

Why Private Equity Firms Should Embrace Dynamic Pricing

The current financial climate, at first glance, appears to be a difficult one for businesses. Rising interest rates make borrowing to expand a less attractive proposition, while a tight labor market challenges even the best managers to maintain their current workforce and support the needs of their customers. Private equity firms need a toolset that can deliver value quickly and maintain that value, even in the volatile market we experience today.

Dynamic pricing enables businesses - and the firms that invest in them - to remain focused on delivering customer value while capturing as much of that value as possible. At its heart, dynamic pricing is a framework that engages cross-functional teams to develop a pricing strategy that aligns with business objectives. The information gained from this holistic approach gives companies the opportunity to set prices based on customer and product segmentation, gleaming value from previously untapped sources.

A dynamic pricing initiative can increase EBITDA and free cash flow in a way that is not only sustainable long-term for the portfolio company but also quickly enough to attract a buyer and generate significant rates of return. Dynamic pricing efforts often find 2-3% uplift in revenue in the first year alone; this means a company with 10% margins will see a 20-30% rise in EBITDA within 12 months.

Implementing dynamic pricing, like any other effort, requires leadership support. It demands vision to steer the organization through the necessary changes, such as sales training, as well as commitments to analysis and data science to identify opportunities that optimize pricing. Companies that are willing to make the commitment to dynamic pricing will gain valuable insights on what costs are changing within their business, as well as what customers are willing to pay - critical knowledge when the landscape is seemingly changing every day.

Surava can be your trusted advisor to ensure your dynamic pricing initiative is successful. We have the expertise and tools to not just identify your opportunities, but to work with your team to turn those opportunities into reality. [Contact us today](#) to learn more about how Surava can boost your portfolio companies' revenues regardless of the financial climate.