

E-BOOK

DUCKER  CARLISLE

# Pricing Excellence

People, Process, and  
Technology: Do you have  
what it takes to price well?







Founded in 1961, Ducker Carlisle is a global market research, strategy consulting and M&A Advisory firm that delivers custom, industry-centric solutions which improve client performance and enable business growth across complex markets.

# Our core values

| SCIENTIFIC CURIOSITY

| COLLABORATION

| INCLUSIVITY

| COMMITMENT





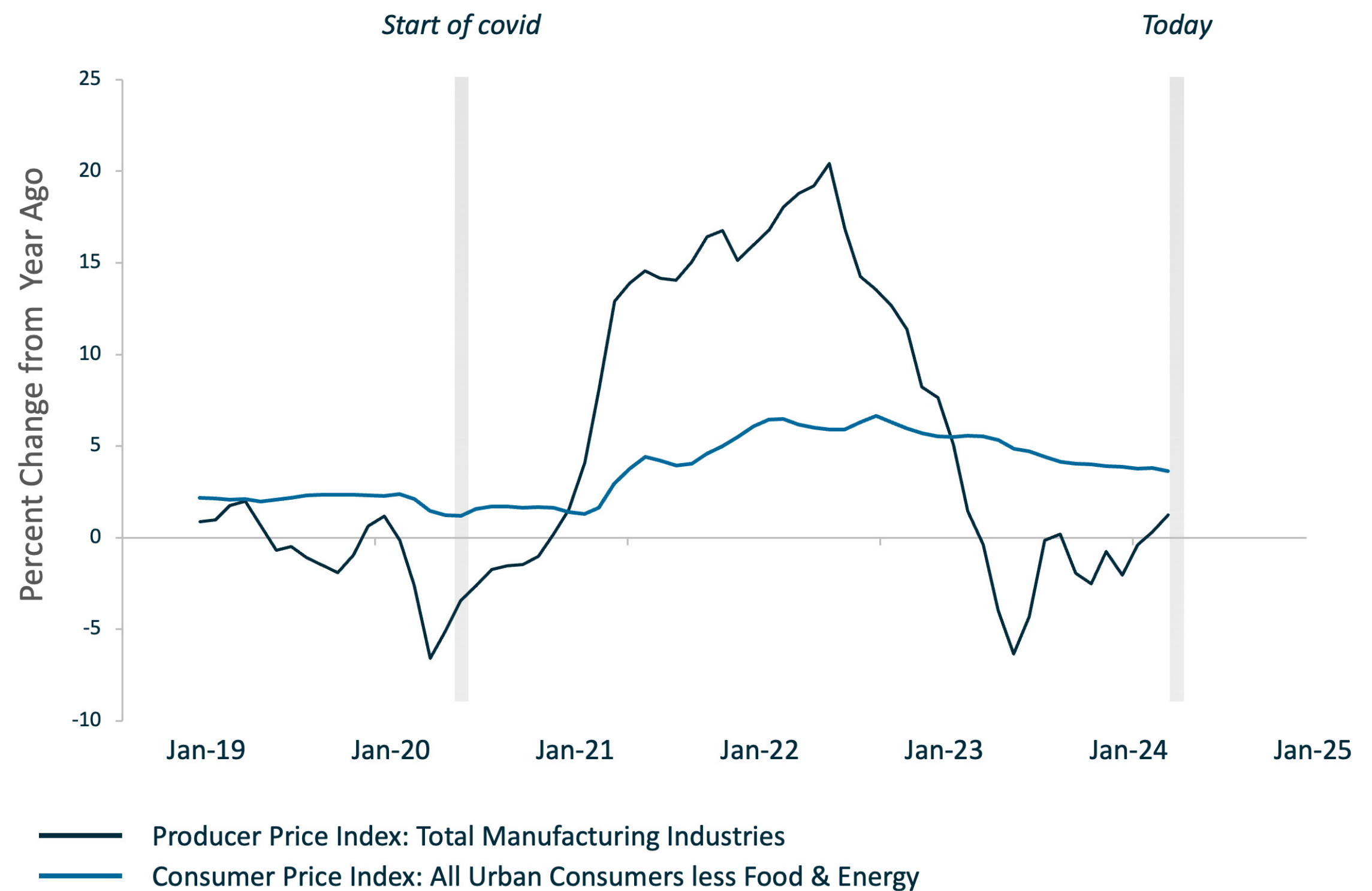
# Introduction to the Macro Environment

Continued raw material cost volatility, contentious trade relationships, and uncertain interest and currency exchange rates compound already hectic pricing environment

Manufacturers and suppliers are navigating an uncertain inflationary landscape, with customers demanding price improvements as competitive visibility continues to improve.

Developing people, processes, and technology is vital for effective price management.

## Inflation Uncertainty for Manufacturers





# 2024 continues the trend of **increasing pricing challenges**

## **TECHNOLOGY**

Shifting technology trends stress organization's ability to price effectively

## **INTEREST RATES**

High-interest rate environment further squeezes consumers and erodes margin

## **PRICE SENSITIVITY**

Prices have gone up ~20% since 2020, stretching consumer willingness to pay to upper bounds

## **INFLATION**

Material and labor costs remain top of mind as producers question how costs will trend into 2H 2024 and beyond

## **GEO-POLITICS**

Geo-political uncertainty challenges relationships with suppliers, further threatening margin levels

## **COMPETITION**

Covid-era price increases force managers to question whether they took too much price





# Enhancing Pricing Practices to **Meet** **Dynamic Market Challenges**

## **PRICING EVOLUTION**

The increasing complexity of economic and competitive factors impacting pricing has rendered the practice of annual, uniform 'peanut butter spread' price increases obsolete.

## **STRATEGIC PRICING**

Pricing opportunities now emerge by strategically enhancing margins through targeted actions, informed by competitive positioning, part type, and distinct attributes.

## **CUSTOMER FOCUSED**

Recognizing the diversity in your customers' size, end markets, and regions sharpens pricing strategies and unlocks sustainable margin growth.





# Developing people, refining processes, and leveraging advanced technology will **drive better pricing decisions and improved profitability**

## 2024 KEY PRICE CHALLENGES

01

### Macro-Economic Factors

Inflation/ Interest Rates/ Technology/ Regulations

02

### Competitive Intelligence

Understanding the competitive landscape and positioning

03

### Price Management

Setting and enforcing prices, managing margins

04

### Price Infrastructure & Governance

Establishing robust pricing systems and processes

## CORE PRICING COMPETENCIES



### People

Are the right individuals available and trained to react dynamically to the core challenges?



### Process

Are methods in place to convert evolving and new data into impactful pricing actions?



### Technology

Is technology used to enhance efficiency and enable timely, sustainable pricing decisions?





# 01

## Handling an uncertain Macro Environment: Agility in pricing processes is critical to adapt to volatile environments



### People

- Sales and pricing teams often consider inflation and material costs and may neglect other critical factors like interest payments, product lifecycles, and aging inventory.
- They may also lack the resources to frequently analyze inflation and cost pressures in a volatile price environment.
- Additionally, teams might not be able to accurately gauge the market's willingness to pay for features, leading to missed margin opportunities.
- Understaffed pricing teams are asked to manage a tremendous amount of complexity across potentially hundreds of thousands of price points



### Process

- Many organizations lack internal processes to adapt and communicate changes in a dynamic economic landscape.
- Pricing decisions are often siloed, and product teams might not utilize the same data as pricing teams, potentially causing valuation differences.
- The effort and care to price after-sales products is often not afforded the same level of rigor as new products or whole goods.
- Insufficient processes for monitoring material costs and outdated strategies hinder rapid adjustments to pricing.



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# 02

## Competitive Intelligence: Optimizing the competitive intelligence process ensures the sustainable success of recent pricing actions



### People

- Pricing departments are overwhelmed managing prices across competitors, channels, and segments.
- Accurately mapping competitive price positioning is difficult without adequate product, technical, and market expertise
- Lack of advanced technical resources make collecting and matching competitive price points impossible at scale
- Data challenges in aftermarket pricing force teams to scramble for less accessible data with fewer resources to evaluate significantly more items
- Shortcuts can lead to sample bias, undermining pricing strategies with inaccurate or insufficient data



### Process

- Teams managing potentially millions of price points often lack the streamlined processes necessary for tracking and updating competitive information
- Manual, cumbersome intelligence gathering methods lead to quickly outdated data, rendering large-scale engagements obsolete without mechanisms for regular updates
- Ineffective processes for comparing products don't allow for attribute-level matching



### Technology

- Lack of technological capability to accurately acquire, track, and centralize competitive pricing data
- Reliance on non-automated systems that can't handle vast amounts of data
- Inadequate systems are unable to streamline attribute-level benchmarking and communicate competitive insights
- Inability to quickly update competitive price data due to technical limitations





# 03

## Price Management: Enabling advanced pricing processes unlocks the benefits of greater visibility into true profitability



### People

- Pricing analysts and product managers typically have financial or technical expertise, but may lack the bandwidth to selectively apply advanced pricing principles and comparative inputs like conjoint analysis or peer pricing models
- This bandwidth gap leads to uncertainty in SKU rationalization, price adjustments, and tactical increases
- Improper initial pricing leads to frequent negotiations and spot price requests, further disrupting operations



### Process

- Reliance on basic cost-plus pricing may not reflect the true value proposition, and can result in misaligned price-value relationship due to legacy and aging inventory
- Lack of structured, advanced pricing processes hampers logical segmentation and cohesive deployment of initiatives
- Customers across industries, geographic regions, or end markets receive similar pricing despite vastly different sensitivities and needs
- Inconsistent and abandoned efforts create layers of pricing irregularities and missed margin opportunities.
- The scale of aftermarket parts SKUs amplifies pricing deficiencies, impacting an organization's aftermarket profitability.



### Technology

- The absence of adequate pricing software prevents the implementation of advanced, customized pricing strategies
- Linking value-based price points is difficult to integrate and update with poor pricing systems
- Pricing is inconsistently enforced across customer segments without an integrated, centralized pricing system
- Lack of advanced pricing tools prevents the creation of dynamic customer and product segments
- Inadequate configuration systems don't enable real-time quoting





# 04

## Price Infrastructure & Governance: Successfully executing pricing strategies requires clear command structure and communication



### People

- Insufficient pricing infrastructure leads to miscommunication between pricing, product management, and sales departments.
- Without a strong management structure, competing interests among teams in After-sales leads to disjointed go-to-market strategies.
- Lack of automated quoting systems burdens an already understaffed sales departments with spot quotes, diverting focus from high-value projects.



### Process

- Excessive red tape in pricing processes bogs down managers with spot pricing requests and constant negotiations.
- Siloed organizations struggle to communicate cost or price updates, causing friction among departments, and impeding effective pricing strategies.
- Fragmented systems and methods across teams and business units lead to inconsistent pricing benchmarks and segmentation strategies.



### Technology

- Effective pricing governance relies on robust technology platforms.
- The governance of pricing strategy suffers without adequate systems implemented across teams for monitoring and reporting pricing impacts.
- For organizations managing high SKU counts, automated pricing & quoting systems, centralized communication, and consistent discounting governance are essential for protecting margins and ensuring successful pricing initiatives.





# How to elevate your Pricing Organization

Navigating the myriad obstacles in pricing requires a strategic approach, prioritizing high-impact initiatives. Short-term, actionable goals should precede full-scale overhauls of current systems.

## PRICING ASSESSMENT

Low-cost way to diagnose key improvement areas, identify quick wins, prioritize initiatives, and help select the best pricing software solutions for your business.

Engage third-party pricing specialists to perform a thorough and comprehensive pricing assessment.

## PRICING SOFTWARE

Research market leading pricing platforms that are most compatible with your business needs.

Advanced pricing advisory firms can provide guidance on selecting and implementing the most suitable pricing software, ensuring a smooth rollout and successful adoption.

## PRICING STRATEGY

Develop customized pricing strategies based on customer requirements and aligned with the company's goals and market position

Leverage sales, financial, transactional, and attribute data at the product level to start shifting towards advanced pricing strategies.

## COMPETITIVE INTELLIGENCE

Investigate scalable ways to incorporate more competitive data into your organization.

Collaborate with product leadership to identify key competitors and products for initial roll out.





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