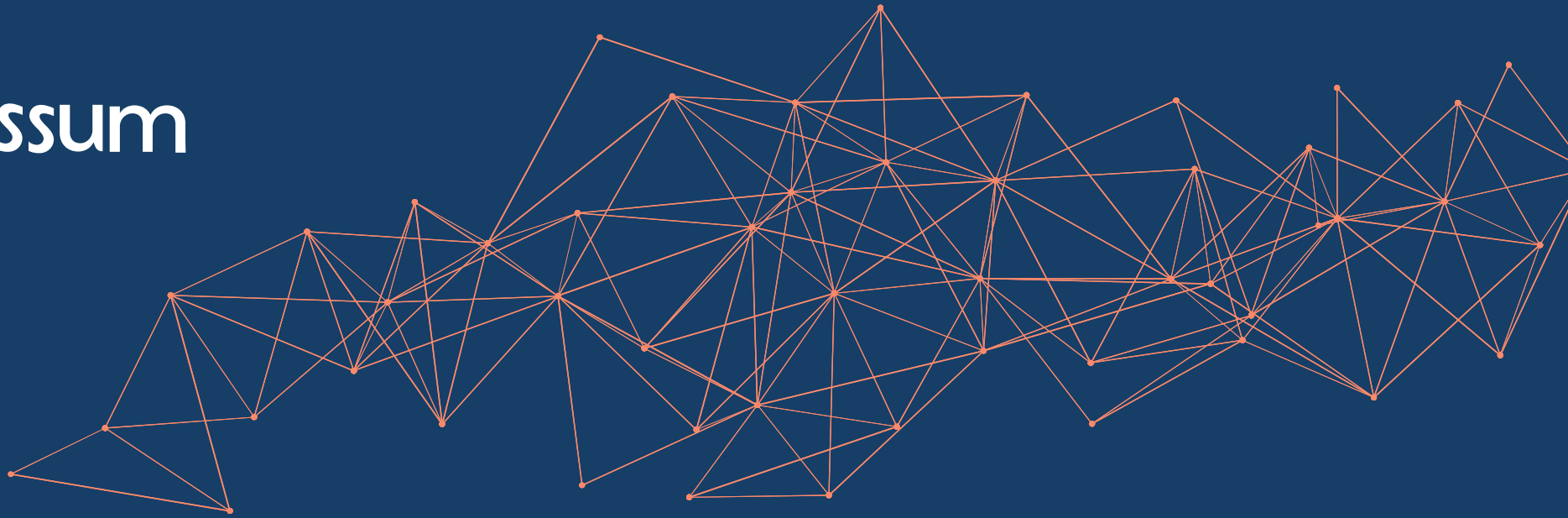


impulssum



# Price increase

Customer Case

# Whether the Price Increase Project is interesting depends on the company's own vision and recent price increase activities

## How relevant is increasing prices...

- You aim for gross profit improvement
- Material results within 3-6 months
- Increasing prices is an option

No?

If increasing prices is not an option, or you have already a structured well-executed price increase process in place then you probably **benefit more** from **Value-based pricing, Smart pricing or marketing/sales effectiveness** improvements. For support with these topics, please feel free to reach out to discuss

## Have best practice basics been applied to prior increases?

- Price increase was segmented e.g., by willingness to pay
- New prices are communicated with a clear value approach
- Setup proper monitoring to track price increase effect

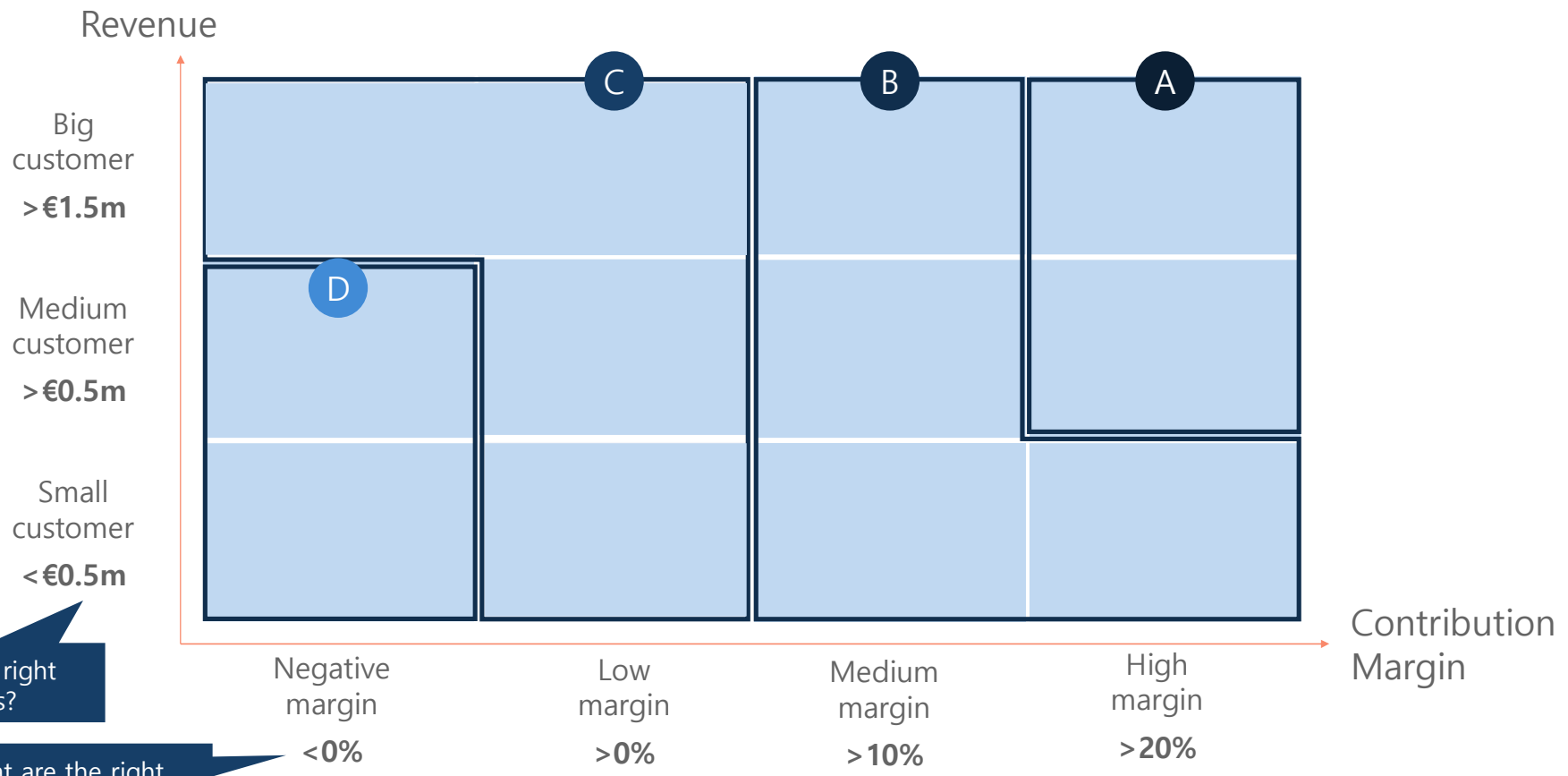
Curious how a price increase project can help you grow your Gross Profit sustainably? See next pages....

## The structured approach to realize the best result follows 7 distinct steps



1 2

One example of segmenting the customer base is on revenue size and contribution margin - however each situation requires its own approach



What are the right revenue levels?

What are the right margin levels?

3

## These segments directly influence the price increase target setting and communication approach

Approach	Clients	Step 1	Step 2	Step 3
A Proactive	• ...	<ul style="list-style-type: none"> <li>• Talk to the operating department about the price increase</li> <li>• Ask operating department to inform their procurement department</li> </ul>	<ul style="list-style-type: none"> <li>• Inform written over price increase incl. reasons and highlighting Value we deliver</li> <li>• Call after procurement department to explain reasoning</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare details regarding energy price increases</li> <li>• In negotiations offer operational improvements that could reduce cost and only if necessary go down in price</li> </ul>
B Hold still	• ...	• ...	• ...	• ...
C Defensive	• ...	<ul style="list-style-type: none"> <li>• Inform written over price increase incl. reasons and highlighting Value we deliver</li> </ul>	<ul style="list-style-type: none"> <li>• Only give more detailed explanation of the price increase reactively, in case clients acts or asks about it. Maintain price increase message (no discounts)</li> </ul>	<ul style="list-style-type: none"> <li>• Propose volume increase or production optimization to optimize budget situation, hence maintaining price increase value for us</li> </ul>
D Offensive	• ...	• ...	• ...	• ...

4

5

## Next to proactive communication with the price increase, reactive communication is equally important to fully land the price increase

### Price Increase communication

- Include clear Value Communication in the price increase letter
- Create a reactive communication guideline for the organization in case customers contact them about the price increase
- Install a clear process when customers complain – not just throw discounts at them
- **Example Result:** Little reactions overall and lower than in prior years, while price increase on product was very steep and much more than years before

### Reactive Value Communication in Price Increases

- Create a checklist of what to cover when a customer complains
- Build the building blocks that employees can use (e.g. what value does Product A deliver?)
- Prepare standard e-mail answers for the most common questions
- Install a clear Governance process for giving discounts to reduce price leakage
- Pre-empt reactions from highest value customers by contacting them in advance

## This includes training Account managers, and provide a guide to help them in the pricing discussions with customers

### General guideline

- Make it a **positive** discussion
- **Focus on understanding** (customer should see & agree with your side, i.e. that costs of your services have increased)
- Convey the message as a **given, not a negotiation** open for discussion (state that the invoices will be higher)
- **Be prepared** (re-hearse the key reasons to provide)
- Be **short & concise** (be polite in hearing them out, but try not to go into long discussions unless they strengthen the relationship)

### A) Personalized messaging + relationship

- Start with a **positive opener** (could be recent success stories from ongoing projects, or simply weather etc.)
- Try to show you understand your client, e.g. recent project stories, or recent changes

### B) Increase

- State that inflation / CPI has increased significantly (phrase as a fact)
- We are forced to increase our rates with inflation as well (phrase as a fact)
- Mention the scope (what will be increased exactly as of when)

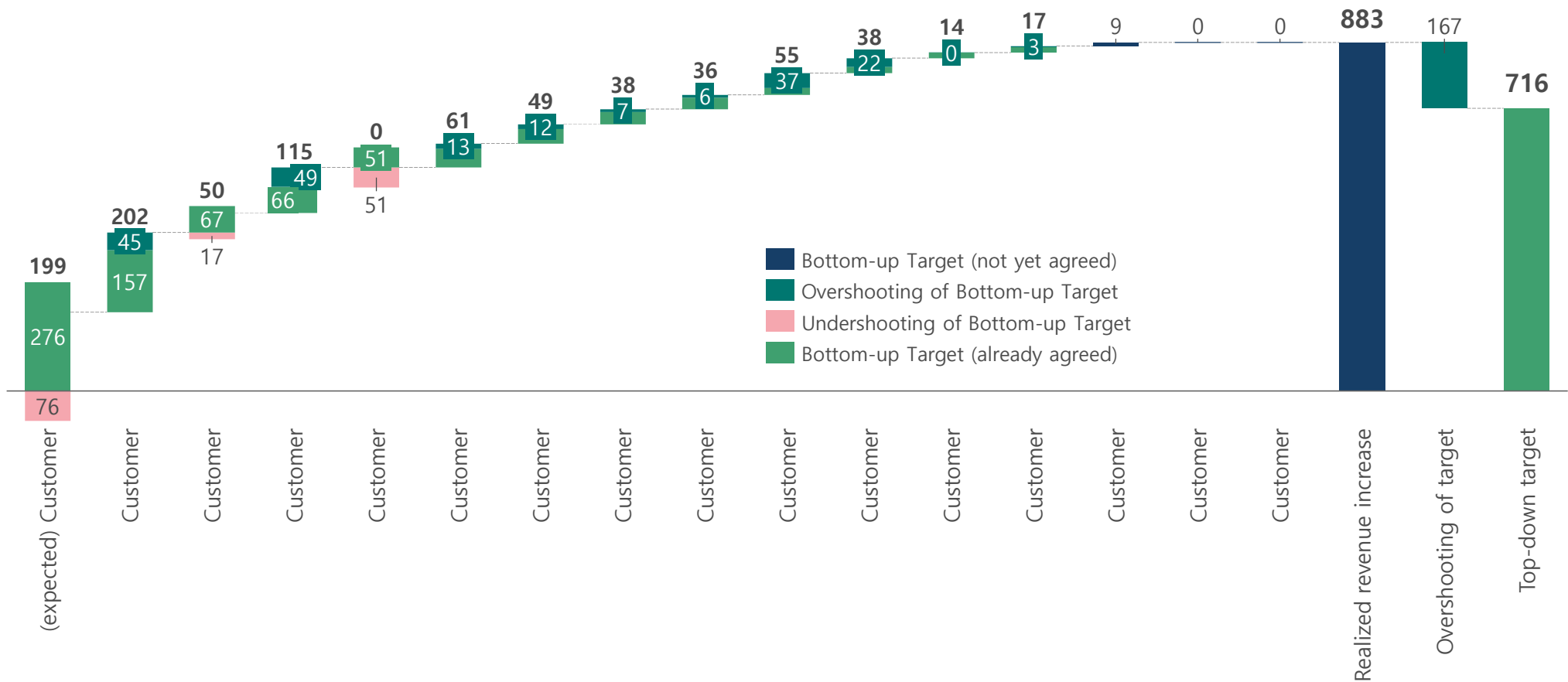
### C) Overall messaging focusing on reasons & value

- Most important cost items have gone up
  - People on the account – we are dedicated to keep them and reimburse them fairly, costs have increased substantially
  - Cost of technology partners & outsourcing IT dev work has increased substantially
- If prices for the account have not gone up recently, mention that they profited from low rates so far and we were happy to bear the cost, but now reality catches up with the need to share costs












### D) Wrap up

- Mention that projects affected will be detailed in a follow-up letter and that this will have no impact on the ongoing projects. We are committed to keep delivering them in a high quality

## Monitoring per customer is crucial to maintain the overall view of achieved targets and still-to-be-negotiated accounts or customer groups



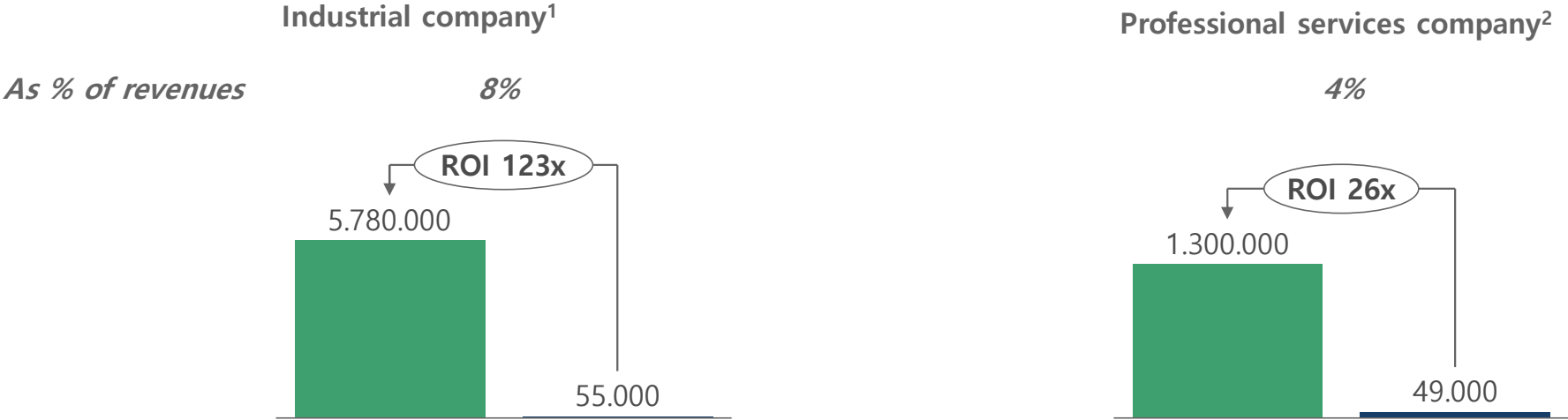
# A price increase project can typically be implemented in 4-6 weeks

Activity	Week 1-2	Week 3-4	Week 5-6
Collect and analyse data			
Segment customers			
Set price targets per customer			
Define communication argumentation			
Work out communication per customer (segment)			
Prepare and communicate prices to customers			
Setup reactive communication			
Setup monitoring			

Note: Actual length may differ based on several factors we cannot foresee at this point (including e.g., availability of data, access to the key people, IT bottlenecks etc.). However, extending timelines have no impact on fee if work is in scope

# A fully fletched Price Increase project costs between 40K and 60K and can yield high ROIs – and with our approach you retain more customers

Example investment vs returns EBITDA effect of recent prior projects one year after go-live  
(in EUR)

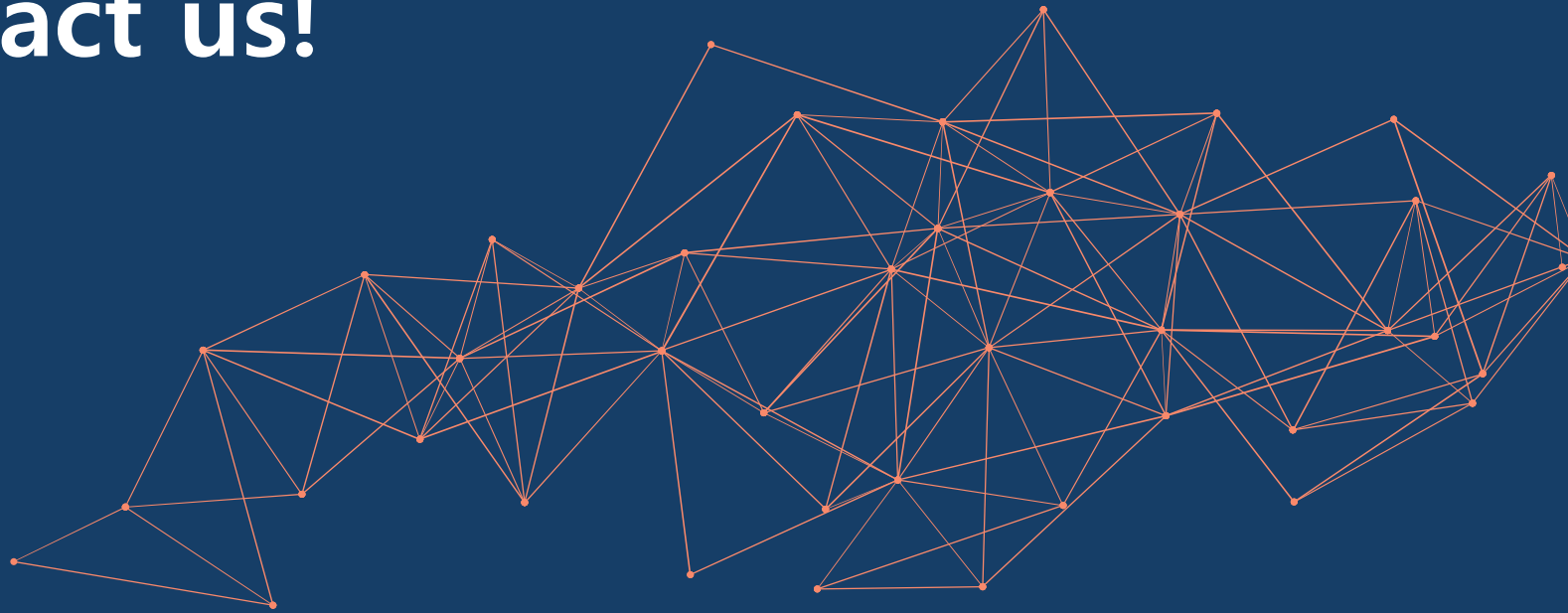


**Project investment is dependent on complexity** in terms of number of different sales & pricing logics to be developed. If e.g., there would be several business units with bespoke sales and price approach, our efforts and price would be higher

1. Project delivered in 2022 with high inflation environment, realized P&L effect  
2. Project delivered in 2021 before high inflation environment, realized P&L effect

If you would like to discuss this approach for your business, please contact us!

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