



Analyzing the Revenue Impact of Price Increases

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 a method to estimate potential client losses 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 client had lost many customers after their most recent price increase. They wanted to go through a revenue impact assessment before undertaking another price increase.

Solution

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