



CUSTOMER SUCCESS STUDY: PERSTORP

Real-time, algorithmic price guidance enables informed, data-driven responses in an increasingly competitive and transparent marketplace.



Perstorp, a specialty chemicals innovator and supplier, with a global reputation for quality and reliability, recovered \$1M in monthly margin leakage through improved pricing discipline powered by dynamic pricing science.

CHALLENGE

Undisciplined pricing alongside fluctuations in raw material costs had led to year after year of margin% decline for Perstorp.

Despite revenue recovery since the 2009 economic slow-down, margin attainment and earnings had not stayed in line with that recovery. From 2009 to 2013, revenue had grown at 31% while EBITDA had grown by a meager 1%. Even small fluctuations in raw material pricing, freight costs, and direct variable costs had significant impact on margin attainment – and these impacts were compounded by the fact that updating pricing to incorporate cost changes took too long. Moreover, transparency of and access to alternative suppliers across the globe, cost developments and increasingly numerous competitors in Asia put further pressure on what to offer and how to supply.

SOLUTION

Algorithmic price guidance allowed Perstorp to provide real-time recommendations to sales people while also measuring their pricing discipline.

In response, Perstorp initiated a business excellence program called “Good to Great” that addressed their need to reorganize and changed the way in which they approached the market. Pricing was identified as a key component of this transformation and they set forth on a nine-stage journey that started with visibility into the “leakage” and led to consistent execution of pricing best practices. A major step in that journey involved the integration of algorithmic price guidance into their quoting and price management processes. With the integration of dynamic price guidance, Perstorp is able to measure pricing improvement at the sales rep-level through a metric they called Pricing Discipline Index (PDI).

RESULTS

Perstorp improved their rate of discipline by 42% to recover \$1M in margin leakage per month and 20 basis points in margin improvement.

The Pricing Discipline Index is an indicator of the percentage of transactions underperforming the value-based price recommendation. For Perstorp, they have improved that rate of discipline by 42% in just 20 months while recovering approximately \$1M in margin leakage per month. These new levels of discipline enabled Perstorp to report their second strongest quarter in terms of EBITDA in recent history (according to their 16Q3 report) alongside a EBITDA margin of 17.4% which is 20 basis points higher than their best year of the 2009 to 2013 recovery. While Perstorp has certainly come a long way, they intend to improve upon these admirable results even further and intend to incorporate the Pricing Discipline Index into their sales incentive structure as they continue to work toward their vision of consistent execution of pricing best practices.

About PROS

PROS Holdings, Inc. (NYSE: PRO) is a cloud software company powering the shift to modern commerce by helping companies create personalized and frictionless buying experiences for their customers. Fueled by dynamic pricing science and machine learning, PROS solutions make it possible for companies to price, configure and sell their products and services in an omnichannel environment with speed, precision and consistency. Our customers, who are leaders in their markets, benefit from decades of data science expertise infused into our industry solutions.

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