B2B Pricing Analysis

Medical Equipment Manufacturer

Analyzed three years of invoice data to identify pricing opportunities at SKU and customer level based on deviation from average discounts and other benchmarks across multiple dimensions (geography, product category, etc.)

Sales analytics to improve pricing at a medical equipment manufacturer

Situation

- The client wanted to streamline pricing across customers to improve gross margin
- Partnered with the client to identify price improvement opportunities and assisted pricing directors in re-negotiating prices with customers globally
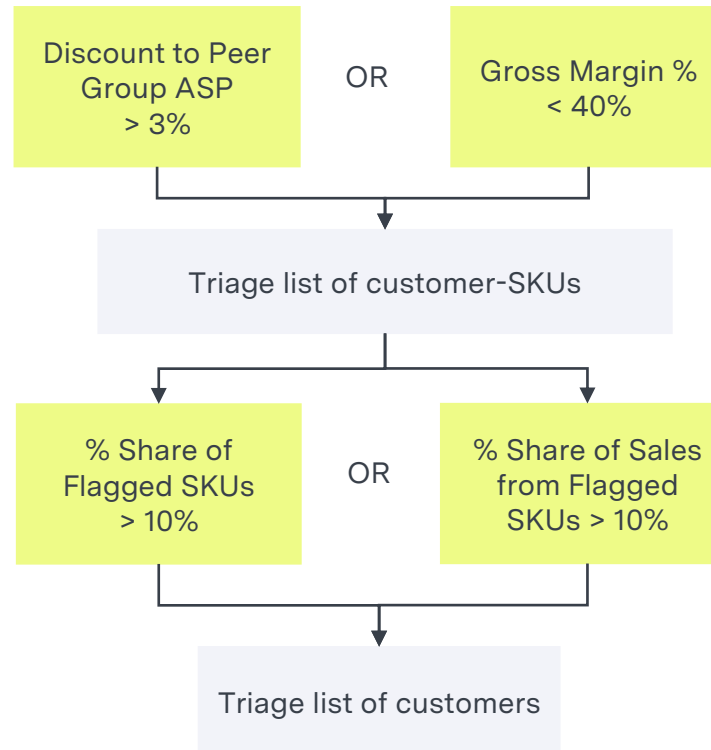
Accordion Value Add

- Analyzed five years of invoice data and built a PowerPivot model, enabling various triage scenarios to identify customer-SKU combinations for price negotiations
- Developed a methodology for pricing analysis based on relative discount and gross margin by product
- Prepared a model for price recommendations by analyzing price elasticity across various price points
- Recommended prices for each product-customer-region combination to support Pricing Directors in customer negotiations

Impact

- Price re-negotiations, based on the analysis, allowed the Company to add ~$5 million in EBITDA (~50% success rate of price negotiations)
- Helped the company streamline pricing across customer and products, and develop a standardized pricing strategy

Methodology to identify price improvement opportunities

Step 1: Flag Customer-SKU combinations for triage

| Discount to Peer Group ASP > 3% | OR | Gross Margin % < 40% |

↓

Triage list of customer-SKUs

Step 2: Flag customers for triage and customer-SKU combinations within those customers

| % Share of Flagged SKUs > 10% | OR | % Share of Sales from Flagged SKUs > 10% |

↓

Triage list of customers

Notes:

- Peer group dimensions included geography (e.g., France), customer group and customer size (e.g. $50-$100k)

- At least 3 data points required to create peer group ASP (Average Selling Price)

- If fewer than 3 data points, "ladder" up to broader group (e.g. all XX customers within a geography)

ACCORDION

Pricing analysis – Triage process to identify price improvement opportunities

Identify Customer-SKU transactions priced below peer group Average Selling Price

Peer Avg. Selling Price

Score SKU-customer combinations by pricing power drivers and translate overall score into target increase

	Different.	Criticality	Compet.	Oppty	Lifecycle
Product A	1	1	1		stable
Product B	2	1	1		stable
Product C	3	3	1		decline
Product D	4	1	2		stable
Product E	4	3	1		growth
Product F	2	2	1		stable
Product G	5	1	3		stable
Product H	3	3	1		stable
Product I	3	2	4		stable
Product J	3	2	2		stable
Product K	2	3	1		stable
Product L	2	1	1		stable
Product M	2	1	1		stable
Product N	2	3	1		stable
Product O	2	2	1		stable
Product P	2	3	4		growth
Product Q	4	2	2		stable

Cap the increases using factors that measure importance to customer and customer bargaining power

Cap on price increases

SKU % of overall sales to customer	Size of Customer		
	Small	Medium	Large
Low	6%	4%	2%
Medium	8%	7%	4%
High	8%	6%	4%

- Flag customer-SKU transactions priced below peer group ASP
- Calculate $ impact of moving those transactions up to peer group average

- Score SKUs on pricing power drivers (e.g., differentiation, criticality, competitive intensity, opportunity size)
- Translate overall score by SKU into target increase for all customers, subject to minimum / maximum gross margin range

- Estimate cumulative price increases based on peer ASP and on pricing power score
- Determine cap on price increase based on customers' preferences and bargaining power
- Adjust price increases based on maximum cap

Product lists for price negotiation shared with pricing director

Geography	Customer Group	Customer Name	Part_No	Part Description	Total Sales ($)	Total Unit Quantity	Total Cost ($)	Gross Margin %	% Share of Customer Sales	Laddered Avg. Index Price	% Discount to Laddered Index Price	Triage Customer- SKU Flag	Triage Customer Flag	Relative % Price Increase	% Price Increase to attain Gross Margin threshold	Across-the- board SKU Price Increase	Total Potential % Price Increase	Recommended % Price Increase	Recommended Sales Price	Net Impact on Revenue	Reviewer % Price Increase	Reviewer Net Impact on Revenue	Reviewer's Net Impact on Revenue
France	Care	ABC	146451	Blade	$1,662	180	$540	67%	0%	$10.87	12%	1	1	13%	0%	6%	19%	15%	$11.02	$259	15%	$11.02	$259
France	Care	ABC	154898	CAUTERY	$5,405	1,060	$4,002	26%	3%	$6.17	19%	1	1	23%	0%	3%	26%	15%	$5.78	$800	15%	$5.78	$800
France	Distributor	XYZ	142796	CAUTERY	$910	140	$542	40%	1%	$9.39	31%	1	1	44%	0%	3%	47%	20%	$7.80	$182	20%	$7.80	$182
France	Care	ABC	158243	Drape	$27,316	5,330	$9,278	66%	7%	$6.00	15%	1	1	17%	0%	8%	25%	13%	$5.79	$3,551	13%	$5.79	$3,551
France	Care	ABC	156494	Knife	$11,261	1,950	$5,157	54%	49%	$9.01	36%	1	1	56%	0%	5%	61%	9%	$6.29	$1,013	9%	$6.29	$1,013
France	Care	ABC	159536	Knife	$6,295	1,090	$2,186	65%	27%	$5.99	4%	1	1	4%	0%	7%	10%	10%	$6.38	$659	10%	$6.38	$659
France	Distributor	XYZ	177281	Knife	$3,696	640	$1,356	63%	16%	$6.78	15%	1	1	17%	0%	7%	24%	14%	$6.58	$517	14%	$6.58	$517
Germany	Packers	LMN	136865	Blade	$314	40	$92	71%	0%	$9.16	14%	1	1	17%	0%	5%	22%	15%	$9.01	$47	15%	$9.01	$47
Germany	Distributor	SDT	178522	Drape	$131	70	$37	72%	0%	$1.99	6%	1	1	6%	0%	5%	11%	11%	$2.09	$15	11%	$2.09	$15
Germany	Packers	LMN	145168	Knife	$189	20	$70	63%	1%	$10.19	7%	1	1	8%	0%	5%	13%	13%	$10.71	$25	13%	$10.71	$25
Germany	Distributor	SDT	111844	Canula	$203	50	$124	39%	0%	$4.76	15%	1	1	17%	0%	4%	21%	21%	$4.94	$44	21%	$4.94	$44
Germany	Distributor	SDT	157290	Knife	$74,870	6,720	$20,333	73%	5%	$11.23	1%	0	1	0%	0%	5%	5%	5%	$11.71	$3,947	5%	$11.71	$3,947
United States	OEM	OPQ	161843	Blade	$1,150	264	$561	51%	0%	$5.15	16%	1	1	18%	0%	20%	38%	15%	$5.01	$172	15%	$5.01	$172
United States	OEM	OPQ	176512	CAUTERY	$3,673	430	$1,546	58%	5%	$9.39	9%	1	1	10%	0%	3%	13%	13%	$9.65	$475	13%	$9.65	$475
United States	OEM	OPQ	146721	Drape	$3,825	850	$881	77%	1%	$4.97	9%	1	1	10%	0%	8%	18%	15%	$5.18	$574	15%	$5.18	$574
United States	OEM	OPQ	148554	Canula	$8,452	350	$2,199	74%	15%	$38.39	37%	1	1	59%	0%	6%	64%	19%	$28.74	$1,606	19%	$28.74	$1,606
United States	OEM	OPQ	195912	CAUTERY	$13,210	1,280	$4,811	64%	1%	$9.99	-3%	0	1	0%	0%	3%	3%	3%	$10.63	$396	3%	$10.63	$396
United States	OEM	OPQ	123848	Drape	$4,800	2,560	$1,634	66%	1%	$1.88	0%	0	1	0%	0%	11%	11%	11%	$2.07	$510	11%	$2.07	$510

- A pricing review file was created for every Pricing Director
- The tool enabled Pricing Directors to review the impact of potential price increases
- Pricing opportunities were prioritized based on the magnitude of impact