

Case 5B

Type: Pricing



ConQuest

Consulting & Strategy Club of IIM Shillong



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Problem Statement:

Client is a manufacturer of high-end outdoor gear and clothing, help them develop an efficient pricing strategy for their products.

SCRIPT KEY	
Interviewer	
Interviewee/Candidate	

<p>Client is a manufacturer of high-end outdoor gear and clothing, help them develop an efficient pricing strategy for their products.</p>	<p>That's a good start, but there may be other factors that the client should consider when determining prices. Is there anything else they take into consideration?</p>
<p>Can you tell me more about client? What are their sales channels and how long have they been in business?</p>	<p>No, the client doesn't, do you want to suggest something?</p>
<p>The client is a relative new company which began its operations 3 years back and its products are currently sold through a mix of retail stores and online channels.</p>	<p>The client may want to think about the value that the products provide to customers, and how that value compares to the prices of the competitors. Additionally, the client may want to think about the different segments of market and how they value our products differently.</p>
<p>Can you provide me an overview of the competitor landscape? How many players are there and what share do they command?</p>	<p>That makes sense. What do you recommend the client should do to improve the existing pricing strategy?</p>
<p>There are 5 major players in this segment and our client ranks 4th among them in terms of market share.</p>	<p>One approach would be to create a pricing framework that takes into account all of these different factors. The framework should consider things like customer value, market segmentation, and competitive pricing. Additionally, it may be helpful to conduct customer research to gather data on how customers perceive the value of our product.</p>
<p>Great, thank you for that information. Can you tell me a bit more about the client's current pricing strategy? How do they currently determine the prices for their products?</p>	<p>That sounds like a good idea. How should the client go about creating such a framework?</p>
<p>The client currently uses a cost-plus pricing method, where they add a markup on top of production costs to arrive at the final price.</p>	<p>There are many different ways to create such a pricing framework, but one common approach is to use a value-based pricing method. This method involves determining the value that our products provide to customers and setting prices based on that value. Additionally, the client can consider using a combination of.</p>
<p>I see. Can you tell me a bit more about the factors that go into determining the markup?</p>	
<p>Sure, things like the cost of materials, labor, and overhead are considered and they also consider market trends and the prices of the competitors.</p>	

cost-plus and value-based pricing methods. The client can also use a price elasticity analysis to understand how changes in price will affect demand for the products

Good points, do you want to add something?

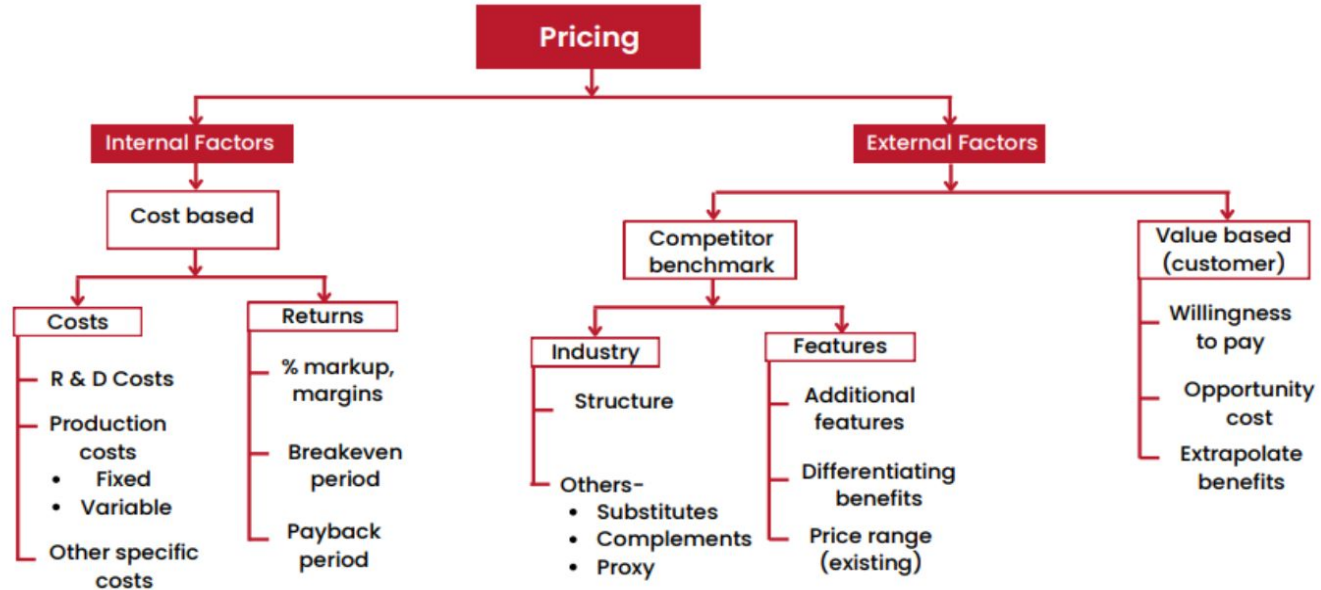
The client can consider offering special deals, promotions, or discounts to increase customer loyalty and drive sales and can establish a system for tracking and analyzing pricing performance and make adjustments as needed.

That is sufficient. We can end here. Thanks.

PRICING FRAMEWORK

Various components in price (Selling Price)

- Manufacturing cost -
 1. Direct
 2. Overhead
 3. Profits
- Distributor margins
- retailer margins



Initial Questions

- Get a basic understanding of the company's product/services for which the pricing strategy is to be made
- Understand the expense company is incurring from raw material to end product for the customer
- Understand the target segment for the particular product/services to incorporate value based pricing
- Understand the brand value of the company & market propositioning

Recommendations

- Based on the company's target revenue & profits, give an estimate price
- Understand the objective eg. market penetration, promotional, inventory clearance, etc.
- Make sure not to dilute the company's brand value or value proposition
- Margins can be given based on Industry standards

QUALITATIVE INFORMATION

Case Background:

Client is a manufacturer of high-end outdoor gear and clothing, help them develop an efficient pricing strategy for their products.

Case Facts:

1. Client began operations 3 years back
2. Products sold through a mix of retail stores and online channels
3. 5 major competitors in the market and client is ranked 4th in terms of market share
4. Client currently uses cost-plus pricing method
5. Cost of materials, labour and overhead are factors affecting the price of the product

CLARIFYING ANSWERS TO BE PROVIDED ONLY IF ASKED BY INTERVIEWEE

Interviewee	Interviewer
What is the background of the client? What are their sales channels and how long have they been in business?	The client is a relatively new company which began its operations 3 years back and its products are currently sold through a mix of retail stores and online channels.
What is the competitive landscape of this industry?	There are 5 major players in this segment and our client ranks 4th among them in terms of market share.
What is the current pricing strategy of the client?	The client currently uses a cost-plus pricing method, where they add a markup on top of production costs to arrive at the final price.
What factors go into determining the markup?	Cost of materials, labor, and overhead are considered and they also consider market trends and the prices of the competitors.



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