Finding Safe Price Bands in a Slowing Industrial Market

2 to 5%

Identified. more revenue identified from list priced sales alone, every year, without blanket price rises

A large Australian industrial manufacturer selling through distributors had pricing no one could fully explain and a pricing team buried in admin. Taylor Wells tested how customers really responded to price, found where revenue was at risk and where it could be gained, and set out how to rebuild the pricing team.

CLIENT	Large Australian industrial manufacturer selling through distributors
PROBLEM	Old pricing no one could fully explain, a pricing team stuck in admin, no clear owner of price, customer price sensitivity never tested
WHAT WE DID	Assessed the pricing team and pricing maturity, tested price sensitivity on major customers, analysed list pricing and the long tail, designed a new team and price setting process
RESULT	Safe price bands found for major customers, 2 to 5% more revenue identified in list pricing, a new team structure and process

Is this your business?

This case is likely to be relevant if:

- Few people can explain how today's prices were set
- Your pricing team spends most of its time on admin
- You don't know how far major customers will accept a price move

What was the business trying to achieve?

Take control of pricing and protect margin before a slowing market made the risks worse.

What was happening in the market?

The industrial market was slowing and import competition was pushing local prices down. Winning volume on price had become the norm, often at the expense of margin.

What was going wrong?

A design that had grown too complex. Price lists, rebates and manual adjustments had stacked up over many years, with costs that kept list prices artificially high.

Over time, the system had become hard to work with. Prices were adjusted deal by deal to win business.

No clear owner of price. Pricing and sales disagreed on who decided, and nothing was written down.

An untested belief. Price sensitivity was talked about, but never measured.

Why was it hard to fix?

Data had to be stitched together by hand from several systems, which left little time for pricing itself.

What did Taylor Wells do?

Assessed the team. Tested every pricing team member against a benchmark of B2B pricing professionals, and measured the business's pricing maturity.

Tested price sensitivity. Built price and volume models for major customers on key products, using the business's own sales data and past price rises.

Analysed list pricing. Built new metrics showing uncontracted revenue under list prices, where prices were spread too wide, and where the long tail had room.

Set out the risks. A full risk register covering pricing, rebates, data, competitors and people.

Designed the fix. A new pricing team structure, a step by step price setting process, and dashboards to track it.

What were the results?

- Major customers had a **safe price band**. Above it, they shifted volume to other deal types straight away
- Price was a major driver of volume for key customers
- The long tail of less visible products was not price sensitive, a margin opportunity
- **2 to 5% more revenue** identified from list priced sales alone, recurring each year
- A new team structure, clear roles and a price setting process the team could run

What can other businesses learn?

> Test what you believe about price sensitivity before the market turns. Customers will tell you where the line is with their orders, if you look. And when a pricing team's days go on admin, margin has no one watching it.

Built together. Together with the client's team, Taylor Wells built the pricing dashboards used to track and manage price.

Keeping the gains. Pricing slips over time as markets, costs and people change. The Value Culture program keeps the models, rules and dashboards current, together with your team.

Common questions

How do you measure customer price sensitivity in B2B?

Use your own sales data. Model how each major customer's volume moved around past price changes. Customers show you where their limit is through their orders.

What is a safe price band?

The price range a customer will accept without moving volume elsewhere. Above it, buying behaviour changes straight away.

How do you know if your pricing team is set up to manage margin?

Look at where their time goes. If most of it goes on admin, rebates and data entry, no one is managing margin. Test the team's skills against a benchmark to see the gap.

Facing a similar pricing problem? Taylor Wells is a team of pricing strategy consultants based in Sydney, working across Australia, New Zealand, Europe and the USA. Talk to us about a walkthrough of this case study and what it could mean for your business.

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