LTIMindtree

AI-Powered Pricing Strategies for a Leading Manufacturing Company

Problem

A global materials science company renowned for its specialization in crafting a diverse array of labeling and functional materials had long relied on a 'cost-plus' pricing strategy. However, following comprehensive market research, they uncovered a significant disparity between the perceived value of their products and their current pricing structure.

In establishing the ideal selling price, the company encountered the challenge of precisely evaluating potential costs amid numerous variables at play, rendering the process multifaceted. Moreover, the company grappled with the challenge of efficiently updating quotes in response to customer-requested feature changes. This process consumed time and risked losing potential deals, necessitating significant manual effort.

Solution

Transforming pricing mechanism

Our solution tackles the challenges of modernizing an outdated pricing system from a cost-based pricing to value-based pricing. It aims to achieve the following objectives:

Price prediction

- We used the power of machine learning models to predict the base or initial price of products.

- Users benefit from real-time pricing estimates based on a concise set of features, streamlining the Configure-Price-Quote (CPQ) process.

- Our model identifies the critical features that significantly impact pricing decisions.

Price elasticity

- It measures how responsive consumer demand is to price changes.

- It calculates the ratio of the percentage change in quantity demanded to the percentage change in price.

- If the price elasticity value exceeds one, demand is elastic, and consumers react strongly to price fluctuations.

- Conversely, if the value is less than one, demand is inelastic, and consumers are less sensitive to price.

Business benefits

Revenue

Improved revenue and sales with value-based pricing optimization using AI/ML.

Efforts

50% reduction in manual resources needed to price products according to customer requirements.

Time

75% reduction in the time it takes to quote prices.

LTIMindtree is a global technology consulting and digital solutions company that enables enterprises across industries to reimagine business models, accelerate innovation, and maximize growth by harnessing digital technologies. As a digital transformation partner to more than 700 clients, LTIMindtree brings extensive domain and technology expertise to help drive superior competitive differentiation, customer experiences, and business outcomes in a converging world. Powered by 82,000+ talented and entrepreneurial professionals across more than 30 countries, LTIMindtree — a Larsen & Toubro Group company — combines the industry-acclaimed strengths of erstwhile Larsen and Toubro Infotech and Mindtree in solving the most complex business challenges and delivering transformation at scale. For more information, please visit **https://www.ltimindtree.com/**.