

Portco Speed Rounds

Pricing optimization



Emerging from what has been a historically unique inflationary environment, companies have had the opportunity to evaluate different ways to create growth. Pricing optimization is one of the levers portfolio companies can pull in an environment such as this.

Companies that exhibit best-in-class pricing practices typically have a number of traits in common:

- ▶ They are quick to react.
- ▶ They have data-driven, formalized pricing processes in place within the organization.
- ▶ They have set up KPIs and tracking mechanisms to make sure that pricing changes are executed upon and margin improvement is realized.

The Fund perspective

Pricing optimization is a fast, effective way to drive EBITDA improvement for a portfolio company. In an environment with fewer exits and longer hold times, engagements such as pricing optimization can help achieve desired ROI.

The Portco perspective

Pricing optimization is an effective way to drive both top-line and bottom-line growth. Pricing efforts can be tailored to drive top-line revenue improvement while also working to establish positive unit and customer count growth to position the company well for a potential exit. When executed well, increases in pricing drop directly to the bottom line to drive incremental revenue and EBITDA gains on a 1:1 basis.

Key leaders

- ▶ Chief financial officer
- ▶ Chief revenue officer
- ▶ Chief marketing officer
- ▶ Sales and pricing vice presidents/directors

Your role in pricing optimization

Buy-in is critical. Confirming that the full management and sponsor teams are aligned on pricing projects is a key to success. Within the portfolio company, successful pricing takes a village – strategy, operations, sales, and marketing all need to be aligned to drive optimal outcomes.

Takeaway

Successful pricing is a three-legged stool: strategy, execution, and tracking are all critical to achieve pricing optimization. If one of those three legs is ignored, it's nearly impossible to reach full potential. Set pricing strategies that price on value, build processes that allow your organization to act quickly, and leverage data to track impact and refine approach.

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US SCORE no. 22614-241US
2401-4419905
ED None

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