



Executive Consulting
Business Development
Interim Management
Corporate Finance

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Recipient

Proposal Pricing Excellence

November 29, 2011

Sirs,

In answer to your request for proposal “Pricing Excellence” for the Group, you find below our offering for the package “Pricing Excellence“ and our project offer for the “Interim Manager Pricing Excellence”.

Project Pricing Excellence

A. Initial situation

- Reaching the goal of x b turnover with xx% profit by 20xx requires to double today's sales and significantly improve results
- Pricing excellence is considered to be an important driver to reach our growth targets (1-3% profit potential)
- Today all pricing activities are steered discretionally in the local sales units
- For January 1st 20xx a price increase from plants to sales units is planned
- The group does not yet have an approach to sustainable improve pricing skills and quality in the organization.

B. Project Goals

- Work out a self-assessment tool so that any sales and marketing organization can assess where they stand in terms of pricing
- Identify main levers for improvement and create an approach on how to address them
- Set up a comprehensive system to enable the sales forces to question and improve performance independently

C. Additional Information gathered in project orientation call

- High management visibility and priority, pricing is on everybody's screen
- No roadblocks or hurdles on top management level
- May be some local resentments could be found

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Seite 2 vom Schreiben an _____ am 29. November 2011

- Current reporting is very high level and does not provide detailed pricing information or data
- Product management should have more influence on pricing in the future
- 1/3 of the planned growth should be inorganic
- Price segments 1=exclusive, 2=high, 3=good and 4= you can live with it (sold through... only) and the group's positioning have been explained
- Pricing excellence improvement components and new standards are welcome. The group is not looking for a global solution.
- The group currently considers the introduction of a better CRM as a more centralized system solution for better accessibility to local data
- No fixed price lists available (e. g. for download from the website)

D. Assumptions for the consulting project pricing excellence

- All distribution/sales units are on equal terms (domination agreement).
- All distribution/sales units are invoiced with the same factory price in Euro or hedging is provided by the group's headquarters.
- Internal transfer pricing (production to sales) is not subject of this project
- Corporate Social Responsibility program(s) carried by the group's headquarters
- No competitive arrangements are in place (obligation of disclosure)

E. Project Deliverables

- Survey on pricing excellence: Questionnaire, poll and results documentation
- Set of KPI to trace and manage continuous pricing improvements
- Scheme of process improvement targets incl. timeline and milestones
- Blueprint of the tool box incl. top headlines (excl. training modules)
- Tool box elements such as standard calculation schemes
- A discount policy framework for the tool box and for the product management
- The tool box will include a set of tools to continuously improve pricing performance, e. g. local market price finding (level and structure), condition and discount structures, rebate behaviors, internal pricing support structures and clear self-improvement and/or escalation paths, funnel to show an overall pricing performance, internal benchmarks, margin loss analysis based on discounts given, usage of global CRM output
- List of supporting initiatives to implement and deepen pricing excellence such as HR projects to tie-in pricing excellence in the incentive plans
- List of identified qualification lacks
- Draft of training modules incl. approach e. g. train the trainer
- A change management project draft
- Complete documentation of the findings, measures and developments

F. Additional Deliverables from the Interim Manager Pricing Excellence

- Pricing excellence workshops with the sales teams
- Best Practice exchange between the sales teams
- Trainings on best practices for the sales teams
- Potential optimization of internal transfer pricing (production to sales)
- Support for local or regional price lists (market pricing) and discount schemes
- On the job consulting for sales employees and managers
- Coaching of good or best practice methods and processes in the local entities
- Performance training on costs, quality and effectiveness
- Support for LEAN initiatives and up to date benchmarks in the sales teams

The additional deliverables are not priced in this offer, as those deliverables are not allocable with exact results.

G. Approach

For the consulting packages, we recommend a three-stage project execution:

1. Project-Setup and preparation of surveys

At the beginning of the project, all key stakeholders have to be informed on the objectives and interactions of the project. Introductory single calls and a kick-off with the project participants are followed by the compilation of the questions for the surveys for the recording of the actual situation, which (as in the following two phases of the project) breaks down in the areas of processes, employees, organization & management and system support (tools). The internal XYZ analysis among x managers will be analyzed and assessed.

Part of this project phase will be an assessment of the current pricing strategy, the price dignity, the authorization processes and other relevant internal aspects in the groups headquarter.

To figure out what the status of those tasks is in the regions, questionnaires will be developed. In addition to the HQ assessment, the questionnaires are prepared to find out what the level of understanding on company standards is regionally, how it is implemented, the local specifics, the support desired and received, the strategic understanding, the dignities, current tools used or planned, process descriptions available, operational understanding, known potentials and issues.

Selected potential questions could be:

- Are pricing strategies and policies known in all divisions by all sales people?
- How the local pricing strategies defined (elements, factors, data base etc.)?
- What are the influence factors (“set screws”) for the local/regional pricing?
- Which pricing methods are used (cost, customer, competition, value, volumes)?
- How is the local market price tested in which price flexibility/span?
- What kind of price controlling is in place locally? Which KPI are used today?
- What pricing impact/changes had the new sales structure?
- Did this change led to price cannibalization or customer drift to other units?

- To which degree are the customers included in price finding procedures?
- How do/did the customers react to price increases?
- What price/margin potentials are included in the new system pricing?
- How much harmonization of price lists, rebate and condition systems have been accomplished with the introduction of the new sales structure?
- Is the current internal price transparency still good for the group?
- What impact had the pricing/margin components of the existing regional compensation systems in the past (good and bad examples)?

This project phase will close with an ideally electronic questionnaire on the intranet with guideline and timeline.

2. Surveys, consolidation of results and definition of improvement levers

This phase will start with the analysis of the survey returns; will continue with spot tests and verification/clarification interviews to summarize the results methodically. According to the field's feedback, the improvement levers will be identified and prioritized together with the groups project executives. The top 5-10 regions for pricing excellence initiatives will be listed as well as the areas of "low hanging fruits" (areas where minimal impact result in biggest pricing improvements – prioritized).

The phase will include the development of pricing KPI, process reviews and a SWOT. Also, best practices will be deepened and questioned to lead to internal benchmarks. The existing best practices will be deeply analyzed to show how they work.

Potential actions, figures and KPI could be but are not limited to:

- HQ pricing benchmarks for maximum off list price discount (transparency?)
- (New) transparent margin targets or discount limits
- Executive margin improvement program
- Knowledge versus behaviors (hard versus soft skills)
- Pricing control system today and tomorrow (CRM, CRM add-ons?)

The best practice executives and managers could be part of a pricing excellence team to leverage improvements from inside the organization. Short- mid- and long-term requirements will be put in place.

The biggest pricing excellence hurdles and qualification lacks are identified.

A pricing excellence roadmap with clear milestones along with the growth path of the group would be developed.

Definition of the target states, potential organizational improvements, new internal standards, a potential accompanying HR programs (organizational adaptations or advancements in central and local management responsibilities, tie-in of pricing excellence in the compensation system, etc.), feedback based on new KPI to show where the group currently stands.

Present state of the group is shown and planned state is agreed.

Additional checks: Mmanagement standards, responsibilities; tracing, tracking and influencing of pricing.

This project phase will end with agreed and prioritized improvement levers and the agreed approach on how to address them.

3. Definition of self-assessment tool and pricing performance improvement system

According to the RFP, in this phase a self-assessment tool for pricing excellence will be deployed that – in final stage – can be used as a comprehensive system to enable the group's sales forces to question and improve performance independently to achieve pricing excellence.

To start, the synchronization with the sales excellence project findings should discover commonalities, chances to use partially the same tool box (system) etc.

Core element of this phase is the development and roll-out of the tool box for the sales team self-assessment and as the pricing performance improvement system.

To start developing the tool box, a scheme of process improvement targets incl. timeline and milestones will be produced. As a next step, a blueprint of the tool box incl. top headlines (excl. training modules) will be developed and reviewed with the group's project executives.

Potential tool box elements could be (examples):

- Standard calculation schemes
- Discount policy framework, condition and discount structures, rebate behaviors
- Local market price finding tool (level and structure)
- Internal pricing support structures
- Clear self-improvement and/or escalation paths
- Funnel to show an overall pricing performance
- Internal benchmarks and KPI
- Margin loss analysis based on discounts given
- Use of global CRM output

At this stage of the project the tool box will be presented to the group's executives.

In addition, a list of supporting initiatives to implement and deepen pricing excellence such as HR projects to tie-in pricing excellence in the incentive plans are deployed together with a list of identified qualification lacks.

A draft of training modules incl. approach e. g. train the trainer will be rendered and the tool box roll-out will be conducted.

The tool box is designed to be used as a self-assessment tool for sales and marketing and a comprehensive system to enable the group's sales forces to question and improve performance independently.

Employees will be familiarized with the defined KPI and internal benchmarks as well as with the usage of the tool box (system). Users are aware of local market price finding (level and structure), condition and discount structures, and scale of discount, rebate behaviors, internal pricing support structures and clear self-improvement and/or escalation paths.

A change management project draft – if necessary – will be issued. A status report in pricing dignity (should be 60% regional and 40% HQ driven in the future) is ready.

A training catalogue containing training headlines to be implemented in the tool box will be issued by CEO advise. Selected components of the training program could be implemented in the toll box. Approach: What do you get for you money instead of pricing discussions.

A workshop could be conducted to define future internal standards, recommended organizational changes, additional guidelines, management tasks, future pricing models, adaptability of project results for future inorganic growth etc.

The project ends with a complete documentation of the findings, measures and developments. If performed as an interim management project, workshops and trainings will be included. The migration plan will include responsibilities, milestones and internal champions.

H. Milestones Pricing Excellence

1. Questionnaire
2. Conduct of survey
3. Survey results
4. Improvement levers
5. Blueprint of tool box
6. Tool box presentation
7. Tool box (system) roll-out
8. Management workshop
9. Final documentation

I. Project Execution Options

As per your request and according to your RFP, we could service you in consulting packages or in taking on interim management mandates or any combination of both.

Consulting Project Pricing Excellence

You find the description above in section E.

Interim Management Pricing Excellence

You find the description above in the section E plus section F.

Interim Management gives you the opportunity to flexible ad tasks and days to the project. On top there is some pricing flexibility along with the project duration.

J. Project organization and cost

The consultancy project Pricing Excellence for the Group starts in January 2012 and end in late June 2012 (detailed planning will follow).

The project will be performed by Fritz B. Höring. For the successful production of the deliverables, we have calculated the following:

Consulting Project Pricing Excellence: 120 advisor days

Interim Management Pricing Excellence: 120 man-days plus selections of section F.

Assuming a start in week 2, 2012 and an average of 5 project days per week, the project will end early / mid of June.

Our calculated total price for your support is based on the agreed daily fee of € 1.797 including expenses

EUR 215.640, 00 plus statutory value added tax.

Our consulting invoices will be issued biweekly with payment due within 14 days. Our Interim Management invoices will also be issued every 14 days with payment due within 14 days as well.

Why CEO advise?

The Executive Consulting firm CEO advise LLC was launched in 2007 to transfer knowledge and values to younger CEOs and managers in order enable them to grow their own companies successfully. That's why our company's name component "advise" is written with "s" and not with "c".

Based on the experiences of the firm's founder and his partners, the support of transatlantic business relationships is also one of the key services of the company.

Today we are known as transformation experts (conversion advisors) and claim this aspiration to all our Consulting Experts and Interim Managers. We offer customized business development support and sales, pricing and marketing alignments to a wide range of industries.

Our specialization and expertise is to ensure the practical relevance of our concepts and experience from more than 100 projects and ensures their efficient and sustainable implementation.

Our operation is subject to the highest quality standards, is results-oriented and consistently committed exclusively to the interests of the client. We rely exclusively on staff with many years of leadership and business experience and put our customer and task-specific teams together in a way that guarantees functional expertise and extensive industry knowledge, project success and customer satisfaction.

Fritz B. Höring has over 25 years of consulting and management experience in all relevant industrial tasks of sales, marketing and distribution/retail. He has a proven knowledge and experience with pricing policies and pricing excellence in strategy consulting and in the industry.

He possesses extensive experience with the design, implementation and monitoring of sales and pricing tools. His tasks were always international and with his intercultural competence he can adapt to different cultures and mentalities. He is a creative and innovative strategic thinker and a pragmatic leader.

Projects (selected samples):

- Sales SWOT for sales excellence and globalization at EnOcean
- Strategy and sales excellence consulting at Alp Logistic Group
- General Manager AMX Central & Eastern Europe (sales & marketing excellence)
- Pricing and product management excellence at EPCOS
- CEO of multiple firms responsible for sales & pricing excellence

Industry and management experience (selected samples):

- Building technologies, building automation, Security Systems, IT, Telco, A/V
- 4 years with Top 5 Business Consulting company
- Sales Director, Managing Director Sales & Marketing, General Manager, CEO

Fritz B. Höring advises building technology, High tech, Cleantech and Bio tech companies in business development, sales & marketing and corporate finance as managing director of CEO advise LLC. Prior to this, he was Managing Director and CEO of US, Swiss and German fortune 500 subsidiaries with a clear focus on sales excellence and pricing excellence and brought US companies such as AT&T and AMX on the map of Europe. He was instrumental in building the outsourcing division of a leading international consulting firm. In addition, Mr. Höring served and serves as a board member in public listed and private companies.

The dual citizen of Germany and Switzerland holds an Engineering degree and a MBA of the University Stuttgart and has completed diverse further educations.

Dear Sirs,

Seite 8 vom Schreiben an _____ am 29. November 2011



We trust our proposal fully meets your expectation. CEO advise will perform the consultancy services ordered with full professionalism, in time and budget and standard compliant. This includes our commitment to accomplish additional packages if required.

Thank you for your time and consideration. Please contact us with any question you might have.

Best regards,

Fritz B. Hoering
Managing Partner