

Pricing is one of the most critical decisions in business. In many cases, pricing decisions are made through ‘gut instinct’ with little understanding on whether the products and services are optimally priced to maximize value.

The **Pricing and Cost Diagnostic** is designed to provide a deep independent evaluation of how well the company is pricing products and services to maximize value. Naturally, pricing decisions also require an understanding of costs, therefore our analysis considers both factors of value creation.

The **Pricing and Cost Diagnostic** consists of a detailed report and presentation of findings regarding the pricing policies, decision making processes, customer segmentation, and product mix.

Strategic Questions Fortuna Advisors Will Answer

- Do you have a pricing issue or a cost issue or both?
- Does the company truly have a differentiated value? What factors contribute to the company’s competitive advantage and does that translate into a price premium or higher market share?
- Given the current cost structure, what price levels can the business maintain profitability and how long can they weather a market downturn?
- What types of “shocks” to the business can the company withstand based on its current pricing policies?
- Are there ways to increase operational flexibility to respond to pricing pressures?
- Are pricing policies structured in a manner that segments its customers to maximize their willingness to pay?
- Are assets being utilized optimally? Can assets be disposed? Is there a need for new investment to reduce the costs of maintenance and unproductive assets?
- How are costs trending? Are they statistically within reasonable bounds or are outliers of performance an indication of a systematic costing problem?

What Fortuna Advisors Will Do

Fortuna Advisors will evaluate the company’s historical sales, pricing, and cost data to determine where pools of profitability and losses are impacting the value of the business.

Fortuna Advisors will analyze sales and pricing data by business unit, customer segment, products and services, geography, and sales representative to determine internal best practices and opportunities for improvement.

Fortuna Advisors will identify legitimate factors (service levels, size of orders, geographic region, customer’s business type, etc.) that justify price variations across customers.

Fortuna Advisors will evaluate the company’s operations to identify opportunities for cost improvements (expenses, capital expenditures, non-core or idle assets, operational flexibility).

Fortuna Advisors will conduct detailed stress testing of the company’s business plan to identify what types of price “shocks” the company can withstand before putting itself into financial distress or violating internal or external limits for leverage, coverage and liquidity.

Fortuna Advisors will conduct bespoke capital market research on capital deployment effectiveness over a long-term period to understand at different points in the cycle what are the best uses of capital and how should a company’s capital structure and financial policies adapt to mitigate costs.

Fortuna Advisors will benchmark costs (COGS, SG&A, Operating Expenses, etc.) against publicly traded peers to determine best practices and to set reasonable cost goals for budgeting and planning.

Fortuna Advisors will conduct an extensive internal analysis of cost management by business unit to uncover best-in-class performers, develop reports and charts that quickly identify both favorable and unfavorable trends, and meet with business unit leaders to identify opportunities for improvement and bounds for acceptable variation of costs within a business cycle.