

Challenge

With fierce competition, multiple products and a weak economy, the client wanted to determine the optimal price for various products to increase revenue and profitability. The client's objective is to increase revenue but faced the dilemma of formulating optimal pricing rules – either increase price, with a likely decrease in demand but increase in revenue or reduce price, with a likely increase in demand and therefore revenue increase. The client also wanted to assign monetary values to the different functionalities of the product and measure brand premium of the different manufacturers.

Solution

Using multiple quantitative models, BAXIA Group created models to design an optimal pricing framework for the client that was based on estimates of price sensitivity, impact of competition, macroeconomic conditions, monetary value of various features of the products and the brand premium of the different manufacturers. We created a simulation model to enable the client implement the results of the analysis.

Results

With an optimized pricing framework, which enabled appropriate pricing for products across regions based on features, sensitivity, competition, the client realized a significant increase in revenue and profitability. Information on the brand premium of manufacturers informed the client about the optimal choice of manufacturers to drive sales