



Issue

Customized options available for the company's standard range of products are under-priced in the marketplace and are poorly related to the cost of manufacture. Initial estimates put this cost in the million of Dollars (US)

The Customized options can be either automatically priced by the sales software, or manually priced by a range of staff, both domestic and internationally.

Breakthrough Strategy

- Measure** Existing MIS Reports related to Options Pricing were reviewed, Extensive interviews were conducted, and a detailed process map developed for the existing Options Pricing Process. After mapping the process, it became clear that the existing MIS Reports would not be able to provide data on key aspects in the process and to identify relationships within the process. A new reporting system was developed to use available data.
- Analyze** The new reporting system was able to sort the measurement data by Distribution Channel, Order Frequency and Dollar Impact by Product Line. In doing so, and distributing the information, each area of the business was able to see, and take immediate corrective action as necessary
- Improve** A Management process was set in place for managing price changes through-out the system in a structured way on an on-going basis
- Control** Monthly and Quarterly margin reporting was established, and the project was handed over to line management within the Product Lines and Distribution Channels.
- Results** Permanent Changes were made to the pricing process with respect to the highest frequency and largest dollar impact items.
- Savings** \$810,000 USD per annum based on list price increases achieved in the marketplace, with an additional \$540,000 USD per annum estimated to be available if the second phase of this project is proceeded with