

Case Study – Pricing Consulting Services

Industry: Cargo Handling

Region: EMEA

The Challenge

A global player in Cargo-handling industry, headquartered in Europe, wanted to introduce a new pricing strategy regarding its parts business. Up to that moment, the group used to set prices with a “Cost-Plus” method, organizing sporadic market researches to measure competitors pricing (on just high competitive items) and adjusting just some items accordingly.

Key targets were:

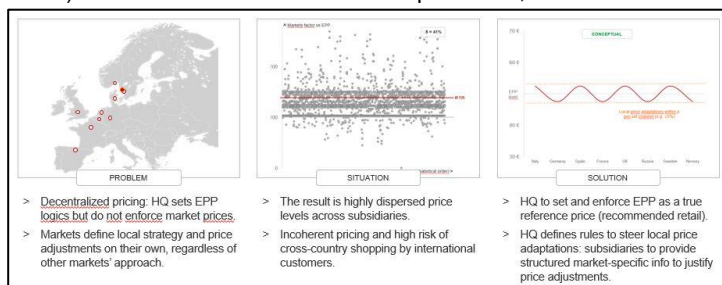
- Improve the price model (from a pure cost-based approach) to a market-based approach
- Improve marginality
- Derive a single list price for all European Countries

Such a player had an existing parts catalogue with more than 168.000 references, for a total turnover of more than 50 Mio €.

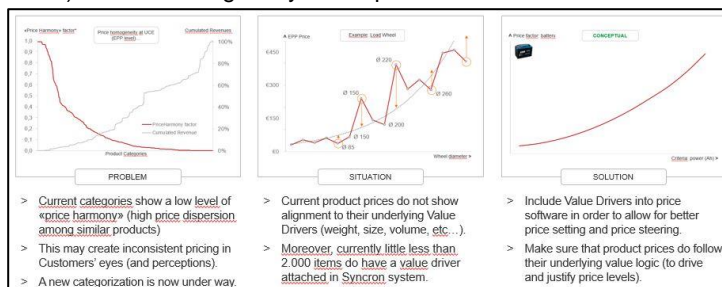
The Action

After having assessed the initial situation and explained what would have been the future steps of the project, MarketingPRO did extensive Gap analysis to improve the following:

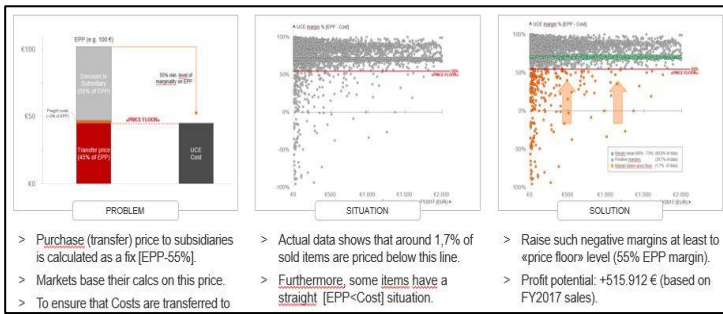
1) Price harmonization between price-lists, cross-market:



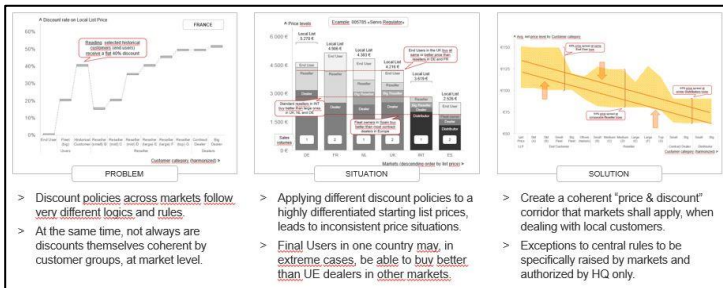
2) Price homogeneity within price-lists:



3) Identification of the Minimum Price floor and the recovery in terms of Profit Potential:



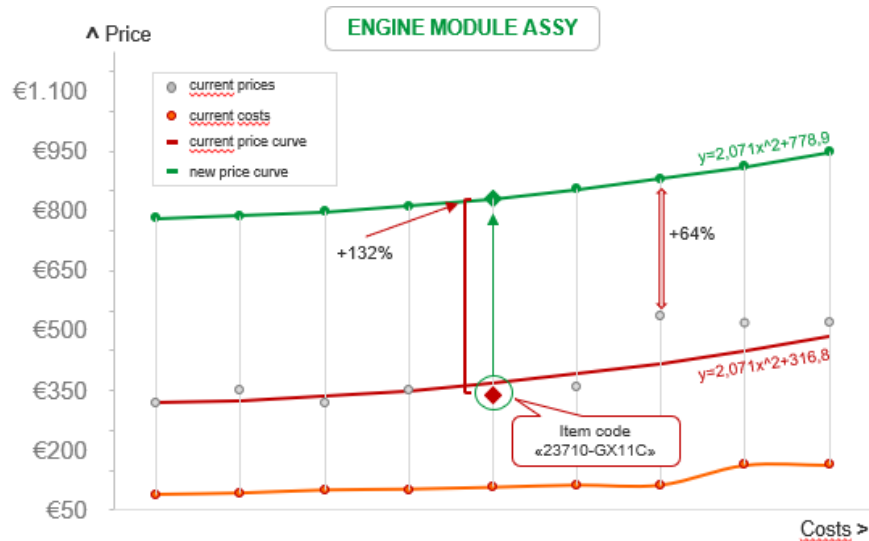
4) Chaotic Discount approach and possible improvements for adopting discount-to-volume policy



The Results

During the assessment phase of the project, some parts were identified which were sold with negative margin; fixing this, the company could prevent from doing more than 500k € volume with negative margin.

The consulting phase made it clear the necessity to identify significant value drivers to determine the “value” of parts for each items within Family Codes and Product Categories. Such value drivers were used as a way to calculate an optimal price curve along which the pricing of the items should have been placed. On top of that, market researches were implemented in order to capture the precise framework for the industry and adjust the pricing accordingly for the new European Pricelists. After the implementation of the project, the company registered an increase of 37% of its Gross Margin



For more details, contact: info@marketingpro.it, asking for service code “PCS”.

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