



IRM-Simon Pricing Case Competition

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Outline

1. Key Findings
2. Price Variance in LA
3. Market X Pricing Strategy
4. Price Variance in the U.S. markets
5. Segmentation and Recommendation
6. Conclusion

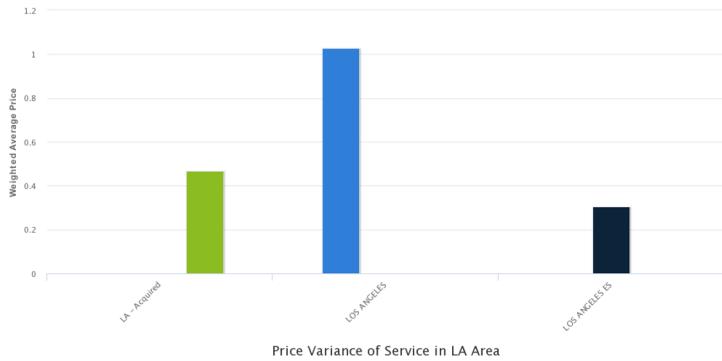
Key Findings

1. Prices of Market X all deviate from those of IRM's locations in LA considerably.
2. Significant price differences in *transport* among LA locations, may due to companies structural imparity and etc.
3. Price variances among different markets in US do exist in three categories, and Category A is the most variant one.
4. Potential segmentation strategy of four segments—giant, large, medium, and small.

1 Price Variance in Los Angeles Area

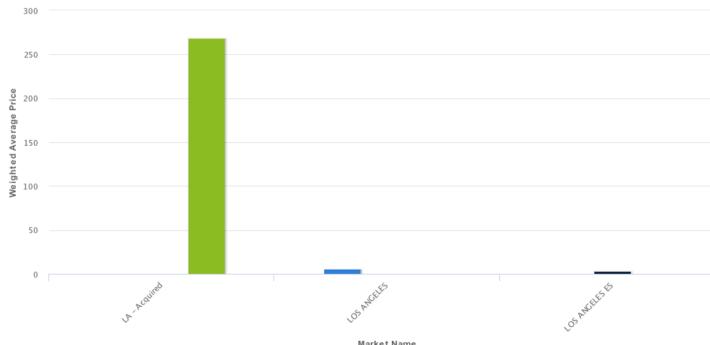
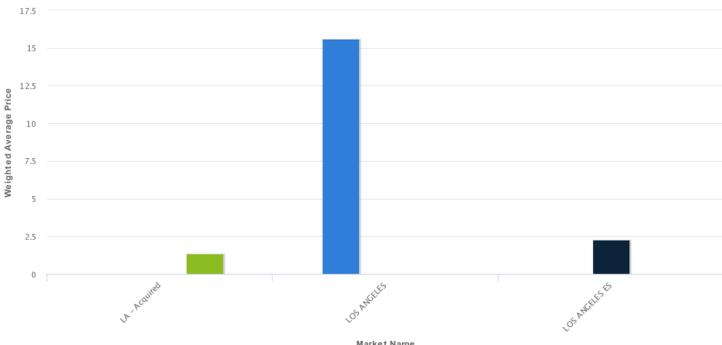
Prices of LA Acquired All Deviate Considerably

Price Variance of Storage in LA Area



Services of LA Acquired are divided into:
service (exclude service: *transportation handling*),
storage and transport

Price Variance of Transport in LA Area



2 LA Acquired Pricing Strategy

Break-Even Analysis of Increasing Price to Current LA Regular Price Level

Service Type	Break-Even Quantity	Conversion Rate	Reprice Recommendation
Type 1	---	18%	Recommend to raise price
Type 2	---	52%	Recommend to raise price
Type 3	---	6780%	Do Not Recommend, Unreasonable current price

Break-Even Quantity:

the total quantity IRM needs to achieve after price changes

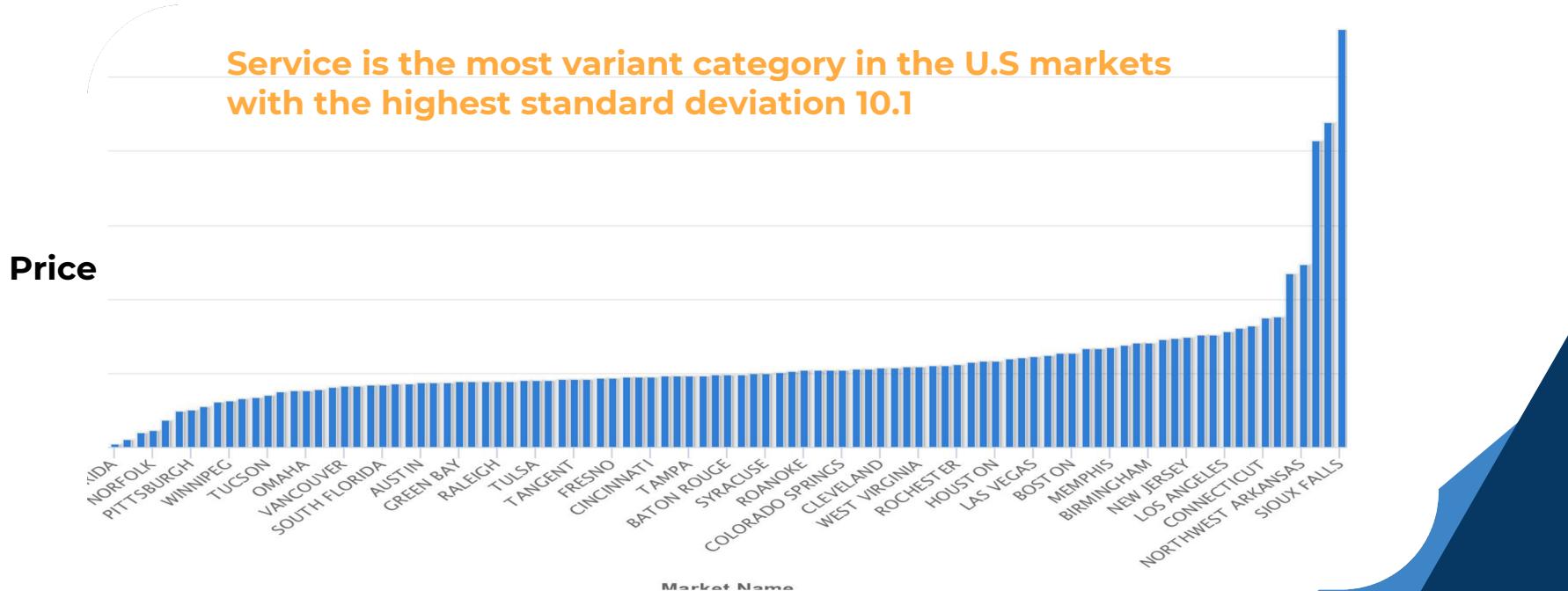
Conversion Rate:

the percentage of current customers IRM to remain for break-even

3 Price Variance in the U.S. Markets

Price Variances Between Different US Markets Do Exist in Three Categories

Price Variance in US Market --- Service Category



4.1 Segmentation & Recommendation

Segmentation Criterion

Segmentation	Standard*	Population
Giant	---	3
Large	---	87
Medium	---	450
Small	---	6987

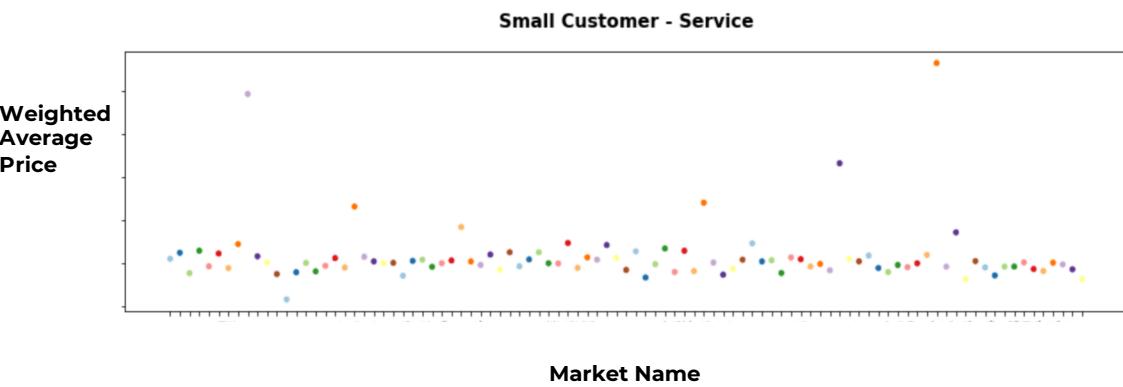
- Based on total revenue gain from each customer

Methodology:

1. Customers' segment is determined by whether the total revenue gained from a single IMGA account fits the segmentation standard.
1. Other criteria for segmenting customer, such as number of child accounts, are not optimal.

4.2 Segmentation & Recommendation

Recommendation for Small Segment



For Small Segment:

- Price is relatively stable.
- Relatively smaller magnitude of future change in invoice quantity.

Pricing Strategy:

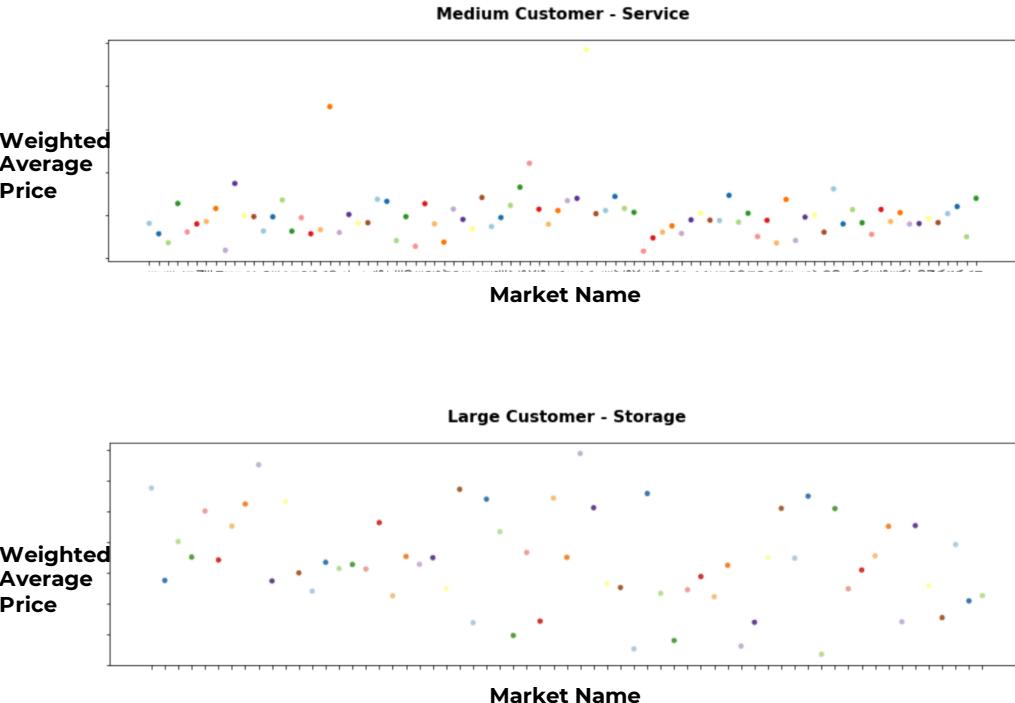
- Old Customer: consolidate price as **weighted average** for each IMGA account, calculated as:
$$P = \text{sum}(\text{revenue}) / \text{sum}(\text{quantity}).$$
- New Customer: Use quantity order as an index to pinpoint a similar old customer, and use the same price.

Advantages:

- Decrease managerial and miscellaneous cost.
- Satisfy customers' expectation of price consolidation.
- Avoid losing money from setting an unanimous price.

4.3 Segmentation & Recommendation

Recommendation for Medium & Large & Giant Segment



For Medium & Large Segment:

- Prices fluctuate significantly across markets.
- Relatively larger magnitude of future change in invoice quantity.

Pricing Strategy:

- Different prices by **different market location**.
- Rapid response to changes in operational costs across markets or changes in competitors' prices.

For Giant Segment:

- Impactful for revenue generation.

Pricing Strategy:

- Recruit specialized sales force to deal with these three giant customers.

Conclusion

1. LA-Acquired
 - Break-even analysis, i.e. conversion rate 18% for Type 1 & 52% for Type 2
 - Further investigation of the difference in the service type transport
1. US markets
 - Four segments: giant, large, medium, small
 - Pricing strategy: above medium by location, small by weighted average

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Thank you!