

# Case Study - B2B business pricing strategy

---

# General Instructions

In this exercise you will be assessed on your ability to: -

- comprehend information and draw conclusion
- provide practical recommendations for action
- justify recommendations using relevant arguments
- back your arguments with data, wherever appropriate
- communicate your views in a clear and succinct manner
- collaborate within the group

- ☐ You will have 1.5 hours to examine the information and work out the solutions
- ☐ Keep your pencils, pens & sheets ready for thoughts and calculations
- ☐ Ensure that you read the instructions and background information carefully
- ☐ Please note you will not be able to call for more information than is provided in this brief
- ☐ Section 1 (both A & B) need to be solved in group format, while section 2 is for individuals to solve at their own end
- ☐ Section 2 calculation and working sheet to be shared with the panel after completion
- ☐ **You are strictly advised to remove any trace of the case study as well as any rough sheets used**

**Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.**

---

# About Dunnhumby

dunnhumby is the leader in personalizing the world's experience of retailers and brands and help companies put customers at the center of every decision to earn their lifetime loyalty.

Co-founded in 1989 by Clive Humby and Edwina Dunn, dunnhumby's unique framework embeds customer insight into organizations enabling them to make every decision better and faster.

The dunnhumby team consists of over 2,000 experts, with around 500 data scientists, in every corner of the globe, from the Americas to Asia, Africa to Australia partnering with the world's most iconic, innovative brands across a wide spectrum of industries, including grocery, consumer goods, banking, eCommerce, health and beauty, pharmaceuticals, food service, apparel, media and more.

Its effectiveness in action is best demonstrated by Tesco Clubcard. In 1995, dunnhumby was asked to help with the launch of clubcard, where translating insights gleaned from terabytes of information resulted in actionable marketing and retailing programs.

With a strong focus on customer and behavioral insight, dunnhumby plays a key role in enabling retailers to become successful with enviable market share.

**Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.**

---

## Entering the world of client engagement

dunnhumby has recently signed a contract with **SLX**, one of the leading Information and Service provider company in Latin America.

**SLX** provides business to business (B2B) work solutions and is a global provider of professional information, software solutions, and services to clinicians, accountants, lawyers, and tax, finance, audit, risk, compliance, and regulatory sectors.

Company sales are mainly driven by 1 product which is currently industry leader with **~60% market share** and enjoys a **margin of 40%**. It's a subscription-based product which means that the users need to renew at the end of subscription plan.

There are multiple options to renew the subscription – either buy same package or upgrade/downgrade depending on which the services provided will be modified.

Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.

---

## Section 1A: New Pricing Strategy

### ***Proposed Time Utilization:***

*Spend no more than **20 minutes** for this section*

- 5 mins to think*
- 15 mins for Group discussion*

Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.

# Section 1A: New Pricing Strategy

Around mid-2019, **SLX** anticipated the risk of a global pandemic and needs to come up with a new strategy for dynamically pricing their existing customers and capitalize on increased prices.

After discussing with the client, it was decided to first segment the customers and then decide the pricing strategy for each segment separately. They have asked you to provide the recommendation or strategy to segment existing customers to following 4 segments:

- Loyal
- Valuable
- High Opportunity
- Low Opportunity

***You are an analyst working with dunnhumby to help this client in setting right prices for their existing customers and maximize returns.***

## Questions:

- ❖ What factors will you keep in mind while designing this new strategy? Would you need any inputs from client?
- ❖ What parameters you think should be used to segment the customers into these 4 groups?
- ❖ Which segment do you think client should focus on to increase its revenue, and why?

Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.

---

## Section 1B: Customers segment strategy

### ***Proposed Time Utilization:***

*Spend no more than **40 minutes** for this section*

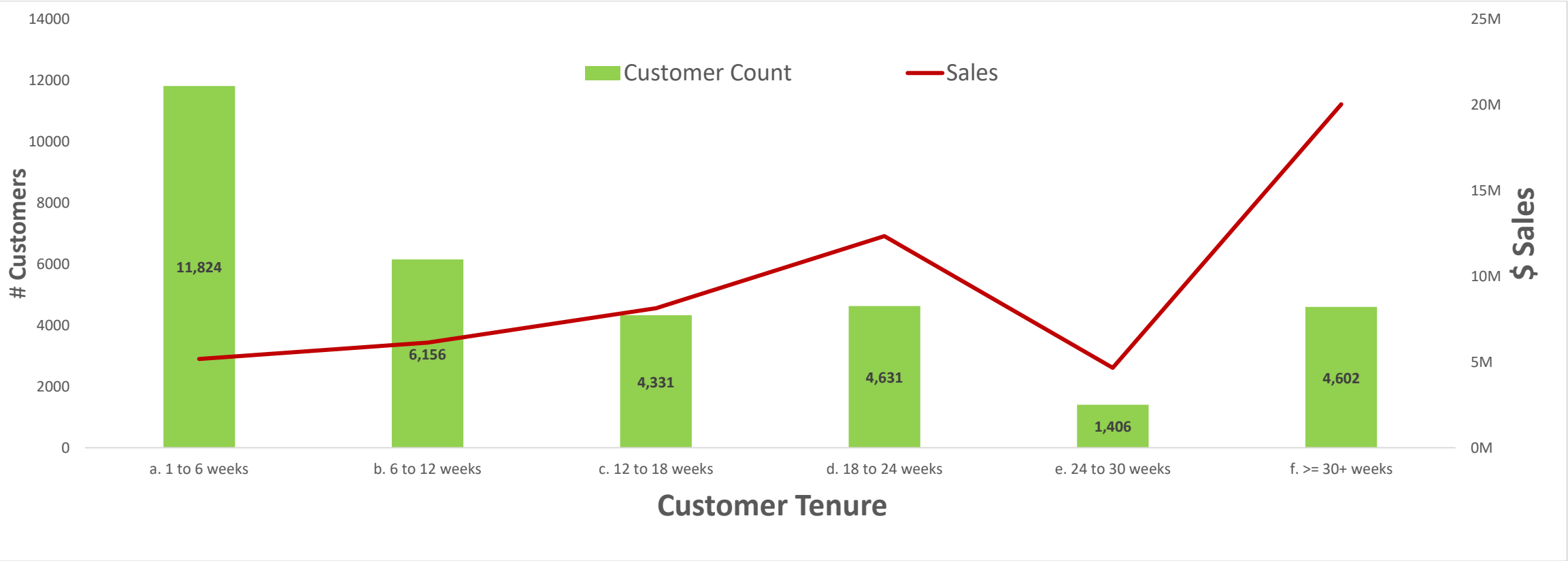
- *15 mins Data Interpretation*
- *25 mins for Group discussion*

Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.

# Section 1B: Customers Segment Strategy (Customer Tenure)

To build the strategy, you came up with the following visuals/data:

- Customers spend on subscriptions along with their tenure of subscriptions with the company

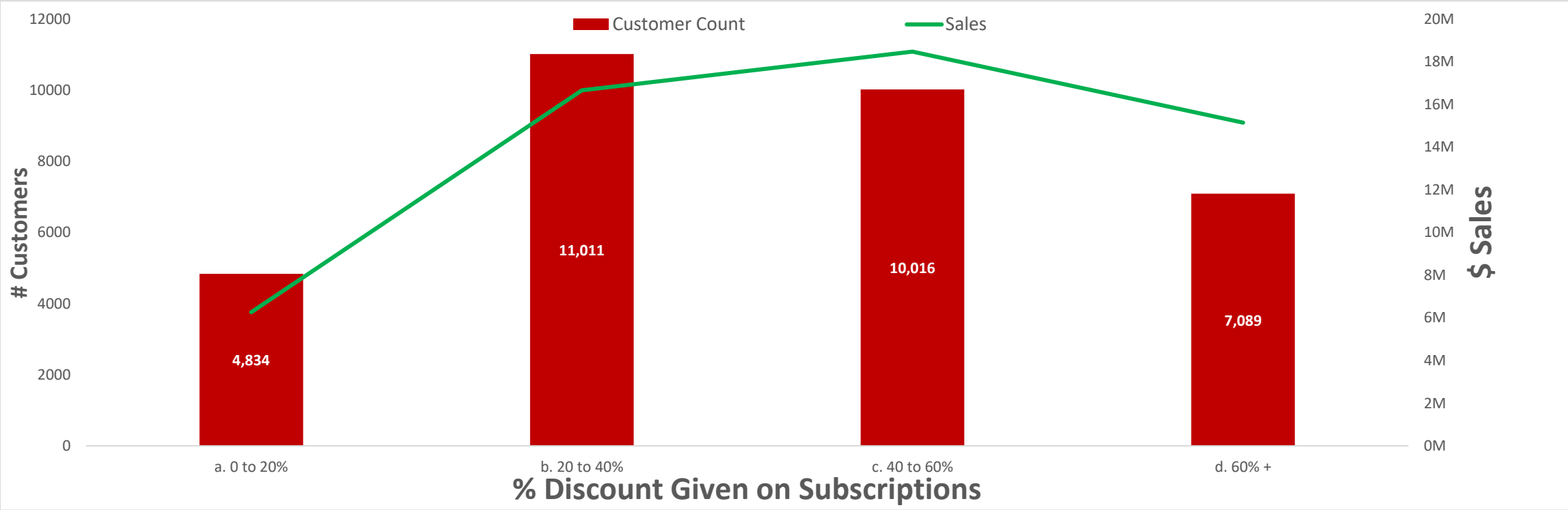


Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.



# Section 1B: Customers Segment Strategy (Discount %)

- Customers spend on subscriptions along with the discount given on the subscription



Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.

## Section 1B: Customers Segment Strategy (Tenure and Discount % combined)

- Customers distribution based on their tenure and % discount given

Tenure Bucket	Discount Bucket	Customer Count	\$ Sales
a. 1 to 6 weeks	a. 0 to 20%	2621	1,791,719
	b. 20 to 40%	5609	2,508,139
	c. 40 to 60%	3594	874,611
b. 6 to 12 weeks	a. 0 to 20%	1119	1,500,434
	b. 20 to 40%	2809	3,131,571
	c. 40 to 60%	1717	1,269,241
	d. 60% +	511	237,765
c. 12 to 18 weeks	a. 0 to 20%	462	1,016,638
	b. 20 to 40%	1069	3,212,442
	c. 40 to 60%	1521	2,949,844
	d. 60% +	1279	969,616
d. 18 to 24 weeks	a. 0 to 20%	287	858,058
	b. 20 to 40%	860	3,092,382
	c. 40 to 60%	1610	5,217,654
	d. 60% +	1874	3,190,101
e. 24 to 30 weeks	a. 0 to 20%	119	481,479
	b. 20 to 40%	256	1,799,320
	c. 40 to 60%	417	1,510,467
	d. 60% +	614	872,892
f. >= 30+ weeks	a. 0 to 20%	226	612,851
	b. 20 to 40%	408	2,914,189
	c. 40 to 60%	1157	6,645,794
	d. 60% +	2811	9,874,106

Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.

## Section 1B: Customers Segment Strategy

Based on this views/information, client is looking to segment customers based on tenure and spend with the company. Discuss the strategy that you can adopt to segment customers. Please support your argument with data provided above.

### Questions:

- ❖ What strategy will you adopt in this scenario?
- ❖ Do you think both Tenure and spend should be considered while segmenting customers into 4 groups?
- ❖ Would you recommend an aggressive strategy to increase prices? If so, why?

*Hint: Spend is the net amount paid by customer. Price of subscription - discount*

Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.

---

## Section 2: Analyzing Sales Uplift

### ***Proposed Time Utilization:***

*Spend no more than **30 minutes** for this section  
Needs to be solved individually*

Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.

# Section 2: Analyzing the Sales Uplift

After discussing with client, we have finalized the definition of these 4 segments as below:

Customer Segment	Tenure	Annual Spend
Loyal	> 12 months	> \$500
Valuable	6 to 12 months	> \$350
High Opportunity	> 10 months	\$300 to \$400
Low Opportunity	< 3 months	< \$300

*Hint: Spend is the net amount paid by customer. Price of subscription - discount*

You need to provide new prices for each customer across each segment (even a combined segment average price would work as first step). In doing so you will need to consider the thresholds of price increase for each of the segment as directed by the CRM team of the client and as shown below. All price increase recommendations must be in these ranges only and cannot lie outside the given range.

Customer Segment	Min	Max
Loyal	0%	4%
Valuable	5%	10%
High Opportunity	7%	15%
Low Opportunity	10%	20%

Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.

## Section 2: Analyzing the Sales Uplift (vs last year)

Below are price and quantities for each segment from last year, use this information to calculate the impact (sales uplift) of your recommended price increases on each segment:

Customer Segment	Unit Price	Units Sold
Loyal	90	1,88,728
Valuable	100	1,07,768
High Opportunity	150	1,33,558
Low Opportunity	180	48,528

Revenue –  
Sales Uplift –

Spend X Units  
Difference between last year revenue and this year's expected revenue

### Questions:

- ❖ Calculate new price and revenue for each segment.
- ❖ Calculate total sales uplift because of your pricing strategy.
- ❖ Would you make any assumptions while analyzing the sales uplift? If so, explain the reason/framework behind it.

*Hint: Spend is the net amount paid by customer. Price of subscription - discount*

**Contents of this document are fictitious and confidential. It is intended solely for the use of assessment. You are notified that disclosing, copying, distributing, or taking any action in reliance on the contents of this document is strictly prohibited.**