

Pricing Process Reviews

A simple approach to drive profits and growth

Bellis-Jones
Hill Group

CUSTOMER CASE STUDY

Pricing is often seen as primarily being the responsibility of the Marketing Department. In reality, when Pricing is managed successfully many departments are involved in the evaluation, coordination and implementation of customer pricing. Ensuring that the pricing process is balanced and coordinated across the functional boundaries can therefore have a significant impact on profitability.

Parcelforce Worldwide has taken this more holistic view of pricing to develop a road map for future pricing initiatives to ensure ongoing long-term profitability whilst at the same time identifying some quick win opportunities.

Parcelforce Worldwide

Parcelforce Worldwide is a leading provider of collection and delivery services for urgent packages and parcels.

Within the UK and throughout the world, it provides high-quality collection and delivery services to both business and private addresses, with a range of timed delivery options.

“Today’s economy is pushing people to find every opportunity they can to improve profitability. In the 1990s, most companies attacked cost. Pricing remains one of the few untapped levers”

McKinsey & Company

Background

Parcelforce Worldwide have recently gone through a major process of organisational change designed to give the local areas more freedom and flexibility to respond to local customer requirements, albeit within the structure of a national network business with high conformance to standards. As part of this Pricing practices were reviewed and redesigned to delegate authority to where it mattered, at the front-line. Central administrative burdens have been reduced and a leaner Pricing team now focus on using their pricing expertise to support the business with price decision making. This initiative is seen as a success within the organisation.

“There is no doubt that delegating a level of pricing authority to our local General Managers has been successful. However, pricing is so critical in our industry that we are constantly looking for other opportunities for improve our approach” said Iain Johnson head of Marketing



Pricing Process Reviews

Parcelforce Worldwide engaged Bellis-Jones, Hill Group to provide the rigorous external review they were looking for. The Bellis-Jones, Hill Group has developed an approach that helps organisations identify issues around their pricing practices and processes, the opportunities for improvement and the potential benefits of change.

“You can think of this as a *Pricing Health Check*” said Tony Hodgson from Bellis-Jones, Hill Group “Most organisations recognise the strategic importance of pricing and its impact on the bottom line, but few have coordinated strategies, processes and practices in this

One of the key issues is that the pricing process crosses all the main organisational functions. Excellent pricing strategies developed by marketing will fail if there is not a coordinated approach to implementation across the organisation. Often the policies, measurement tools and communication are not in place to facilitate the pricing strategy. The consequence is lost sales opportunities, reduced profits and a frustrated and unproductive sales force.

THE PRICING PROCESS



Pricing process review deployed at Parcelforce Worldwide

Step 1. High level analysis

This high level analysis includes gaining an understanding of corporate strategy and objectives, existing pricing practices and policies, volume trends by product and market and an understanding of costing methodologies.

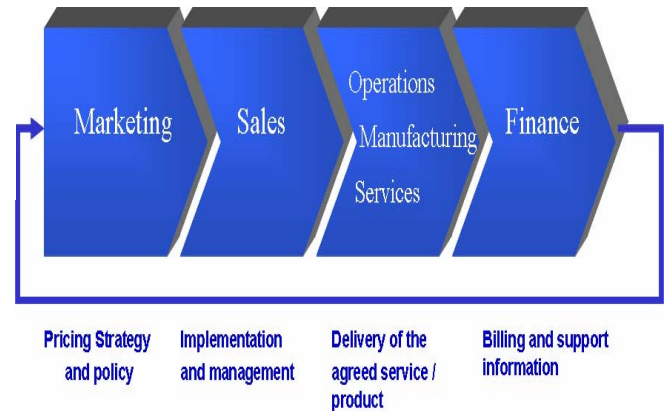
Step 2 Interviewing

Interviews are completed with all those involved in the process – general management, marketing and pricing managers, telephone, field and key account sales, operations, finance and billing managers.

Step 3 Recommendations and action planning

Findings and recommendations are validated with management and a road map is developed with a prioritised action plan to deliver significant bottom-line benefits.

THE PRICING PROCESS CROSSES FUNCTIONAL BOUNDARIES



Findings

Pricing structures - The pricing structures used were not dynamic and required a level of manual review and intervention. The recommendation was to try and use pricing structures and discounting methods that would automatically reflect changes in volumes or customer traffic profiles, and the value delivered.

Account management - Tools and process were not in place to be able to quickly monitor the customer conformance to contract terms after implementation. Experience from other organisations has shown that margins can improve by between 2 – 5 % where price/deal management systems are deployed.

Price administration process - Just one of the issues identified in this area revealed a large potential saving for Parcelforce. “It is often in the backroom administration areas where there is little management focus the real nuggets of opportunity are found” said Tony Hodgson.

Costing and profitability information - Parcelforce Worldwide have developed a sound costing methodology that has successfully supported price decision making for a number of years. Recommendations were made on how the pricing team could derive even more value out of this important input to pricing decisions.

Benefits

The key benefits from the study have been;

- Quick wins were identified in the billing and sales administration areas that could deliver immediate payback and also supported plans already in place.
- Resources can be freed in sales, administration, and billing by the deployment of pricing structures that automatically adjusts with changes in customer profiles.
- Increased value is being derived from the costing and profitability information.
- The requirements for enhanced tools to support pricing management have been identified and have been fed into IT developments plans.

Next steps

If you believe that your organisation could benefit from a review of its pricing processes please get in touch. 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 the Bellis-Jones, Hill Group.