



Strategic “D” Pricing Increases Cash

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 to drive profit from all customers. The results also provide more time and focus for the key customers and targets.

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 we unilaterally increase prices to C & D customers by x%.
3. What percentage of business would you expect to lose? Re-compute the impact on revenue adjusting for any anticipated lost business.
4. How would this affect your bottom line?

A-B-C-D Customers

You should complete the Prioritization Wonderment first to determine your A-B-C-D customer lists. C & D customers represent the 80% that make up 20% of the revenue.

Time for you to take over ...

Using the Prioritization, calculate the effect of your price increase “C” and “D” customers. What is your assumption on loss of customers in each group?

Customers	A	B	C	D	Total	C	D	Total
1. # of Customers								
2. Annual Revenue						\$	\$	\$
3. # of Customers Lost								
4. Lost Revenue / Margin at 35%						\$	\$	\$
5. Additional Revenue from Price Increase / Margin at 100%						\$	\$	\$
6. Total added margin								

What questions does this raise?

- What if the price increase was 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.

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