

Understanding True Profitability: Impacts on Pricing and Production

In a rising cost environment, it is critical for businesses to have real-time visibility as to precisely how higher consumer prices and cost containment practices are impacting EBITDA. While nearly all businesses are now seeing higher costs for materials, labor and transportation, only a fraction of those have insight into the longer-term impacts on EBITDA margins, or on their ability to maintain competitive pricing. This was the dilemma faced by our client, a manufacturer of consumer skin-care products, when realizing that its methods for setting prices and measuring product/customer profitability were outdated and incomplete, ultimately obscuring its view of how the business was truly making money.

This Dallas-based, private equity-owned company engaged Hilco Performance Solutions to improve its ability to measure performance and enable management to act swiftly on new pricing strategies, low-margin or unprofitable products, and time-saving opportunities within the supply



chain. The project initially focused on consolidating data from multiple sources and locations – both financial and operational – to determine the actual costs of production and distribution. After validating the numbers, the Performance Solutions team cascaded the refined information and KPIs into reports and dashboards. Armed with real-time information and a reliable view of product profitability, the company immediately gained the ability to price more competitively, set realistic production targets and run numerous scenarios for future refinements.

The reports and analytical dashboards were imperative and gave the company the ability to meet customer demand, improve lead times and mitigate higher input costs while still generating profits for shareholders. The procurement team is now using dashboards to support purchasing decisions with foreign, low-cost suppliers and the CFO's office is exploring methods to automate time-consuming finance activities such as daily cash / liquidity reporting. The company is now tracking more aspects of business performance and is able to accelerate multiple initiatives.

If your business is currently considering changing its pricing strategy in light of the current environment, contact Dan Ginsberg at Hilco Performance Solutions by email at dginsberg@hilcoglobal.com or David Dye at ddye@hilcoglobal.com.
