How well do you account for cost changes in your pricing?

The Challenge:

A metals processor and distributor was experiencing volatile raw material costs in an environment where sales reps had autonomy to determine price for each transaction. There was limited trust in the existing reference prices, limited margin differentiation among products, and a slow quoting process that caused the company to value speed over accurate price quoting.

The Solution:

INSIGHT developed a dynamic pricing engine that accounted for market cost fluctuations and utilized commodity indices to adjust prices on a frequent basis. Using advanced analytics, INSIGHT tests, tunes, and updates the model regularly to predict the cost and provide the most optimal target margin and price recommendation. To ensure usage across the team, we integrated the pricing engine with a quoting application to implement a full-cycle pricing system and provided implementation training and measurement across regions.

Estimating Costs Proactively: Manage margin by adjusting cost values on a weekly cadence using corresponding spot price fluctuations; upward and downward slope adjusted using sensitivity factors.
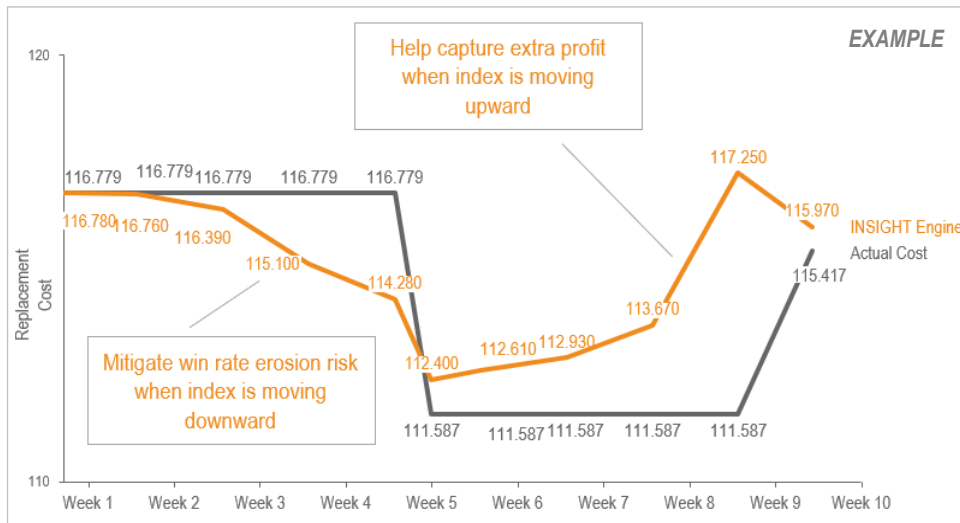
The Results:

3% margin improvement + additional 1% profit growth from a 5% increase in number of quotes

We Built a dynamic pricing engine that incorporated changing market costs to provide real-time optimal price recommendations.

Contact Us to Learn About Dynamic Pricing