



## Focus: Product & Pricing Management

Purchasing just e-mailed. Two suppliers for a common component have approached the company with new price schedules.

One supplier's pricing is better, but their volume requirements are much steeper. Which products would changing suppliers affect? If we increase volume, at what price could customers be motivated to purchase more? And what would volume discounts do to product contribution margins?

Purchasing needs to know. Who gets the Purchase Order?

A customer used pVelocity to manage prices in advance of raw material cost increases resulting in \$8.8 million\* of additional margin

(\* USD)

## How do Changing Prices, Contracts, Materials and Resources Affect Product Profitability?

Competition not only drives product innovation; it also affects day-to-day decisions on manufacturing processes, product recipes, pricing, packaging & freight, discounts & terms, and overall product portfolio mix.

Managers responsible for product costing, pricing, and planning in competitive markets place unique demands on their business information systems. While traditional systems can be effective at backwards-looking performance monitoring, they present a challenge when modeling and predicting effects of changes in materials or components based on actual costs, which are often contained in siloed systems and one-off spreadsheets.

Per Unit	Amount
Sales Qty Kg	3,055,843
Delivered Price €/Kg	0.4935
Discount €/Kg	0.0073
Freight Cost €/Kg	0.0756
Net Price €/Kg	0.4105
Mat Cost €/Kg	0.3346
Var OH Cost €/Kg	0.0332
Packaging Cost €/Kg	0.0
T Variable Costs €/Kg	0.2678
CM €/Kg	0.0427
Direct Labor Cost €/Kg	0.0156
Depreciation Cost €/Kg	0.0225
Fixed OH Cost €/Kg	0.0811
T Fixed Costs €/Kg	0.1191
GM €/Kg	-0.0764
Sales Expenses €/Kg	0.0094
Service Expenses €/Kg	0.002
R&D Expenses €/Kg	0.0118
Marketing Expenses €/Kg	0.0015
Admin Expenses €/Kg	0.0192
T SG&A €/Kg	0.0439
EBIT €/Kg	-0.1203
CM €/Hr	16.96

Even in the most complex manufacturing environment, pVelocity accesses *real-time actual cost data* from multiple sources, to rapidly identify low or negative margin products – and then model the effect of cost and price changes.

With pVelocity, a simulated P&L by product, customer, or market is just one click away.

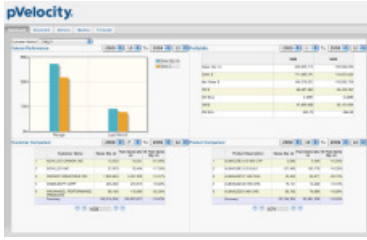
## What If? Simulations Right Down to the Bill of Materials

Use pVelocity's Profit Analyzer & Cost Simulator to access the granular insight that will help you manage product performance.

- Find out what would happen to margins if you switched your product mix.
- Discover how best to adjust your pricing strategy to accommodate frequent cost fluctuations
- Simulate the opportunities and risks associated with changing contract terms.

## Analyze Product & Market Segmentation

- First, identify performance drivers by categorizing and segmenting products that perform alike
- Then drill deep to analyze specific product and customer margin performance
- Follow with simulations to model the impact of price changes on sales volume and customer profitability



A pVelocity Executive Dashboard showing Volume Performance, Customer Comparison, Product Comparison, and Profitability

### Pricing Management in an Environment of Fluctuating Costs

While pVelocity can manage pricing using traditional means such as customer price compliance and analyzing margin leakages via discounts or incentives, a total price management solution is not complete without incorporating actual cost data from across the enterprise. These actual costs serve as the basis for decision-making on:

- price/volume consistency across customers
- management of the price-elasticity curve
- transaction alignment to price elasticity

With pVelocity, margin and pricing decisions can be made with confidence, because its simulations

move beyond standard costs to incorporate a comprehensive list of real-time costs, reflecting actual market and operational conditions.

### Use pVelocity Simulations to Segment and Assess Product Portfolio and Market Opportunities

- Reallocate your product mix to increase the margin utilization of key resources or equipment
- React to frequently fluctuating material and utilities costs by adjusting near-term pricing strategy
- Arrive at informed make-vs.-buy decisions on intermediate materials

### Build Actions, Projections & Plans on Credible Data and Valuable Analysis

	TACTICAL	STRATEGIC
PRICING & PERFORMANCE	<ul style="list-style-type: none"> <li>• Ensure consistent pricing methodologies that deliver predictable margins in an environment of fluctuating costs</li> </ul>	<ul style="list-style-type: none"> <li>• Identify performance drivers by categorizing and segmenting products that perform alike</li> <li>• Establish product pricing strategies to address margin, volume fluctuations, and competition</li> </ul>
PRODUCT MIX	<ul style="list-style-type: none"> <li>• Reallocate product mix to influence customer buying behavior toward higher margin alternatives</li> </ul>	<ul style="list-style-type: none"> <li>• Prioritize production schedules to focus on profitable lines of business or new market opportunities</li> </ul>
MATERIALS/COMPONENTS	<ul style="list-style-type: none"> <li>• Quantify the margin impact of fluctuating costs</li> <li>• Model the effect of and implement alternative solutions such as substitutions</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluate the opportunities and risks associated with changing supplier contract terms</li> </ul>
MANUFACTURING	<ul style="list-style-type: none"> <li>• Arrive at informed make-vs.-buy decisions on intermediate materials</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease or rationalize production of unprofitable products</li> </ul>

To learn more about how other companies have benefited from immediate, detailed insight into projected product and customer profitability, visit [www.pVelocity.com](http://www.pVelocity.com) for case studies and sample simulations.