

New pricing programme at Barclaycard Business is set to boost profits by millions

objective

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A Campion Willcocks Associate played a key role in a high-profile change initiative for Barclaycard Business' card acquisition operations, designed to analyse customer performance and provide enhanced pricing models. The results will include increased profits running into several millions of pounds.

The challenges of change

"This market has very tight margins and is under heavy pressure from price erosion," explains Ruby Atwal, the Programme Senior Analyst involved. "This has resulted from regulatory changes and increased competition, notably from new market entrants."

The objective of the pricing programme was to build and embed superior pricing capabilities through the delivery of a new pricing approach, with supporting business models and robust pricing governance and policies. Initially UK-focused, Barclaycard Business plans to roll this new approach out to its international business. "It was imperative to establish a way of measuring relative customer performance," says Atwal. "With this in place we could create a benchmark for gauging under-performing customers, devise policies to inhibit under-pricing, and provide pricing tools for Barclaycard Business sales staff to incentivise profit maximisation. Throughout we worked alongside the client's personnel to ensure our solutions were both credible and commercial. This was essential to gaining buy-in."

The right match

Campion Willcocks already had a longstanding relationship with Barclaycard Business, so the client

was confident it would receive the right person. Mark Campion, Managing Director at Campion Willcocks, comments, "Our history with the client showed a record of providing the right people whatever the role or project. As with every client, we work in partnership to understand the specific requirement as well as the wider business and culture."

According to Mike Vallance, Sales and Marketing Director at Barclaycard Business: "This was a particularly dynamic team, so it was essential to not only match the challenging technical aspects but to also ensure a fit with the high metabolic rate at which the team was expected to work. Ruby fitted the bill perfectly, providing a mixture of infectious enthusiasm and commitment to deliver. Her skills and outlook were essential in achieving a successful outcome."

The programme

Atwal was part of a three-strong programme team, with the assignment starting in November 2003 and ending in January 2005. "My role was to combine commercial solutions through business modelling, to achieve relative pricing," she says. "The programme team was a flat structure with three differently skilled individuals, brought together to provide different perspectives. This approach proved successful as the solutions we provided covered all angles: they were commercial, financial, easy-to-understand, and could be implemented."

Her first task was to develop a basis for comparing 'like for like' customers. "This involved analysing the entire customer profitability profile using various statistical analyses, and identifying a unique

success

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cost measure that defined ‘normal’ versus ‘unusual’ customers,” says Atwal. Step two was to assess the price variability of ‘like for like’ customers - developing a pricing methodology that identified such people, so providing a new and far simpler way of segmenting the customer base.

Stage three saw Atwal develop policies to reduce price variability and so increase book value, working alongside Barclaycard Business staff to develop policies that could be implemented easily. This naturally led to step four: working with sales staff to provide user-friendly pricing tools that enabled the policies to be carried out. “We then moved to test price sensitivities, which involved building a scenario model to explore different policies,” says Atwal. “This was a key tool necessary to ‘re-price’ customers.”

The team reported in to the programme Steering Committee. “This gave us the gravitas we needed to meet key people inside Barclaycard Business and ensure we fully understood the issues at hand,” continues Atwal. “We quickly became credible as our recommendations were signed off by the committee, and we ensured key stakeholders were consulted as the solutions developed.” As part of her role, Atwal made regular presentations to the Board. This involved discussing complex concepts in a clear and understandable way.

The results

The programme team’s recommendations will lead to an increased profit for Barclaycard Business of several million pounds. In addition, a new pricing team has been permanently recruited to govern, implement and further develop the new approaches.

“This was undoubtedly a successful outcome and the programme will deliver the financial benefits as specified,” says Mike Vallance. “One critical success factor was that the team actually built the tools sales people are using for the new pricing approach - it wasn’t perceived as just a ‘think tank’ but as a team that could deliver the goods. By providing a different way for us to look at our customers, a unique measure that was easy to calculate, this programme also helped to raised the profile of this part of our operations within Barclaycard Business.

Atwal adds, “This programme offers a good example of how I would define ‘change management’. That is, the ability to bring an ‘old world’ into a ‘new world’ through cohesive, seamless and credible people and process management.”

About Barclaycard Business

Barclaycard Business is the UK’s leading issuer of corporate cards, with more than 142,000 business customers and over 500,000 individual cardholders worldwide. Barclaycard Business provides total solutions for all business’s card payment and processing needs, nationwide and internationally.

About Campion Willcocks

Providing dedicated resources since 1968, Campion Willcocks & Associates helps major organisations meet the challenges of change by providing project, programme and change management professionals on an interim and contract basis. It achieves a 99.3% success rate in matching professionals with assignments.

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