

PRICEFX CASE  
COMPETITION

SIMON BUSINESS  
SCHOOL

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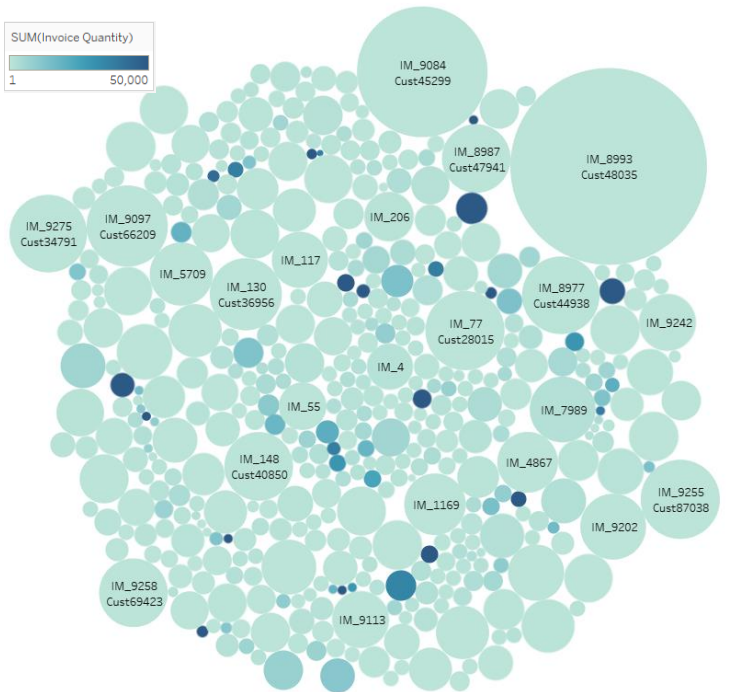
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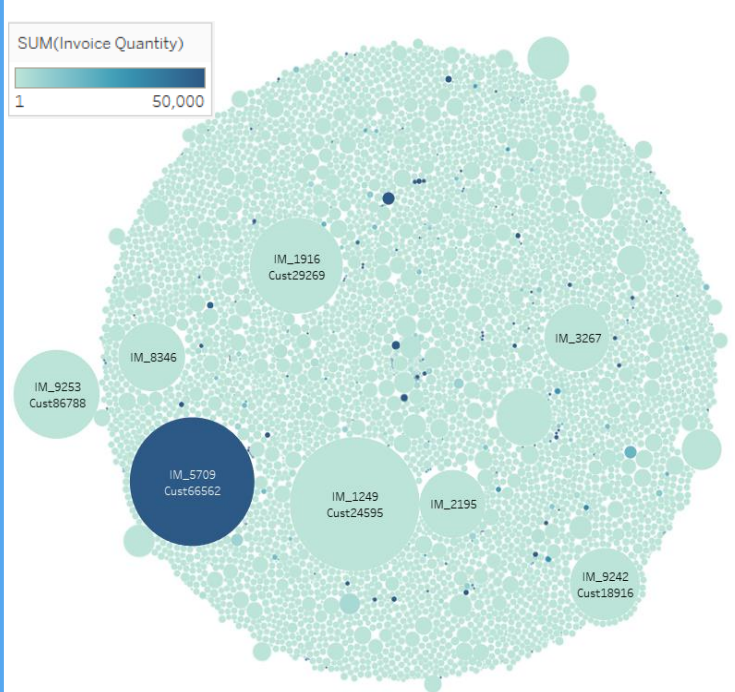
# IRON MOUNTAIN IS NOT PRICING EFFICIENTLY BY CUSTOMER GROUPS

Cluster analysis indicates that there is no relationship between parent companies ordering for many child companies and the rate they receive. This is further confirmation that order rates are negotiated on an ad-hoc, inefficient basis. A unified pricing scheme would help extract maximum consumer surplus from both single company groups and large conglomerates.

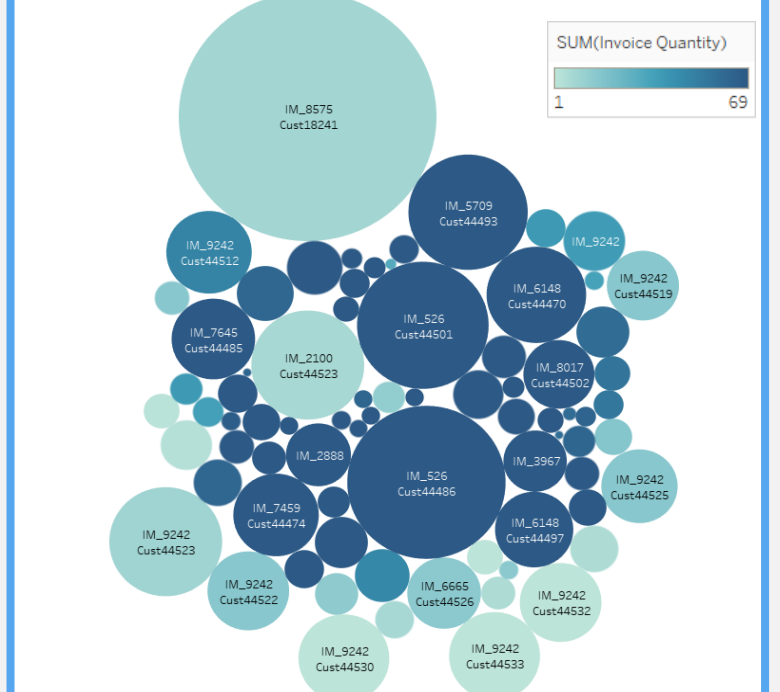
Average rate by IMGA and individual customer - Storage (Carton)



Average rate by IMGA and individual customer - Storage (Tape)

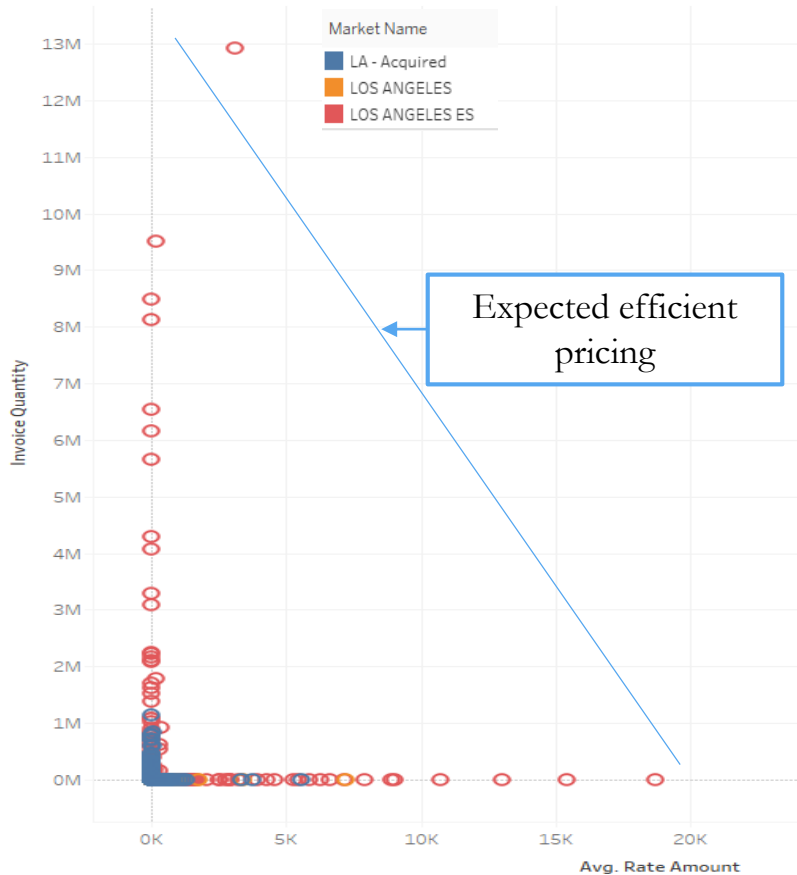


Average rate by IMGA and individual customer - Storage (Locked)



# IRON MOUNTAIN IS NOT PRICING APPROPRIATELY FOR CUSTOMERS ORDERING IN BULK

Average rate by Invoice Quantity



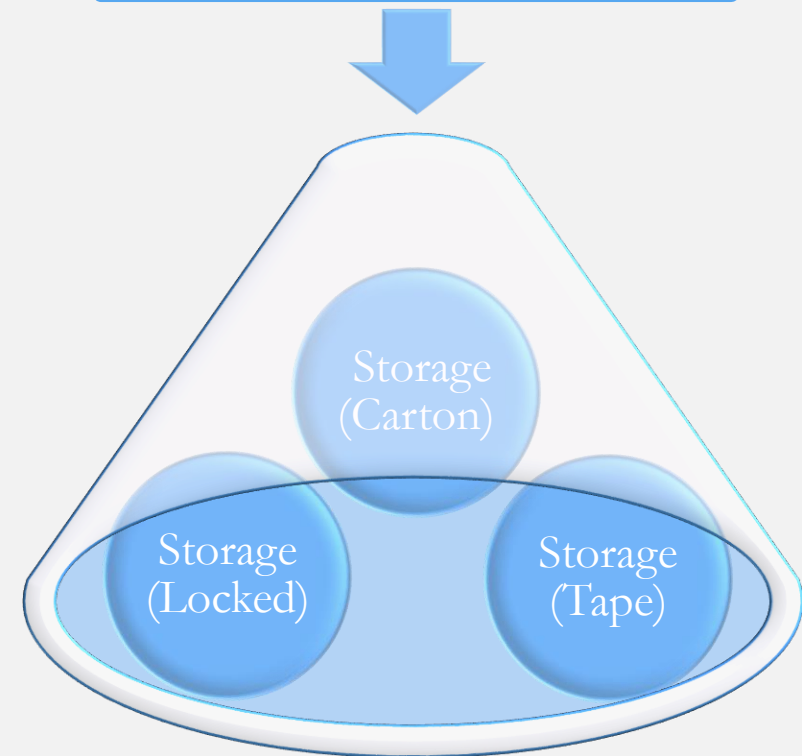
# CLEANING THE DATA

Newly acquired company in Los Angeles used a proprietary bill code type, obscuring the specific services they sell.

Analysis of raw data in Pricefx revealed common categories with separate bill codes

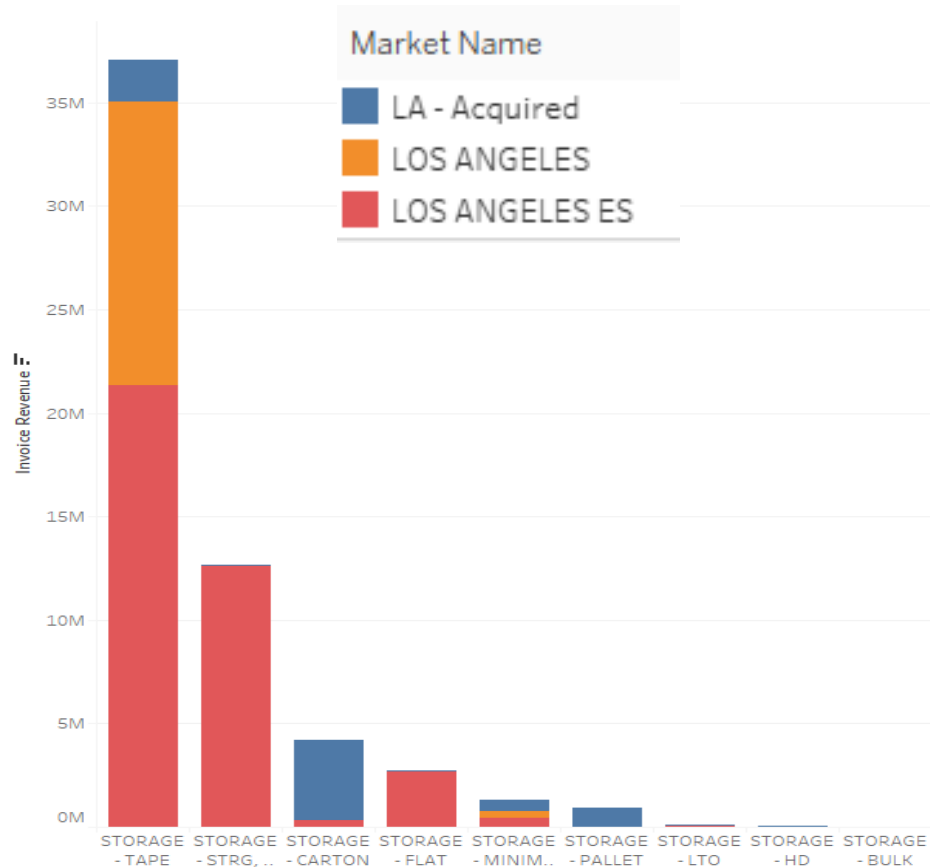
Revised data by matching individual bill codes to specific service types.

Generic Bill Code



# EXAMINING THE HIGHEST REVENUE SERVICES IN THE LOS ANGELES MARKET

Total Revenue by Bill Code Type

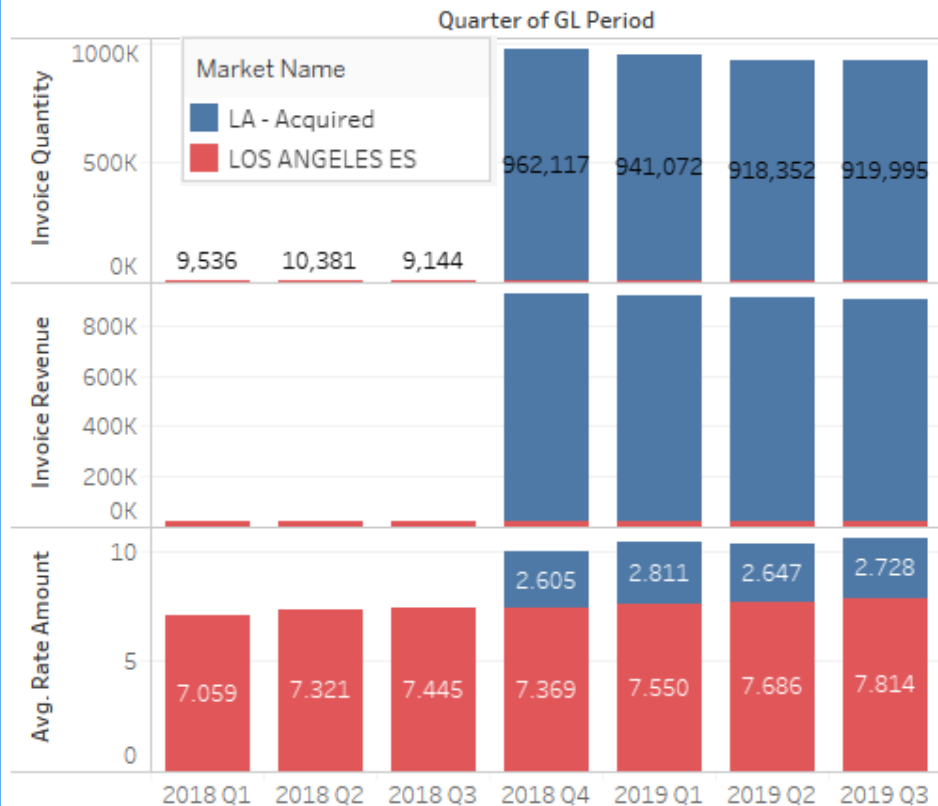


After a recent acquisition in the Los Angeles area, PriceFx needs to understand what pricing levers are available for maximizing revenue across their available services.

Locked Storage, Tape, and Cartons represent the heavy majority of total revenue, and the best levers for affecting total revenue via a new pricing strategy. Our analysis centers around examining these bill code types.

# IRON MOUNTAIN'S NEWLY ACQUIRED DIVISION SHOULD RAISE CARTON PRICING

Invoice Quantity, Revenue, and Average Rate for Cartons over Quarters



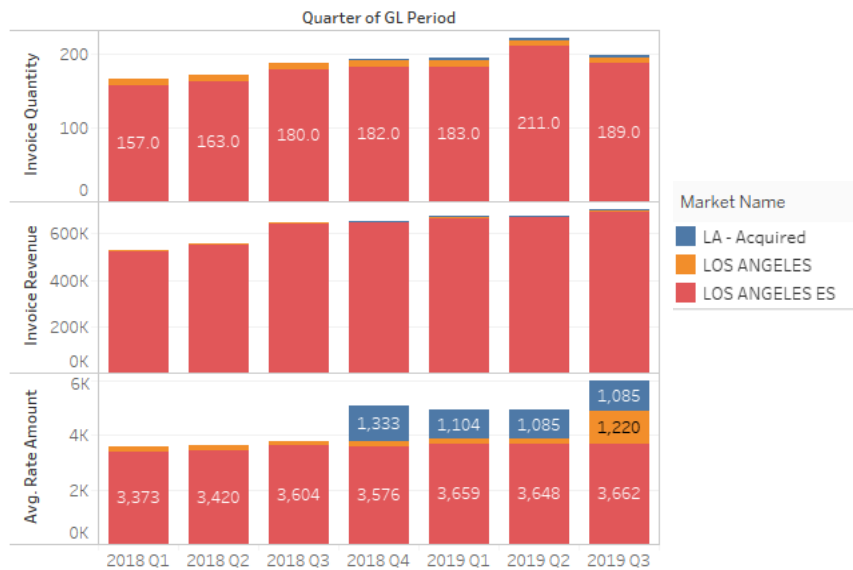
LA Acquired has pushed out LA ES in the market with low pricing and has a dominant share of the Carton Storage.

With the acquisition of LA Acquired, the upgraded facilities, and the pending consolidation of contracts, Iron Mountain can raise prices incrementally on acquired clients.

# IRON MOUNTAIN SHOULD LOWER THEIR PRICES ON LOCKED STORAGE AND TAPE TO MATCH THEIR NEWLY ACQUIRED DIVISION

Los Angeles Tape and Locked Storage customers are not price sensitive. Iron Mountain has maintained their customers even though they have much higher prices than LA – acquired. There is an opportunity to raise the prices on the new LA- acquired clients.

Invoice Quantity, Revenue, and Average Rate for Locked Storage over Quarters



Invoice Quantity, Revenue, and Average Rate for Tape Storage over Quarters





# PRICING RECOMMENDATIONS WILL RESULT IN SUBSTANTIAL REVENUE INCREASES ACROSS THREE MAJOR SERVICES

We selected the following definitions for our recommendations:

- Large orders – 5001+ units
- Medium orders – 1001- 5000 units
- Small orders – 0-1000 units

These definitions apply to parent company groups (IMGA) instead of to specific subsidiaries. This cuts down on overhead when tracking clients and incentivizes parent companies to drive their subsidiaries to our services.

These small, medium and large definitions are created so that most of our customers fall in the “Large” order definition. This proves that simply creating a uniform pricing scheme among most of our orders improves revenue immensely over the current ad-hoc pricing.

With these definitions and a uniform price, revenue increases 7% for Storage (Carton), by setting the price equal to LA-acquired’s low price plus 10%. Revenue increases 357% for Storage (Tape) by setting the price equal to LA-ES’s high price. Revenue increases 11% for Storage (Locked) by increasing our acquired storage prices 10% above the LA-ES high price.

- We recommend that the carton price be raised slightly above the baseline of LA-Acquired.
- We recommend that the tape price be lowered slightly below the baseline of LA-ES.
- We recommend that the locked storage price be raised slightly above the baseline of LA-ES.

We predict a higher customer satisfaction rating among customers who see a rate reduction, and a minimal backlash from other customers due to increased transparency in a uniform, “fair” pricing model. Former LA-acquired customers experiencing a price increase will also have access to Iron Mountain’s higher quality services to further defray the price hike.



# RISKS TO BE AWARE OF WHEN IMPLEMENTING PRICING RECOMMENDATIONS



## Lowering Prices on Storage (Carton)

- Lowered prices may result in dilution of customer perception of brand quality
- Increased sales may require the acquisition of additional capacity
- While Iron Mountain doesn't use cost-based pricing, if lowered price approaches marginal cost, storage (carton) may become a loss-leader instead of a profit generator.

## Raising Prices on Storage (Tape, Locked)

- Higher prices may drive away previous customers of acquired company who are more price sensitive
- A higher price for storage (tape) and storage (locked) may leave Iron Mountain vulnerable to new or existing competitors in that space



# MOVING FORWARD WITH RECOMMENDATIONS

In order to reduce uncertainty around new pricing policies, we recommend a deep dive into Iron Mountain's competitors pricing schemes in relevant markets, as well as a thorough cost analysis to ensure profitability where applicable.

Further optimization of small, medium, and large order definitions could be accomplished with competitor analysis and distribution of both the Los Angeles and other customer markets. Moving more customers away from "large" and into the other two categories may allow further revenue increases by identifying customers with a higher willingness to pay.

# APPENDIX

## Revenue increase tables

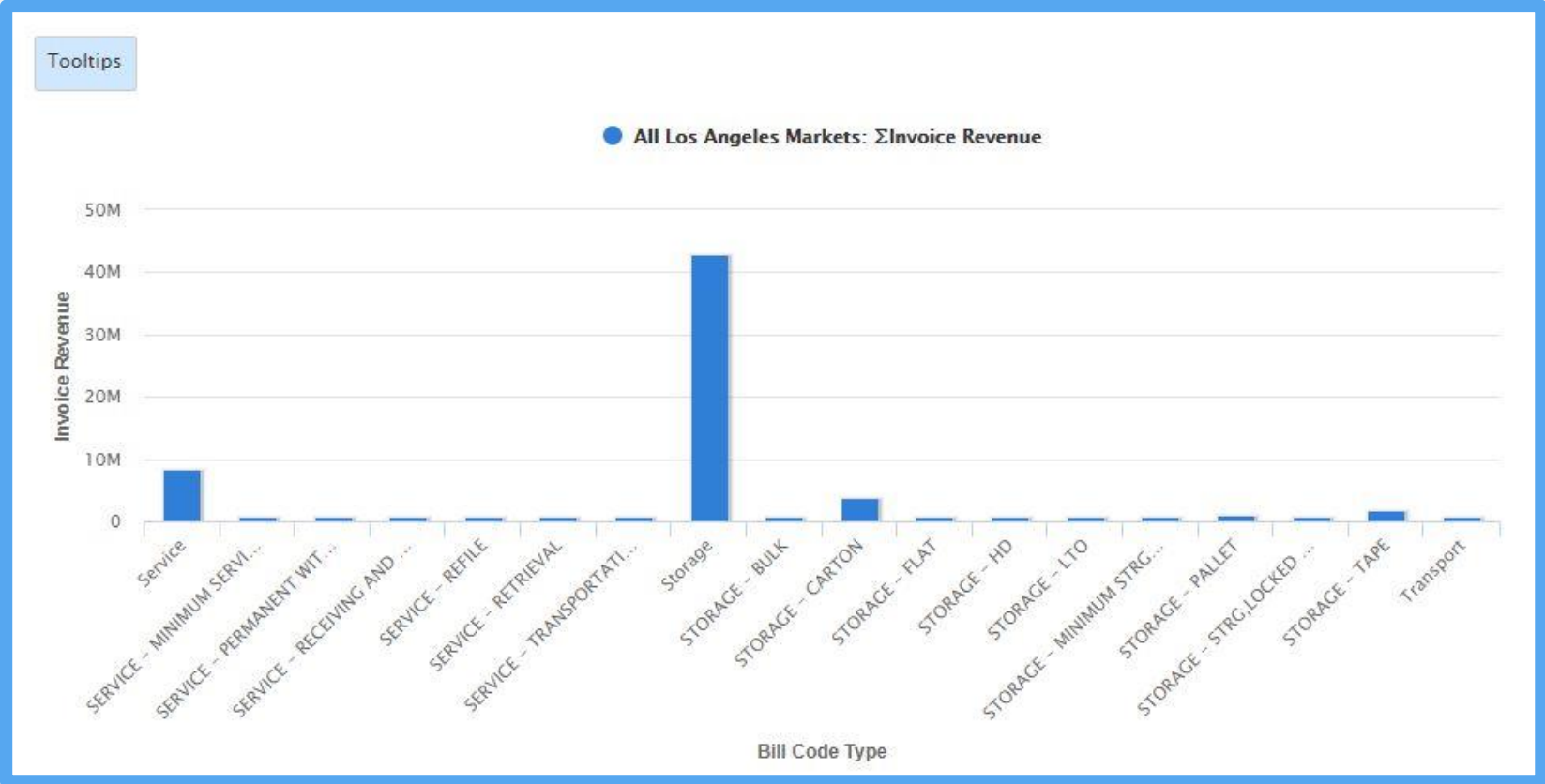
| <b>TAPE</b> | q=5000+ | q=1000-5000 | q = 0-1000 |             |                 |
|-------------|---------|-------------|------------|-------------|-----------------|
| LA ES       | \$ 0.62 | \$ 1.10     | \$ 2.25    |             |                 |
| LA-ACQUIRED | \$ 0.26 | \$ 0.35     | \$ 0.37    |             |                 |
|             |         |             |            | OLD REVENUE | \$ 531,478.04   |
|             |         |             |            | NEW REVENUE | \$ 1,896,629.88 |

| <b>CARTON</b> | q=5000+ | q=1000-5000 | q = 0-1000 |             |               |
|---------------|---------|-------------|------------|-------------|---------------|
| LA ES         | ----    | \$ 8.15     | \$ 8.41    |             |               |
| LA-ACQUIRED   | \$ 1.72 | \$ 3.92     | \$ 2.81    |             |               |
|               |         |             |            | OLD REVENUE | \$ 578,772.21 |
|               |         |             |            | NEW REVENUE | \$ 620,336.94 |

| <b>LOCKED</b> | RATE        |             |               |
|---------------|-------------|-------------|---------------|
| LA ES         | \$ 3,537.55 |             |               |
| LA - ACQUIRED | \$ 1,085.15 |             |               |
|               |             | OLD REVENUE | \$ 223,950.80 |
|               |             | NEW REVENUE | \$ 249,043.52 |

# APPENDIX

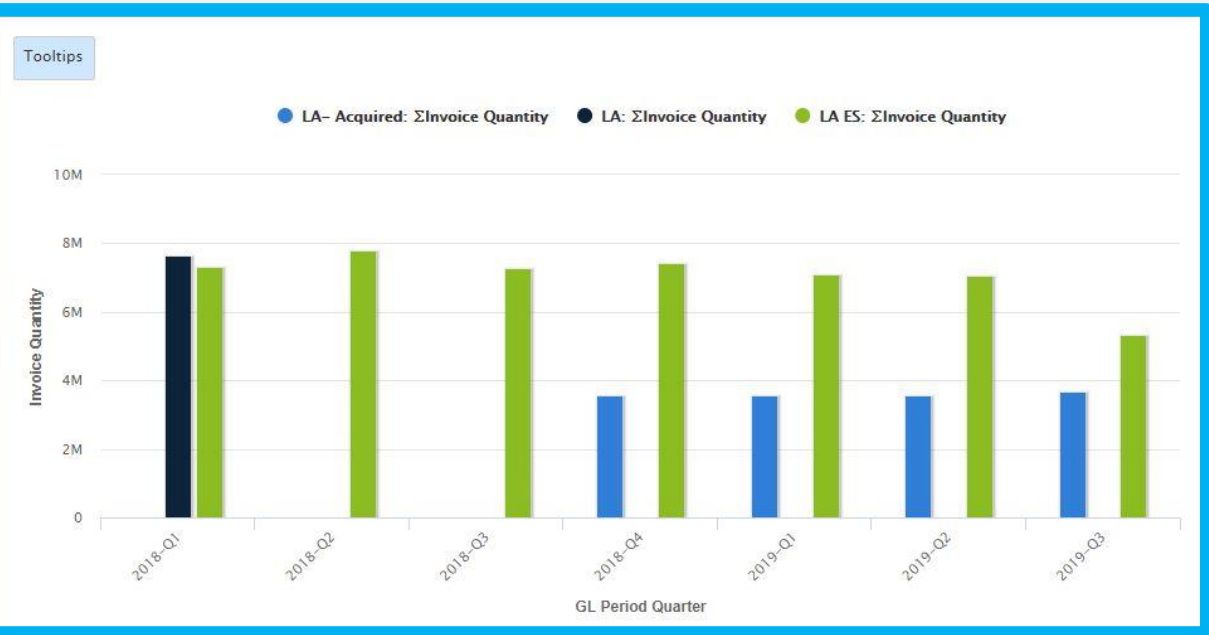
## Bill Code Type Pre-Clean



# APPENDIX

## Invoice Quantity per Quarter

## LA Average Rate per Quarter



# APPENDIX

## LA Revenue per Quarter

