

Insightter



Winter 2013

KEY MANAGEMENT NEWSLETTER & UPDATES

Operations Performance Improvement

STORM's advisory services include helping businesses with rapidly deteriorating profitability and businesses seeking assistance in next level profit improvements. A key area of our practice, which has consistently achieved increased profits for our clients, is our approach to **Pricing**.

Pricing is one of the least understood and most under-managed profit enhancement opportunities for many companies. It is often approached as an annual event and delegated solely to the marketing or sales staff.

At STORM, we view pricing as a comprehensive and ongoing business focus, encompassing both top line improvements and a variety of other initiatives that enhance sustainable profitability. Pricing is a team responsibility, requiring senior management commitment and cross functional involvement. It requires time and focus, as well as a change in the organizations culture and attitude towards getting *"fairly paid"* for the goods and services provided. Actively working with management, we assist in developing the appropriate culture, structure and processes to manage and execute on pricing related initiatives.

Pricing Goals

Based upon STORM's past engagement experiences, it is reasonable to set an overall goal, to gain two or more points of gross profit margin improvement, through consistent and active management of pricing strategies and tactics. A couple of margin points in pricing can translate to a double digit increase in EBITDA and yield dramatic results.

A Pricing Culture

One of the least tangible, but most impactful aspects of a pricing focus is to develop and instill a "Pricing Culture" within the entire organization.

- A Pricing Culture is one where not one individual or function is responsible for pricing, but rather where every member of the organization feels they have a role in pricing and profitability.
- It is a culture that recognizes success comes from the cumulative effect of both large decisions and small day to day actions that improve profit.
- It is where everyone believes their everyday decisions and actions can directly improve the profitability and success of the company.



"Pricing is one of the least understood and most under managed functions, yet it is one of the most important"

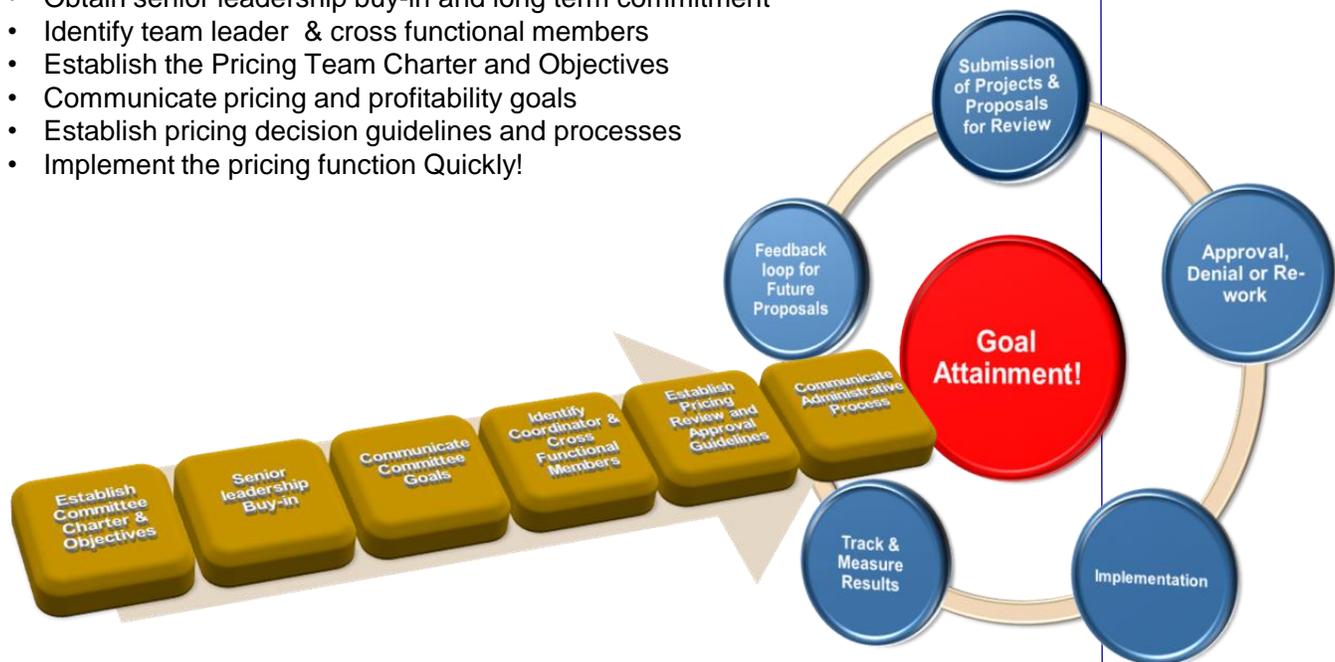
Execution and Results

With the adoption of the Pricing Team process, the company and stakeholders will quickly reap significant and ongoing benefits:

- Find new GPM\$ improvement opportunities
- Charge for valuable “Services” that have previously been given away
- Identify and close profit holes
- Rapid decision making that facilitates timely actions
- Active monitoring of key raw material inputs and cost drivers for impact on existing profitability and current pricing decisions
- Tools to monitor market pricing, customers and competition
- Better management of resources for proposals requiring investment in new or custom products
- Ensure that terms and conditions of sale are accounted for in setting prices
- A structured approach to drive execution and measurement of pricing actions

STORM’s Pricing Team Approach

- Obtain senior leadership buy-in and long term commitment
- Identify team leader & cross functional members
- Establish the Pricing Team Charter and Objectives
- Communicate pricing and profitability goals
- Establish pricing decision guidelines and processes
- Implement the pricing function Quickly!



We welcome the opportunity to discuss how we can improve the pricing and financial performance of your portfolio companies. We have direct operational experience in a variety of industries and businesses and have achieved significant improvement in margins and cash flow through pricing!

“You get out of pricing what you put in to it, Profits are in the details”

To see how STORM can help you improve your profitability via Pricing, please give us a call, or visit website for more information

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