



## Industrial Parts Manufacturer

(Pricing Opportunity)

Detailed review of pricing opportunities related to **normalization of pricing anomalies, standardization of existing customer discounts, evaluation of strategic pricing options and re-aligning the spare part prices** based on order patterns and relative price premium potential.

# PRICING OPPORTUNITY REVIEW FOR AN INDUSTRIAL PARTS MANUFACTURER

## ABOUT THE CLIENT

A PE client was evaluating a **comprehensive review of pricing opportunities** for a recently acquired portfolio company that manufactures industrial parts and components

### SITUATION



- The company had **discrete and scattered data systems** for capturing the pricing information **for the engineered product lines** across entities
- Merilytics partnered with the client to conduct a detailed review of pricing opportunities related to **normalization of pricing anomalies, standardization of existing customer discounts, evaluation of strategic pricing options and re-aligning the spare part prices** based on order patterns and relative price premium potential

### VALUE ADDITION



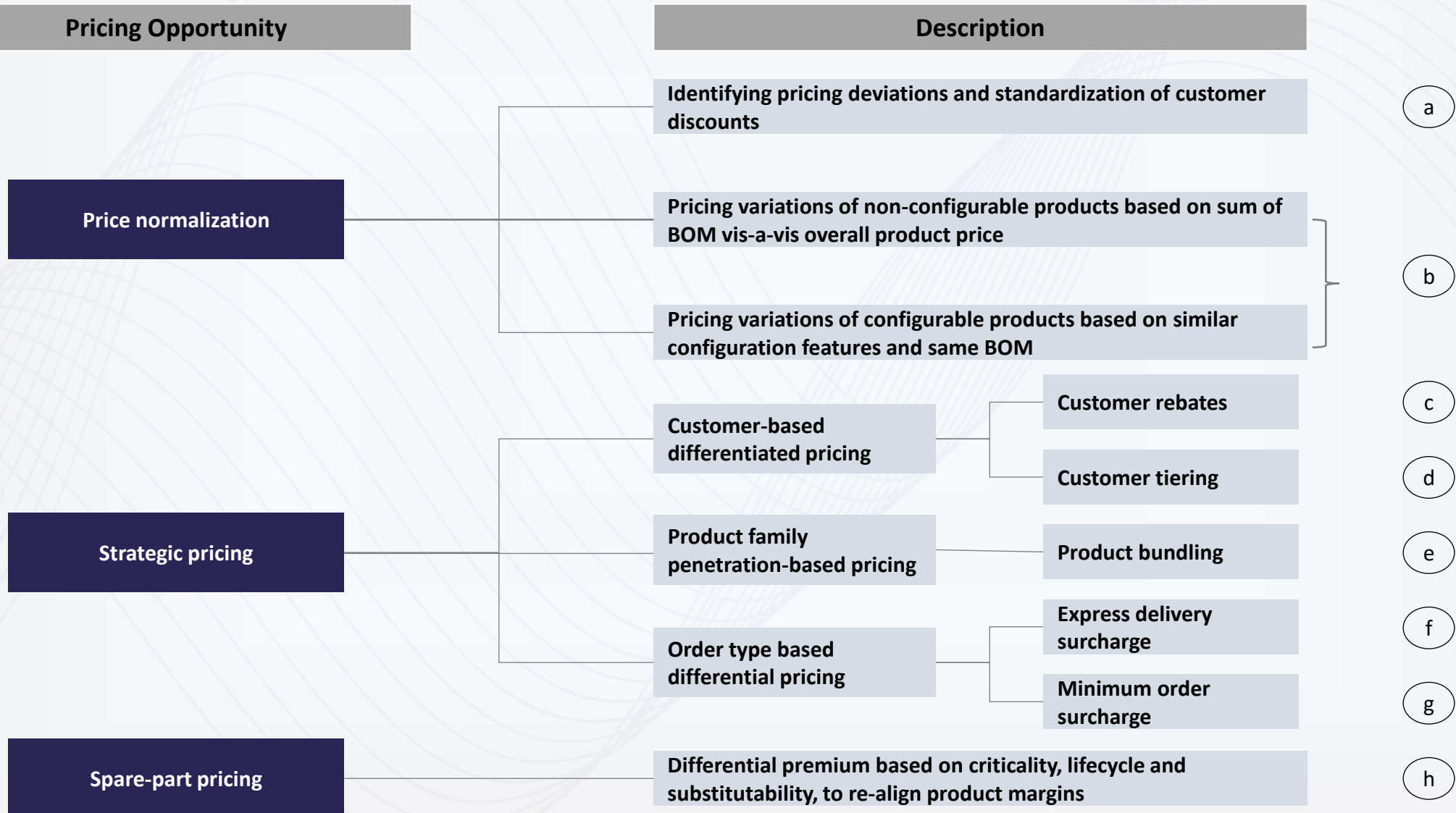
- Developed deep understanding of the current pricing processes and external market positioning of the **complex engineered products**, based on interviews with ~20 stakeholders across entities
- Developed **standardized product hierarchies** and **de-duplicated customer lists** from discrete data sources across entities, to enable the pricing analysis
- Analyzed the complete invoice data and **identified discrepancies in actual discounts vs. designated discounts**, to streamline the sales quotation process
- Analyzed the Bill of Materials (BOM) data using clustering techniques to **identify potential products where the prices could be aligned** with the composition of constituent parts
- Identified **strategic pricing opportunities** for the clients based on industry practices, estimated the potential incremental impact on revenue and conducted a preliminary assessment of company's preparedness to implement the strategic initiatives

### IMPACT



- The analysis helped the Management gain understanding of the company's current pricing scenario and enabled them to engage in **strategic discussions with the PE investors**
- Helped the company's management to identify and evaluate the pricing opportunities and **devise short-term implementation strategies** to realize the \$ opportunity in current and next fiscal year
- Data capturing gaps identified during the analysis also helped the company identify potential areas to **streamline the data systems and processes** going forward

# METHODOLOGY AND APPROACH



OVERALL VALUE ESTIMATION AND FEASIBILITY STUDY CONDUCTED ON EACH PRICING OPPORTUNITY IN ORDER TO PRIORITIZE THE EXECUTION PLAN

ILLUSTRATIVE

- High readiness
- Low readiness

	Opportunity	Size of Opportunity			Implementation readiness			
		Net revenue opportunity (\$)	Realization factor (%)	Realizable opportunity (\$)	Timelines	Systems/ Data	Operations	Customers
a	Normalization and standardization of discounts	\$0.6mn	50%	\$0.3mn	Q2 FY19	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
b	Normalization of variations based on configurations and BOM	\$0.4mn	10%	\$0.0mn	Q3 FY18	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
c	Annual rebate incentives	\$3.4mn	60%	\$2.0mn	Q2 FY19	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
d	Customer tiering	\$1.0mn	30%	\$0.3mn	Q1 FY19	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
e	Product bundling	\$3.0 mn	50%	\$1.5mn	Q4 FY19	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
f	Express delivery surcharge	\$1.1mn	50%	\$0.5mn	Q4 FY18	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
g	Minimum order surcharge	\$0.8mn	50%	\$0.4mn	Q4 FY18	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
h	Spare-parts pricing	\$0.4-0.9mn	30%	\$0.1-0.3mn	Q4 FY18	<div><div></div></div>	<div><div></div></div>	<div><div></div></div>
Total		~\$11mn	~50%	\$5-\$5.5mn				