

Do You Have a Pricing Strategy?

by Xan Chamberlain

What is pricing?

- Pricing is an **A**rt
- That is backed up by **S**cience
- And made useful through the use of **P**rocess

Step back for a moment. Think about your organization's pricing **ASP** (**A**rt, **S**cience, and **P**rocess). What comes to mind? An orderly process, born from a well thought out strategy that seamlessly adjusts to changes in the competitive landscape and global marketplace? Or a patchwork that has evolved over time like the Winchester Mystery House?

If it is the latter, you are not alone. In most organizations the pricing is done by everyone. And therefore, it is really done by no one—meaning there is no coherent pricing strategy working in conjunction with a marketing strategy to differentiate the value of your products from those of your competition.

Don't let that discourage you. Odds are your organization is still doing O.K.. But think about how much better your organization could be doing—how much more market share you could have—how much more profit margin could be obtained with a sound pricing strategy that supports the overall strategy of your organization. Your pricing strategy needs to be a key component of the "Go-to-Market" strategies for all of your products and services.

Perhaps it is time to increase your organization's pricing **ASP**! Let's check. Can you answer the following questions? And, if someone else in your organization was asked the same questions, would their answers match yours?

What is your organization's targeted price positioning?

- A premium price to competition because of your added value
- A small premium in most places
- Right on the competition
- Slightly below the competition
- We do not have a targeted price position

What pricing technique did your organization use to develop existing pricing?

- Cost-plus pricing
- Competitive-oriented pricing
- Penetration pricing to maximize initial sales/share
- Value-based pricing (based on market research on value to customer)
- Financial-based pricing (Margin/ROI/TCO, etc.)

- Yield or Revenue Management
- Management directive

What price discount method is used by your organization?

- Unit or \$ volume of an individual transaction
- Cumulative units or \$ volume over a specific period of time
- Account label/size (National Account, Global Account)
- Tiered discounts
- Loyalty programs
- Pricing promotions
- Credit memos or rebates
- We do not discount our products/services

How is global pricing handled in your organization?

- Single global price set by corporate headquarters group
- Individual Regional Management sets prices (EMEA, Asia, etc.)
- Prices set by each Country Manager
- Global prices set by committee (Pricing team, product team, Local vs. HQ team)
- We do not have a global pricing strategy

What is your Internet pricing strategy?

- Mimic and publish the pricing in your traditional sales channels
- Sell excess inventory and obsolete products and services
- Market-test pricing propositions
- Signal the market / your competitors
- Obtain the highest possible margins by selling direct via the internet, bypassing your traditional channels
- We do not price/sell anything through the Internet
- We do not have an Internet strategy

What competitive pricing intelligence does your organization gather?

- List prices or catalog prices
- Street or Net of discount prices
- Prices on major deals
- Industry Analyst reports
- We do not gather competitive pricing information

How structured is your pricing process?

- Who is involved in a pricing decision?
- What are the tools used to communicate pricing decisions/changes?
- Are price quotes generated quickly, easily and accurately?
- Are your pricing strategies in line with the Sales compensation plan?

So, now you have an idea of where you are in the spectrum of pricing strategy and pricing process. What should you do next? Hoping for the best probably isn't the wisest long-term strategy. Applying appropriate focus and resources to your pricing **ASP is the answer**. It is far less expensive to price your products more effectively than it is to develop new products or services. Use the six steps listed below to help you realize a much better payoff in terms of market share and profit —with your existing products.

Six steps to raising your pricing **ASP**

- 1) The chart below corresponds to the questions above. Check what you have done already, and see what's left to do.
- 2) Work across your organization to ensure the pricing strategy and function receives the proper level of management attention and support.
- 3) Assess your in-house pricing resources, and consider if you need to hire or engage professional assistance from outside your organization.
- 4) Drive the process to complete the form below.
- 5) If you're at least a \$50M company, put a pricing function in place that will lead and manage the pricing process in your organization.
- 6) Always strive to increase your organization's pricing **ASP**.

	Defined	Approved	Communicated	Implemented	Measured
Targeted Pricing Positioning					
Existing Pricing Strategy					
Discounting Strategy					
Global Pricing Strategy					
Internet Pricing Strategy					
Competitive Pricing Strategy					
Price Change Process					

About the Author:

Xan Chamberlain has over 20 years of Sales and Marketing experience in the Silicon Valley. He is a member of the Board of Advisors of the Professional Pricing Society and has successfully priced software, services, and platforms. Currently, he is the Sr. Manager of Global Services Pricing for Hitachi Data Systems. Prior to HDS, Xan was an independent pricing consultant whose clients included: VeriSign, BEA Systems, Phoenix Technologies, Calient Networks, and Xporta. Xan also has more than seven years of hands-on pricing experience as the Manager of Global Pricing for Lucent Technologies where his group delivered pricing strategy, price configuration tools, orderability processes, and Total Cost of Ownership (TCO) tools for the Enterprise marketplace.