifying and pursuing quick wins
- Processes, policies, procedures and organisation that are aligned with revenue and profit-growth objectives by elevating the prominence of the pricing function
- Increased control of transaction profitability through active management of pricing execution
- Reduction in margin leakage by improving measurement and management of sales activities
- Improved customer profitability by linking cost to serve with pricing levels

### About Deloitte’s PPM service line


The Pricing and Profitability Management service line has more than 400 practitioners. We have provided consulting services for businesses across a wide range of industries delivering an unmatched breadth of pricing services involving strategy, human capital and technology. We have provided services to companies around the world including Eastern and Western Europe, North America, SE Asia and Latin America.

### Contacts

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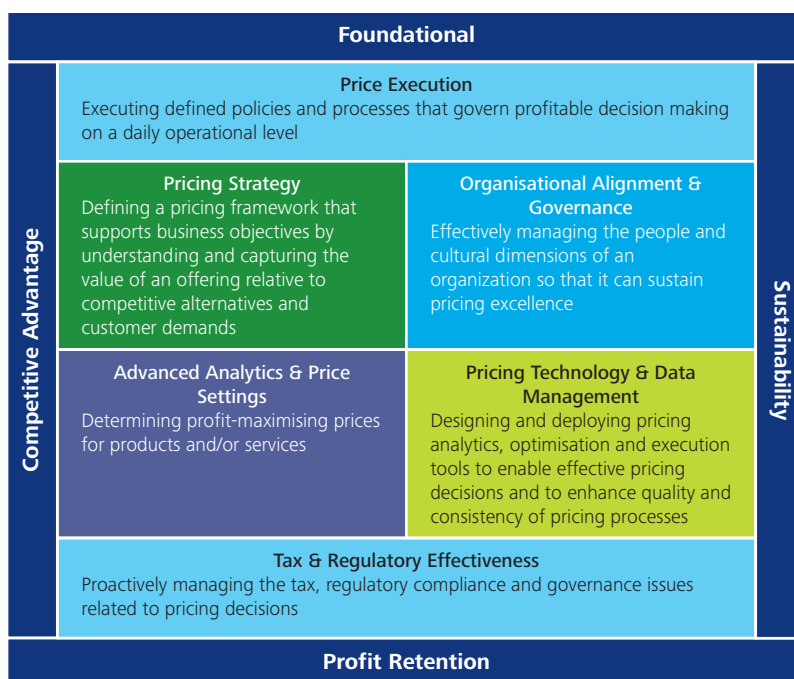
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 Join our LinkedIn group “Deloitte Pricing”

### Our service offerings

Pricing improvements can deliver dramatic results to your bottom line. In our experience, addressing Pricing holistically can significantly boost the benefits achieved. There are 6 key components to the holistic approach we recommend:

- **Strategy** – determining the key price-drivers in order to set the overall pricing strategy including assessing the competitive and market landscape
- **Execution** – designing more efficient and effective pricing procedures and improving the sales force’s ability to negotiate profitable deals
- **Technology** – identifying software that can sustain better profitability management capabilities
- **Advanced Analytics & Optimisation** – calculating the price that maximises profit, volume or any combination, as well as identifying opportunities to prevent margin leakage and increase “Pocket Price” through transactional analysis
- **Organisational Alignment** – clearly defining roles, responsibilities and reporting relationships, and training people for new roles
- **Tax and Regulatory Compliance** – improving profit retention by proactively managing tax, regulatory compliance and governance issues



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