

The Allure of Price Optimization

By Joseph V. Marigliano, Partner, Transcend Consulting

Price optimization is defined as achieving the highest sustainable prices for your portfolio of products across your customer segments and channels. This is often achieved through the application of advanced mathematical software and/or specialized software. The main focus is on *understanding* customer transaction behavior and *predicting* how customer segment demand will respond to price changes under various scenarios.

Here are few ways in which price optimization can benefit your company:

- **Increase margin and revenue**—delivering the right price can improve inventory management and increase net income simultaneously.
- **Align your products and company to market conditions**—understanding the market and your competitors helps you compete more effectively and more profitably. Incorporate external market factors when creating your pricing structure.
- **Precision and efficiency of price management**—lets you look at your business and pricing practices holistically so you can more effectively manage costs, overhead and pricing. Research and a scientific price optimization model replaces instincts, which, while important, can be unreliable from day to day.
- **Complete pricing lifecycle determination and execution**—accurately forecast and predict optimization models that drive market growth.

Distributors can add *significant profitability* through optimization strategies under the right conditions. However, while they are suitable for most companies, they are not for everyone and they are not a substitute for poor strategies, a lack of processes, or a clear value proposition. *Your strategies, processes and value should be clearly defined and aligned prior to the start of any large scale optimization project.* Also, one must realize price optimization is more than an IT project. Behavioral change is also an important issue to address prior to starting an optimization project. The behaviors you currently practice can often be the drivers behind your current price-performance. Successful implementation of price optimization requires real expertise and must be integrated within your current business framework.

Learn more at: [Transcend Consulting and Price Optimization](#)

Transcend Consulting helps clients increase profits and cash flow through the application of marketing science and financial engineering. We focus on price and value management, as a 1% price improvement typically converts to an operating benefit two to three times greater than an equivalent 1% cost reduction.

Transcend leverages practical, hands on, business experience to quickly resolve complex cash flow issues with common sense solutions, with a goal to provide our clients with a return close to 10:1 or better. We provide the same high-level expertise as the big firms but we keep our overhead low and focus on small- to mid-sized companies.

