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Are You Getting the Most Out of Your Acquisitions?

The deal is closed. The company has completed the announcements, finalized internal communications, and possibly established the organizational structure for the recent acquisition. If the company has an integration team, they are starting to do their work.

Yet too often, we see that pricing is skipped in that integration process. There are many strategic and financial benefits that are lost by not taking a fresh look at pricing with the perspective of the new acquisition. Here are some key areas where opportunities might be overlooked:

Brand Positioning

Too often we see acquiring organizations bring in brands without much consideration of how the new brands fit in the existing portfolio. This oversight can hinder the ability to determine and communicate the relative positions and focus of the brands.

The result?   Missed opportunities to capture the market with focused brands, or worse, business development opportunities where one part of the business is directly competing with another part of the business, driving down pricing and brand value for both groups.

A conscious effort from category leaders, marketing, sales and pricing can successfully position the brands to meet customer needs at the right price. Quantitative research (e.g. conjoint) to aid in decision-making can make a big difference here. Too often we do not see this happening.

Competing Products/Categories

Even when whole brands do not need to be repositioned, there may be specific products of categories from the acquired company that overlap with similar products from the acquiring company.

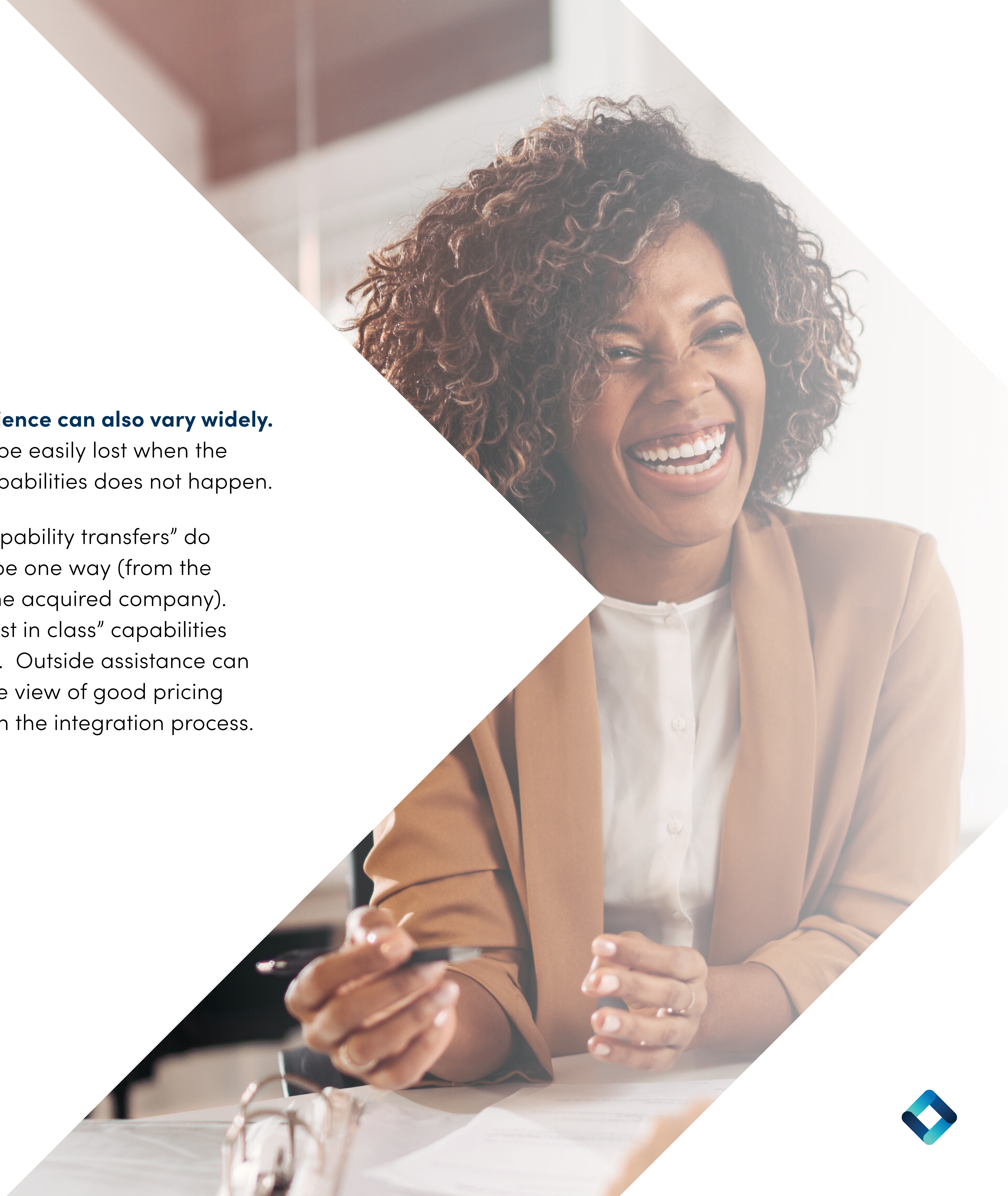
When category leaders want to keep both products, a pricing strategy that targets each product's strengths for different parts of the market can enhance the sales performance for both. Aligning the products and categories and analyzing product attributes, customer segment sales, and current prices can enable the right discussions.

Pricing Strategy, Maturity & Capabilities

Different companies may have different pricing philosophies, strategies, and capabilities. Harmonizing these different strategies is imperative so the customers and sales teams are not left confused, and the combined firm can have a holistic pricing approach to the market.

Talent, tools, and experience can also vary widely. Profit opportunities can be easily lost when the integration of pricing capabilities does not happen.

Note that the "pricing capability transfers" do not necessarily have to be one way (from the acquiring company to the acquired company). Good acquirers take "best in class" capabilities from both organizations. Outside assistance can also provide an objective view of good pricing practices and can help in the integration process.



Sales Force Integration/ Cross-Sell

If sales forces from the two companies are merged, naturally the sales teams will want to know the other company's products – and of course the prices. But if the pricing strategy is not communicated at the same time, wasted time & missed opportunities can follow.

Moreover, sales teams will have a lot of absorb. If they learn the wrong or outdated prices for products, it will take that much longer to retrain them and realize the financial benefits.

Even if the sales forces are not formally merged, but the company wants to begin to cross-sell, the same challenges can apply.

Conscious choices on raw material synergies, patents and other strategic advantages

In certain circumstances, inputs from one company (raw materials, patents, etc.) can change the thinking on pricing for the combined entity.

The simplest example is raw materials – i.e. the combined company can renegotiate supplier costs. But rarely do companies reflect how that benefit could be reinvested back into the business. If pricing leaders have a good sense of the market pricing and the price sensitivity of customers, options like price/volume tradeoffs can be modeled and additional synergies gained.

Act Now, There Is Still Time to Address This Issue

Net-net, if your company has done recent and/ or many acquisitions, you may be missing out on millions of dollars in profit opportunities.

It's not too late to address this issue. Here are a few suggestions:

01

Get alignment from senior executives that this is an opportunity to explore

02

Gather a small team across different functions (Pricing, Product, Sales, Strategy, etc.), or select an outside pricing firm with expertise in pricing strategy and market research

03

Conduct a quick assessment of the "size of the prize" and where the opportunities might reside. If it is unclear how best of accomplish this quickly, an outside perspective can be helpful

04

Develop a plan to execute and realize the benefits

Pricing can bring powerful synergies in any acquisition. Whether you are currently navigating an acquisition or have completed several in the past, you can seize the potential synergies by reevaluating your pricing strategy.

Ducker Carlisle is a global consulting firm with pricing, advisory and market/customer research capabilities. We deliver exceptional outcomes for our clients with our data-driven approach and deep industry experience.

Our Pricing Practice provides comprehensive services, from Pricing Assessments to Pricing Strategies to Pricing Software Implementations. We bring years of pricing expertise, fact-based approaches, and customer/competitive research services to transform our clients' pricing capabilities and deliver significant financial benefits, sustainably.

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Jim is a Managing Director at Ducker Carlisle where he is a leader in the global pricing practice, focusing on Industrial and Building Products industries. He brings 25 years of experience in pricing, strategy, and profitable mix, including pricing assessment, customer/ channel pricing, value-based pricing strategies, pricing implementations, and cost-to-serve capabilities. He has served a wide range of clients, including manufacturing, distribution, technology, and business services firms. Jim started his career at PriceWaterhouseCoopers Consulting and has had strategy and pricing leadership positions in both corporate and consulting capacities. Jim holds a B.A. from Princeton University and an M.B.A. from Duke University.

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