

Analyzing the Revenue Impact of Price Increase

Company and Industry:

The company sells digital products through its store front and has dominant market share in the local construction markets where it operates.

Impact:

The client now has an empirical basis to estimate potential client defections due to a proposed price increase as well as the associated net revenue impact. This methodology can also be used to evaluate the impact of proposed price increases proactively.

PROBLEM:

The company appears to have lost many customers after its more recent price increase. Before the client undertakes another price increase, they would like to assess the revenue impact.

SOLUTION:

This was a two-step analysis: identifying clients likely to leave after a price increase; and assessing the revenue loss from clients who left against the increased revenues from clients who stayed and paid higher prices. Using client purchase history before and after the most recent price increase, Prophecy identified the early warning signs of customers who were likely to defect after a price rise. The predictive models automatically built by Prophecy allow the client preempt the revenue loss after the price increase