

Magic  
of Minds

# Pricing research in an atypical category



*Celebrating a decade of insight based consultancy in the MENA region*



**Early 2007**

The EEMEA Division of a global leader in express courier services approached us to conduct pricing research for them



Given our prior experience in pricing, we fancied ourselves as 'Quite the Experts'!!



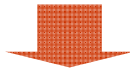
**However, we were in for a surprise...**

# Challenge 1: Design complexity

What appeared to be a straightforward objective



Assess the existing pricing of express courier services in the competitive context and recommend future pricing actions



When delved deeper presented a lot of complexities

The category dynamics influencing pricing were fairly complex and unique

This was entirely new to us – something that we had never done before



Pricing of express courier services is influenced by many factors...

**We were up for a challenge!!**

**Product Type**

**Zones**

**Weight bands**

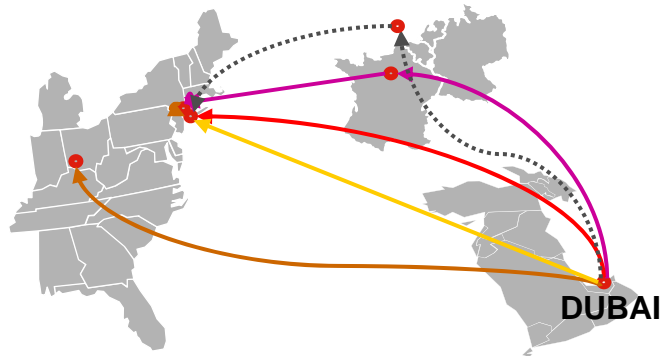
**Documents**



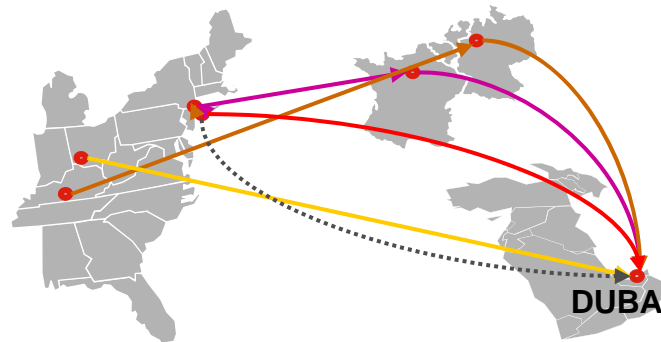
**Parcels**



**OUTBOUND – From DXB to the world over**

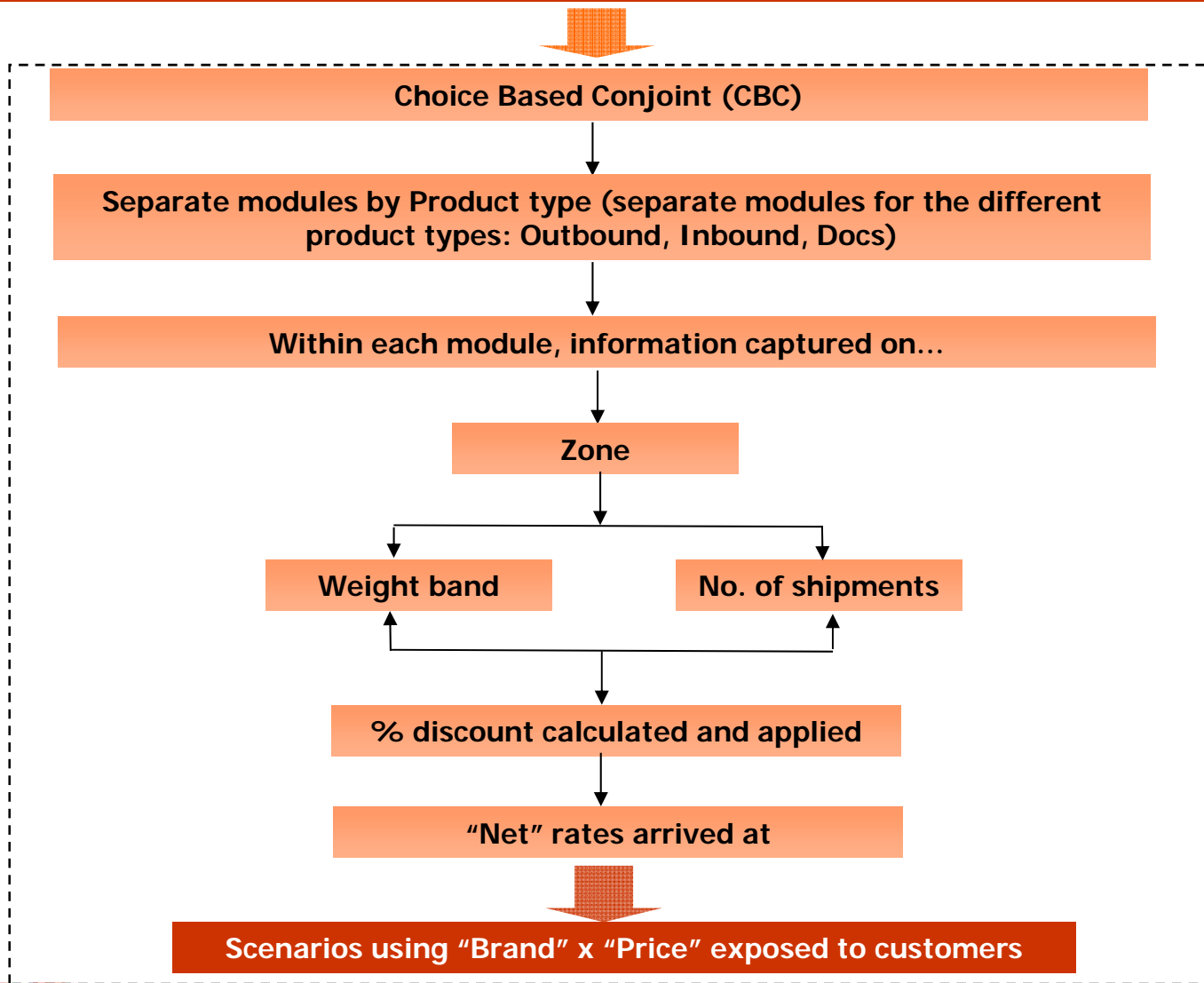


**INBOUND – From the world over to DXB**



0.25 kg	Entry weight band
0.5 kg	
1 kg	Mid weight band
2 kg	
3 kg	
5 kg	
7 kg	
9 kg	
11 kg	
13 kg	Heavy weight band
15 kg	
20 kg	
25 kg	
30 kg	
35 kg	
40 kg	
45 kg	
50 kg	

The main objective crystallized into measuring price sensitivity among customers



## Challenge 2: Executional complexity

- Started out with markets like Egypt & KSA, where we had good field infrastructure
- However, we were soon exposed to “exotic” markets like Zambia, Ivory Coast, etc.
- Coming to the rescue - extensive network of Kantar and other affiliates across the region

At last count, markets covered: 20

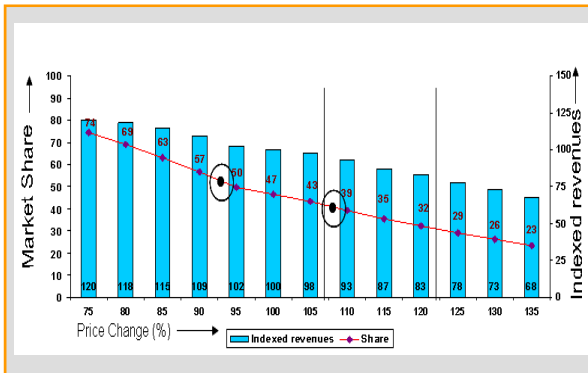
The length & breadth of coverage...

- From South Africa to Russia
- From Ivory Coast to Pakistan



## Our Inputs on price sensitivity...

Simulations – Impact of price change on market share and revenues



Elasticity - Price Increase/ Decrease possible by Product types

Outbound Parcels	up to 2kg		>2 to 15kg		>15kg	
	-ve	+ve	-ve	+ve	-ve	+ve
Zone 1	-8	7	-8	12	-7	11
Zone 2	-7	14	-7	10	-8	12
Zone 3	-10	9	-9	11	-14	15
Zone 4	-7	7	-11	19	-14	12

High elasticity   
 Fairly elastic   
 Low elasticity

Sensitivity Index - % impact on client brand share for 1% change in comp. price

Sensitivity to competition price drop		Sensitivity Index
Zone 1	Brand A	0.56
	Brand B	0.56
Zone 2	Brand A	0.07
	Brand B	0.05
Zone 3	Brand A	0.10
	Brand B	0.06
Zone 4	Brand A	0.05
	Brand B	0.04

## Complemented by client's In-house analysis...

- Revenue assessment by weight bands
- Net Margin comparison
- Cost position evaluation
- Market share assessment
- Value proposition analysis

**Leading to...**  
**Final Price proposition**  
**Measurable impact on NM**

Price change proposed			
Weight	+/-%	Weight	+/-%
0.5	+0	20.0	+0
2.5	+0	30.0	+5
5.0	+0	50.0	+10
10.0	+0	50.0+	+10

Net impact = € xxxx

## Impact on the Client's business:

- The research has resulted in an improvement of 4% in Net Margins for the client across the EEMEA region

## Outcome for AMRB:

- Given our experience with the methodology, client has recommended AMRB to the other regional pricing teams (based out of USA, Latin America, Western Europe and A. Pac) for conducting similar research in their key markets.