



Pricing on the Periphery

Are your "D" customers generating cash for you? Pricing is a strategic tool used to increase revenue, profit margins and competitive advantage. Pricing on the Periphery uncovers an easy to implement low-risk pricing strategy.

WONDERMENT® Project Steps:

1. Separate out your "C" & "D" customers, along with their annual revenue numbers. (See right).
2. Determine the impact on revenue if you unilaterally increase prices to "C" & "D" customers by 20%.
3. What percentage of business would you expect to lose? Re-compute your answer adjusting for any anticipated lost business.
4. How would this affect your bottom line?

Remember:

C & D customers represent the known pool for prospecting as they already know you.

Related Wonderments

The Prioritize Customers Wonderment must be completed first. Then ...

- Who Should Be a Prospect?
- Touch Plan
- B and C Pricing
- **Pricing on the Periphery**

Example: Juice Distributor

Preston's Juice, a \$10M distributor with 1000 customers, did a Prioritize Customers Wonderment and discovered that they had 160 "C" customers (for \$1.6M) and 640 "D" customers (for \$400,000). They applied a 15% price increase to all "C" customers, and a 30% increase to all "D" customers and in the process lost 5% of them. The increase netted Preston's Juice an additional \$340K in revenue and bottom line profits.

In Your Company ...

Using the results of your A-B-C-D Prioritization, fill in the chart below with the number of your "C" and "D" customers, and their respective revenue numbers. Then calculate the effect of a 15% price increase to "C" customers and 30% increase to "D" customers. (Assume a 5% loss of customers in each group).

Customers	C	D	Total	C	D	Total
1. # of Customers	160	640	800			
2. Annual Revenue	\$1.6M	\$400K	\$2M	\$	\$	\$
3. # of Customers Lost	8	42	50			
4. Lost Revenue	\$80K	\$26K	\$106K	\$	\$	\$
5. Additional Revenue from Price Increase	\$228K	\$112K	\$340K	\$	\$	\$

What questions does this raise?

- What if the price went up 50%? 100%?
- What would happen if you lost all your "D" customers? Are there any benefits?
- What are the relative "costs of service" for these "C" and "D" customer groups? Is this cost reflected in the pricing strategy?
- Do all customers get the same terms? Why? Why not?
- Can existing marketing channels (i.e. distributors, reps) play a role in servicing low volume customers? What are the implications?
- Can additional revenue be realized by increasing the minimum order size or minimum shipping costs?

Please tell us what you think. Log on to www.jacquard.com or call 847.945.8700.