



## SignalDemand Pricing Diagnostic

*A 1% improvement in price can lead to an 11% improvement in Operating Profit.*

McKinsey Study of Fortune 2000 published in Harvard Business Review.



SignalDemand's experience with a broad range of customers reveals that most companies do not know what customers are actually paying for their products. Nor do they understand the margin leakage resulting from their pricing inconsistencies. Their understanding of pricing exists at the level of list prices, overall trade spending and aggregate average net prices. However, these statistics mask the high level of price inconsistency that exists at the customer/product/transaction level-of-detail. This inconsistency develops for a number of reasons:

- Large number of uncoordinated price and trade spend decisions
- Decentralized pricing decisions
- Lack of organizational discipline
- Long-term and/or "grandfathered" deals
- Difficulty in comparing prices across products and customers

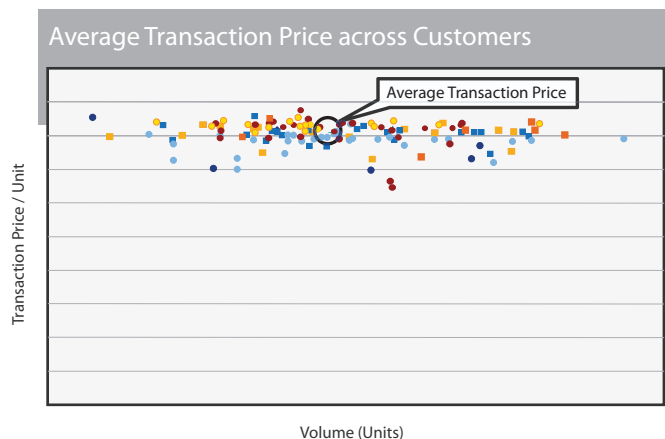
Inconsistent prices create significant margin leakage, erode profitability and represent significant long-term risks in light of changing costs.

SignalDemand's Pricing Diagnostic examines a company's pricing practices, illuminates and quantifies the level of pricing inconsistency and estimates the margin improvement potential from improving pricing consistency.

## Benefits of Pricing Diagnostic

The first benefit of the Pricing Diagnostic is awareness. For most executives, it is an eye-opening experience to really understand the level of inconsistency typically resulting from current pricing practices. After awareness, the Pricing Diagnostic produces focus on the biggest problem areas identified in the diagnostic. This brings tactical actions to bring outliers into line. Finally, the recognition of the dysfunctions resulting from current pricing practices brings strategic initiatives to address the root causes of the underlying problems. This creates both short-term margin increases and long term sustainable margin improvements.

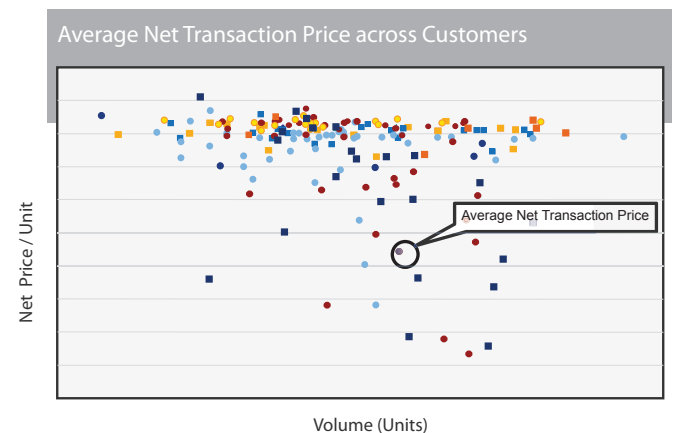
## Sample Results of SignalDemand Pricing Diagnostic



## The Pricing Diagnostic Project

Depending on the size of the organization and the scope being addressed, the Pricing Diagnostic project typically spans a 4-8 week period. The project proceeds through four stages and uses many of the best practices from our Express methodology.

1. **Discovery:** This initial stage is required to gain the proper understanding of the company's business, its organization relative to pricing decisions and the processes involved in pricing. This results in the creation of a "pricing map" that illustrates all the individual decisions that collectively define the net price a customer pays for a product. We will review this pricing map with business executives involved in the project to ensure that all factors have been properly accounted for.
2. **Data Collections & Validation:** With the pricing map as guide, this stage of the project is used to collect 2-5 years of historical data enabling the calculation and analysis of net prices. In this stage of the project, SignalDemand works closely with the appropriate customer personnel who are assigned the task of actual data collection once the appropriate data has been identified within the customers IT environment. At the end of this stage of the project, we will work with both technical and business executives to validate that the data collected and the net price data transformation is valid.



*This SignalDemand Pricing Diagnostic reveals significant disparity across the actual prices charged to customers. This diagnostic presents a common challenge. While average transaction price appears consistent across customers, many companies are surprised to discover significant variation in the net prices charged across customers.*

**3. Analysis & Measurement:** The customer's data is loaded into SignalDemand's applications for analysis. This analysis groups customers and products into appropriate groupings for analysis. Prices are then "indexed" in order to perform apples-to-apples comparisons both within and across customer and product groupings. Price consistency indexes will be calculated for all customer-product groupings and problem areas identified. Extreme outliers will be identified as well. The margin leakage and improvement opportunity will be measured and quantified.

**4. Action Planning:** In reviewing the results of the Analysis and Measurement stage of the project, action steps will be identified, assigned responsibility and organized into a go-forward plan. The go-forward plan has two major components:

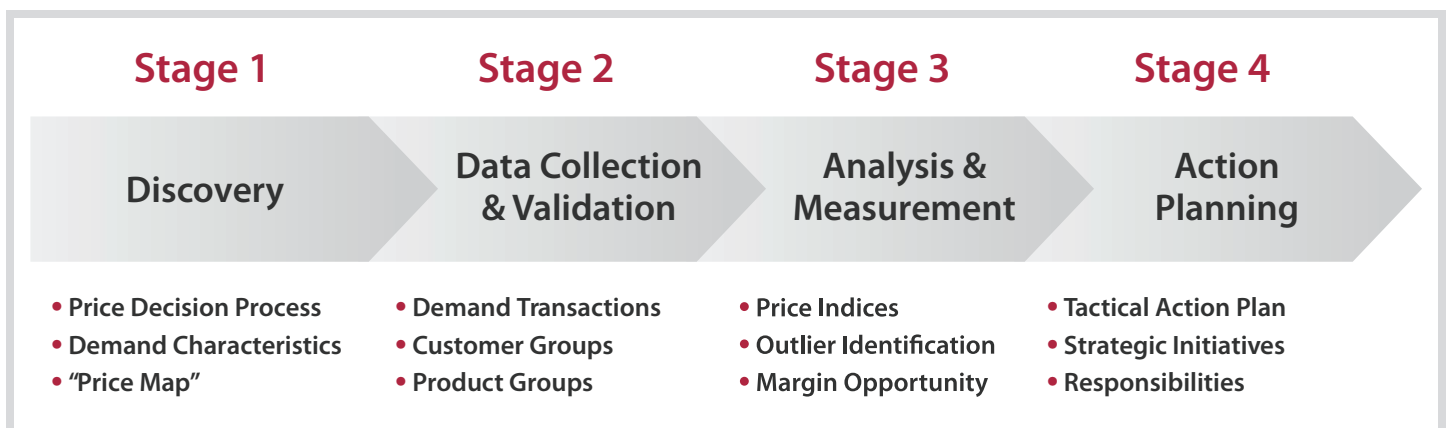
- a. **Short-Term Tactical Plan:** This documents immediate actions to be taken and includes: immediate price action to bring prices into compliance, investigation of extreme outliers to determine feasibility of corrective action and focused efforts in problem customer-product groupings.
- b. **Long-Term Strategic Initiatives:** This develops a number of improvement areas to address structural problems within the processes, organizational responsibilities and/or decision support tools the business uses to set prices

## Project Deliverables

The Pricing Diagnostic produces tangible deliverables that when put into action generate real margin improvements and can lead to sustainable gains in profitability. The final outcome of the project is encapsulated into a diagnostic report and action plan. This report includes:

- **Price Map** – showing the decision flows that generate a transaction net price
- **Price Index Diagrams** – for each Customer-Product Group under consideration
- **Margin Opportunity Potential** – Measured feasible potential margin gains
- **Short-Term Tactical Action Plan** – Specific short-term corrective actions
- **Strategic Initiatives Plan** – Longer term areas of structural improvements to sustain gains

Throughout the project the SignalDemand project team will work with the customer project team and executive management to communicate, investigate, identify and validate the margin improvement potential that can be realized through more consistent pricing and pricing practices.





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## About SignalDemand

SignalDemand provides manufacturers with on-demand software and services to achieve maximum profit margins in the face of volatile markets and increasingly complex pricing decisions. Using patented, comprehensive mathematical models to process thousands of variables, SignalDemand's technology allows customers to adjust supply and pricing

on a continual basis. By recommending best price, supply utilization and product mix in moments, SignalDemand enables better day-to-day decision-making. Industry leaders rely on SignalDemand for immediate and ongoing improvement of financial performance. For more information, please visit [www.signaldemand.com](http://www.signaldemand.com).