

Managing price to deliver profit and revenue growth

A case study from the Transport and Logistics Industry

A 1 % improvement in price for an organisation with a 5 % net margin will increase profit by 20 %. This may seem an obvious observation, but few companies truly manage and exploit price as a powerful profit lever. Organisations have for a long time focused on cost reduction to deliver profit growth.

In the highly competitive low margin Transport and Logistics Industry managing price is fundamental to sustaining profits and growth. Companies in this sector face a number of challenges;

Market environment

- highly competitive with a large number of players
- a lack of price discipline in the market which customers have learnt to exploit
- large disparities in prices across the customer base that are not always justified by volumes, service requirements or costs to serve

Common Internal issues

- the price tendering and approval processes are slow, time consuming and a drain on resources
- lack of tools to measure profitability, price sensitivity, competitor pricing and win/loss information by segment
- difficulty in monitoring and managing customers to the volumes and conditions that were agreed when setting the price
- high customer churn rates



CIBLEX, the French logistics company have achieved significant benefits by changing the focus and grasping the challenge of proactively managing price in the organisation.



CIBLEX, previously Hays Dx, was founded when the British group Hays PLC decided to divest from its transport and logistics interests. The senior management team with the support of an investment fund acquired the company. CIBLEX are experts in express distribution and maintenance services in the automotive, medical, IT/telecoms, optical and industrial spare parts sectors.

Their success in exceeding customer requirements in this sector has resulted in CIBLEX being a recognised leader in the industry.

- CIBLEX France & Belgium delivers 75 000 parcels a day
- Employs 800 people
- 120 depots
- 17 agencies

One of the reasons for CIBLEX's success has been their willingness to innovate and lead in the use of new technologies and concepts.

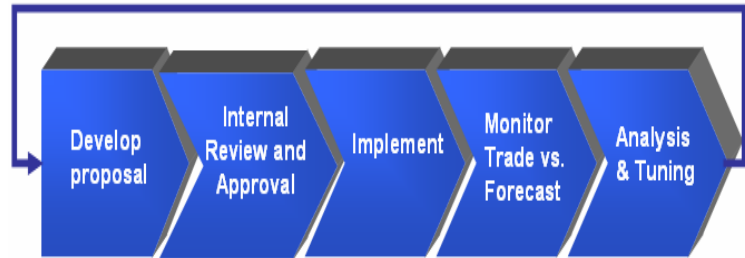
Developing a Vision

With the help of Open Pricer, a European based provider of Pricing and Revenue management solutions, CIBLEX implemented an initiative to take control of the deal and contract management process.

CIBLEX developed a vision of how their deal and contract management process should work:

“We decided we had to be proactive and tackle these pricing issues” said Pascal Negus, Head of Strategy and Development. “We were looking for a powerful system to provide us with a 360° visibility of our customers, especially an advanced quotation module recommending applicable prices taking into account both external market and internal cost considerations, a validation workflow module to increase control and speed of the process, and a monitoring module to inform each sales executive of discrepancies between agreed and achieved contract conditions”

The Deal Management Process



Based on :	Is the proposal in line with profit and strategic objectives?	Contract with the client	Is the customer trading to the agreed conditions ?	Profitability and Fair Price analysis
- Forecasted or historical trade profiles	Are there operational costs or capacity issues?	Implement agreed prices in the billing system	Identify under-performers and take action	Win/loss statistics
- Expected Margins				Simulate changes to the pricing policy
- Competitor Prices				Collect and model competitive pricing
- Probability of success				

Implementing the Vision

To deliver their objectives and vision, CIBLEX chose to move forward with OPEN PRICER Pricing and Revenue Management solution.

Defining customer profile and requirements accurately

Quotes based on personalised shipping profiles

- reference shipping profiles are calculated from historical traffic (for existing customers) or a selection of standard profiles (for prospects)
- standard profiles can be modified by the Sales Person based on the traffic forecast provided by the customer

“The capability to easily formulate accurate shipping profiles saves time for the sales person, enables accurate cost allocation, and provides the basis for contract management and commitment monitoring”

Edit product : Domestic				
General Info				
Weight Pattern	Values SHP/month	%	% (ref)	
<input checked="" type="checkbox"/> 0-2	62	6.1 %	6.5 %	
<input checked="" type="checkbox"/> 2-5	71	6.9 %	7.5 %	
<input checked="" type="checkbox"/> 5-10	90	8.8 %	9.4 %	
<input checked="" type="checkbox"/> 10-15	73	7.1 %	7.6 %	
<input checked="" type="checkbox"/> 15-20	58	5.7 %	6.0 %	
<input checked="" type="checkbox"/> 20-30	103	10.1 %	10.7 %	
<input checked="" type="checkbox"/> 30-40	104	10.2 %	10.9 %	
<input checked="" type="checkbox"/> 40-50	96	9.4 %	8.6 %	
<input checked="" type="checkbox"/> 50-60	72	7.0 %	6.4 %	
<input checked="" type="checkbox"/> 60-70	55	5.4 %	4.9 %	
<input checked="" type="checkbox"/> 70-80	38	3.7 %	3.4 %	
<input checked="" type="checkbox"/> 80-90	34	3.3 %	3.0 %	
<input checked="" type="checkbox"/> 90-100	27	2.6 %	2.4 %	
<input checked="" type="checkbox"/> > 100	141	13.8 %	12.6 %	
Total	1024	100 %	100 %	

[\[Show average weights\]](#)

Edit product : Domestic				
General Info				
Destinations	Values SHP/month	%	% (ref)	
<input checked="" type="checkbox"/> R1	80	7.8 %	7.8 %	
<input checked="" type="checkbox"/> R2	85	8.3 %	8.3 %	
<input checked="" type="checkbox"/> R3	176	17.2 %	17.2 %	
<input checked="" type="checkbox"/> R4	148	14.5 %	14.4 %	
<input checked="" type="checkbox"/> R5	290	28.3 %	28.4 %	
<input checked="" type="checkbox"/> R6	245	23.9 %	24.0 %	
Total	1024	100 %	100 %	

Edit product : Domestic				
General Info				
Day of Week	Values SHP/month	%	% (ref)	
<input checked="" type="checkbox"/> Monday	202	19.7 %	19.7 %	
<input checked="" type="checkbox"/> Tuesday	221	21.6 %	21.6 %	
<input checked="" type="checkbox"/> Wednesday	219	21.4 %	21.4 %	
<input checked="" type="checkbox"/> Thursday	204	19.9 %	19.9 %	
<input checked="" type="checkbox"/> Friday	178	17.4 %	17.4 %	
Total	1024	100 %	100 %	

Suggesting the right price and managing the process

Suggested pricing is based on forecasted traffic, deal attributes, negotiation levers and strategic considerations such as:

- discounts
- volume commitments
- traffic entry point
- capacity utilisation
- collection time
- delivery time
- service level agreements
- segment strategies
- payment terms...

“OPEN PRICER system facilitates optimised pricing decisions, the management of the approval process and the implementation of the prices into the billing system”

Measure Unit: SHP kg Parcel

Product	Qty	Price Plan	Target	Unit Price EUR	Revenue EUR	Score	Approv	Win Prob	Contrib.
Domestic	1,024	Price Plan <input type="text" value=">=10Kg"/>	<input type="checkbox"/>	42.20	43,212	88	<input checked="" type="checkbox"/>	50%	46%
		Discount <input type="text" value="16.5"/> %							
		Override Prices <input type="checkbox"/>							
<input type="button" value="Save"/>									

[Quotation Grid](#)

Price Detail | **Scoring** | Profitability | Win/Loss | Competition | Fair Price | Market Response

Negotiation Levers	Discount	Price / SHP	Approv	Score	Proba	E(Contribution)
<input checked="" type="radio"/> Discount	14.00 %	43.55	<input checked="" type="checkbox"/>	100	33%	6,980
<input type="radio"/> Pickup	16.50 %	42.20	<input checked="" type="checkbox"/>	88	50%	9,935
<input type="radio"/> Delivery	19.00 %	40.98	<input checked="" type="checkbox"/>	76	66%	12,212
<input type="radio"/> Payment Terms	21.50 %	39.76	<input checked="" type="checkbox"/>	65	79%	13,610
	24.00 %	38.41	<input checked="" type="checkbox"/>	52	88%	14,061
	26.50 %	37.19	<input checked="" type="checkbox"/>	41	94%	13,724
	29.00 %	35.97	<input type="checkbox"/>	30	97%	12,956
	31.50 %	34.62	<input type="checkbox"/>	17	98%	11,834
	34.00 %	33.40	<input type="checkbox"/>	6	99%	10,695

Monitor and manage to profile

Alerts are generated for each customer not meeting their targets or commitments.

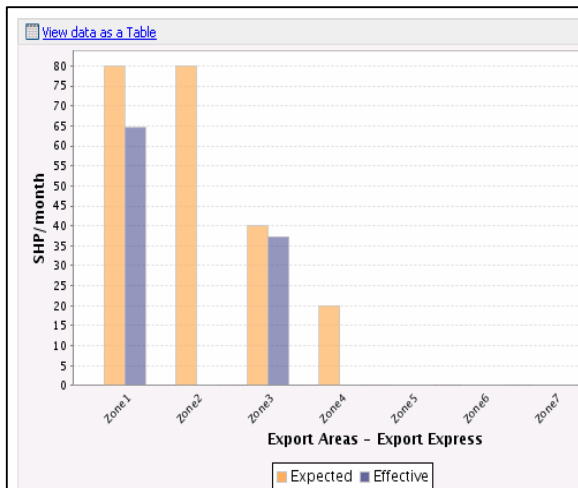
Sales Managers can review performance by salesperson, region, and product, to measure the success of pricing strategies and policies. Information is collected and fed back into the proposal development process.

Alerts

My alerts | All alerts | Old alerts | Alerts by user

Show alerts of type:

Customer	Type	Description	Segment	Read	Monthly impact	Updated	Created
C130327		Difference on SHP = 88 % for product Export.	Healthcare	<input type="checkbox"/>	9,580	Feb 2, 2006	Nov 7, 2005
C111880		Difference on SHP = 100 % for product Export.	Various	<input type="checkbox"/>	5,855	Feb 2, 2006	Nov 7, 2005
C129413		Difference on SHP = 100 % for product Export.	Various	<input checked="" type="checkbox"/>	1,448	Feb 2, 2006	Nov 7, 2005
C206969		Difference on SHP = 99 % for product Export.	Various	<input checked="" type="checkbox"/>	41,681	Feb 2, 2006	Nov 7, 2005
C104678		Difference on SHP = 55 % for product Export.	Loisirs	<input type="checkbox"/>	8,265	Feb 2, 2006	Jan 31, 2006



Segment / All/Pot 4/Loisirs

C104678 (Act)

General Info | Alerts | Segment Comparison | Compet. | **Contract** | Profit. | Buying pattern

Products: All

National | Export

Year: Period type:

Contracts in Progress	Product / Key Variables	Eff.	Exp.	Gap
Deal C104678 2004	Export Express			
Start Date 12/31/2003	Revenue	5,167	11,700	-55.8%
Contract End Date	SHP	142	220	-35.5%
	Avg. Net Price	36.38	53.18	-31.6%
	Average weight	9.3	10.3	-9.9%
	Concentration Rate	2.4	22.0	-89.1%

Profiles: Weight Band (>=10kg), Export Areas, Day of Week

The benefits

The OPEN PRICER Pricing and Revenue Management system has been implemented in 2005 and CIBLEX is expecting to realise a number of major benefits;

- Increased coordination of sales activities and productivity in the quotation process
- A significant amount of time required previously to manage quotations & proposals has been transferred to pure selling activity (focusing on value rather than price)
- The lead time to provide customers with quotations has shortened significantly

CIBLEX now have the capability to develop more Segmented pricing approaches and have the tools to implement them efficiently.

“By implementing the OPEN PRICER Pricing and Revenue Management system we have significantly increased our capabilities in the area of pricing while at the same time reducing the resources required for the process”

This has had a considerable impact on our performance”

**Teddy Megarbane
President & CEO CIBLEX**

Summary

Few organisations have realised the considerable opportunities to increase profits through managing the deal and contract management processes.

Deal and contract management is only one of the areas where pricing and revenue management can have major influence on organisations profitability. Pricing and revenue management in general is an untapped source of profit potential for Transport & Logistics companies.

Next steps

OPEN PRICER's services and solutions are marketed in the UK by the Bellis-Jones, Hill Group. We will be delighted to discuss your requirements and how we can help. We look forward to hearing from you. For more information about our pricing and profit improvement services please contact Tony Hodgson at the Bellis-Jones, Hill Group.

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