



# De-Mystifying the Pricing Process



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# Pricing Process Mistakes

- Missed Opportunities

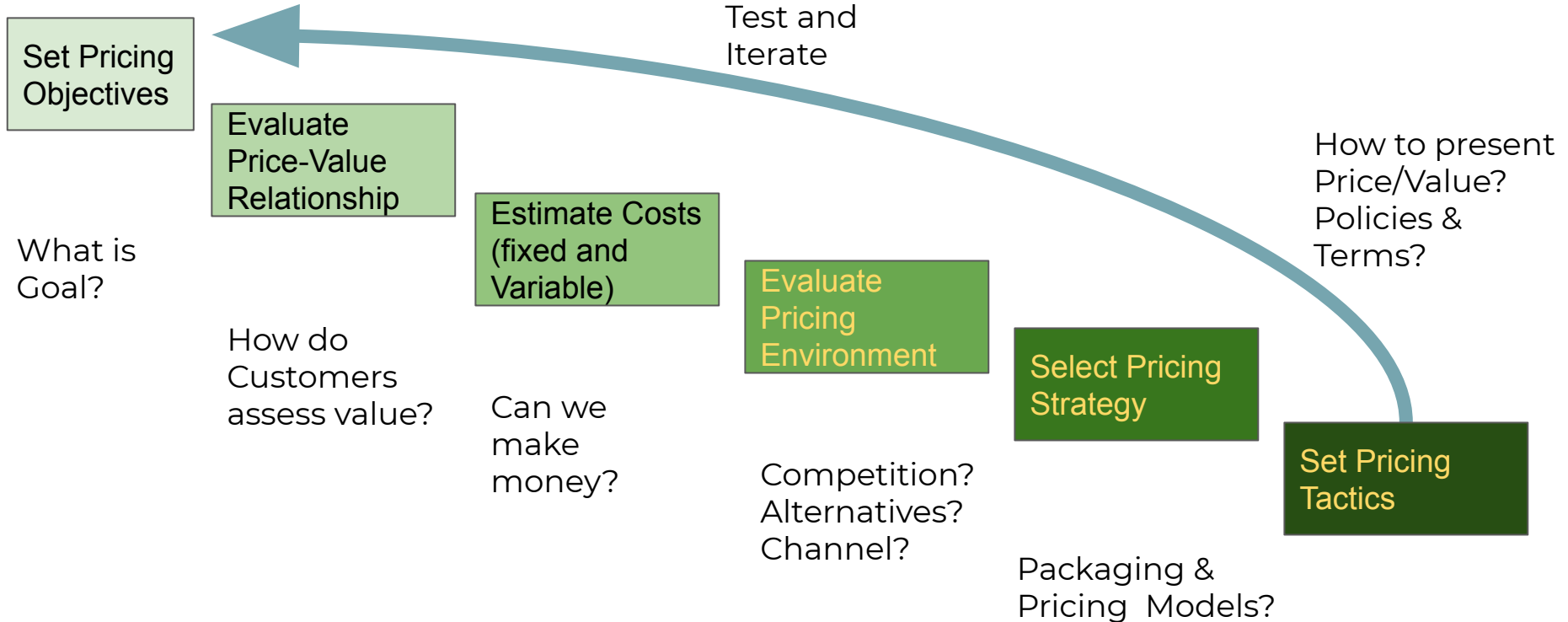
- Not tied to strategy
- Not driven by data
- Not tied to customer value
- Not segmented or packaged to match need
- Not adjusted over time

- Results

- Not maximizing business value
- Customer frustration because price not tied to value
- Heavy use of discounting and promotions

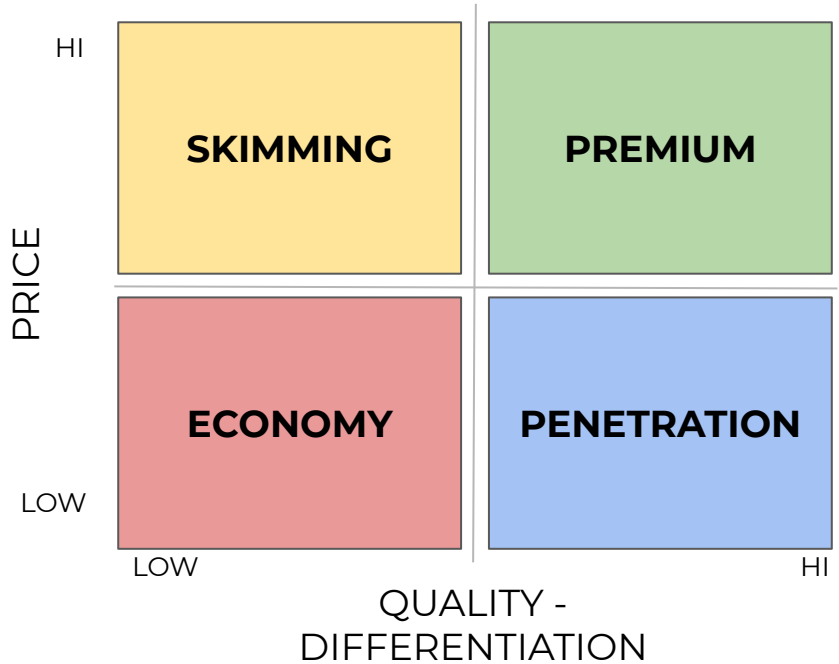
**A 10% increase in average price means you have to sell 20% fewer customers for same Profit**

# Pricing Process

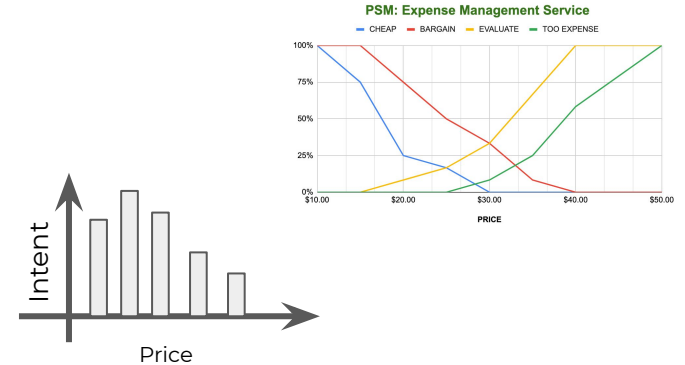
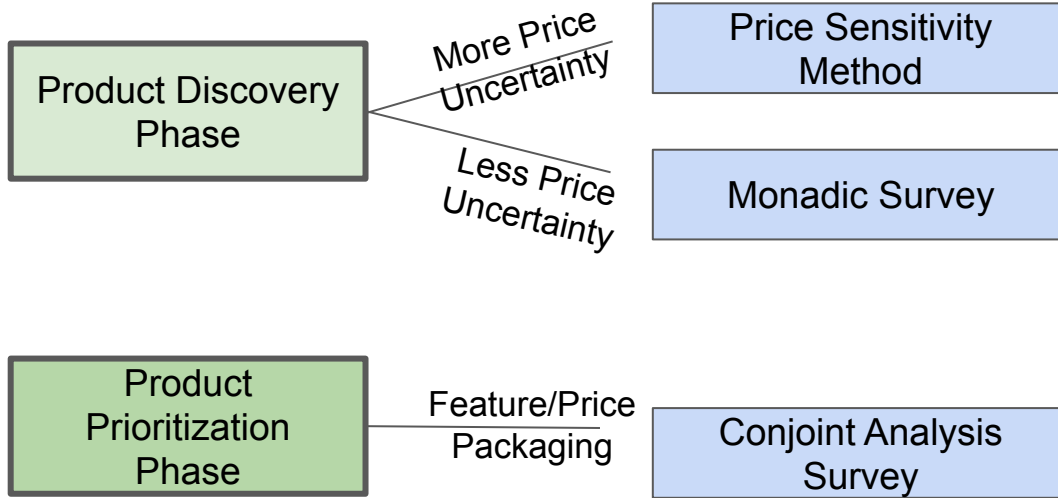


# Pricing Objectives

- Gain Market Share
- Maximize Profitability
- Land and Expand (loss-leader)
- Accelerate Growth
- Meet Competition



# Quantitative Pricing Survey Techniques



A typical "Choice task"

Which of these TVs would you choose?

Type	Plasma	LCD	LED
Size	36 inch	40 inch	46 inch
Brand	Sony	Toshiba	Philips
Price	\$499	\$699	\$899

Annotations: "Attributes" (Type, Size, Brand, Price), "Levels" for each attribute (e.g., Plasma, LCD, LED), "Three 'Product profiles' each of four attributes" (rows 2-4).

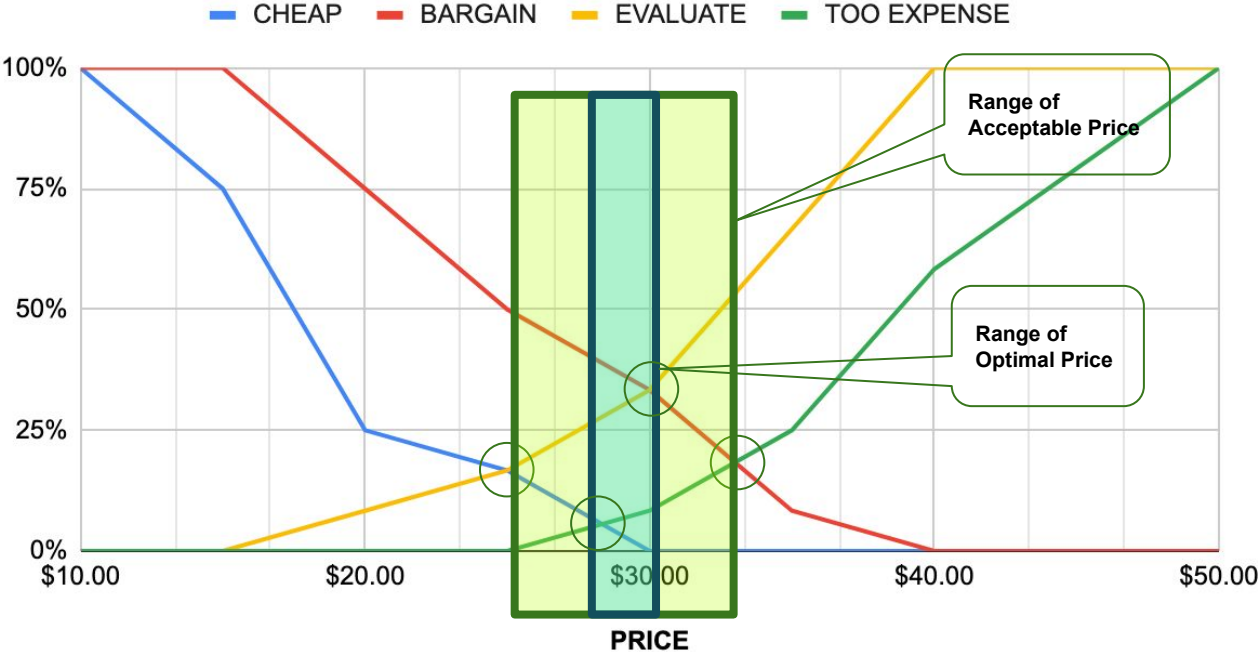
[SOURCE](#)

# Price Sensitivity Method - Van Westendorp Price Sensitivity Method (PSM)

	Price per User
Price @ which product is too CHEAP	 A horizontal double-headed arrow representing a price range from \$10 to \$70. A red triangle is positioned at \$12, indicating the price at which the product is considered too cheap.
Price @ which product is a BARGAIN	 A horizontal double-headed arrow representing a price range from \$10 to \$70. A red triangle is positioned at \$22, indicating the price at which the product is considered a bargain.
Price @ which product REQUIRES ANALYSIS	 A horizontal double-headed arrow representing a price range from \$10 to \$70. A red triangle is positioned at \$32, indicating the price at which the product requires analysis.
Price @ which product TOO EXPENSIVE	 A horizontal double-headed arrow representing a price range from \$10 to \$70. A red triangle is positioned at \$60, indicating the price at which the product is considered too expensive.

# PSM Chart and Analysis

## PSM: Expense Management Service





# Competitive Pricing Analysis

- Need to understand
  - Pricing Tactics - how product is packaged, bundled and priced
  - Differentiation
  - Customer value
- Your Pricing Objective
  - **Penetration** = under price competition with superior product to rapidly grow
  - **Premium** = price higher to show value premium of you differentiation

	Your Product	EZPay	QuickPay
Mobile App	✓	✓	✓
Scan Receipts	✓	✓	✓
AI Automation	✓	✓	
API Integration with ERP	✓		
Metric of Price	User	User	Transaction
Price	\$25 - \$35	\$15/month per user	\$5 per transaction

# GTM Considerations for Pricing

- Distribution Strategy
  - Need to set pricing to allow target Product Margin at all levels of Distribution
    - Margin to distributor/wholesaler
    - Margin to retailer/channel partner
- Discounting Strategy
  - Are discounts and promotions expected in your market and sales method?
  - Set pricing based on expected discounting and promotion

# Terms and Conditions Considerations

**PAYMENT**



Net 30 Payment Term

**2/10 Net 30**

2% discount available if payment is made within 10 days




Otherwise net is due in 30 days

The diagram shows a central box with the text 'Net 30 Payment Term' and '2/10 Net 30'. Below this, there are four vertical lines with dots at the top, each pointing to a piece of text: '2% discount available if payment is made within 10 days', 'Otherwise net is due', and 'in 30 days'.

**SUPPORT**

SLAs

**SUPPORT PACKAGES EXPLAINED**

 BASIC	 STANDARD	 PREMIUM
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**DIESEL**  
LAPTOPS

The support section features a green background. It includes the word 'SUPPORT' at the top, followed by 'SLAs' in a handwritten style. Below this is a box titled 'SUPPORT PACKAGES EXPLAINED' containing three columns: 'BASIC' with a wrench icon, 'STANDARD' with a wrench and screwdriver icon, and 'PREMIUM' with a briefcase icon. At the bottom of this box is the 'DIESEL LAPTOPS' logo.

**CONTRACTUAL**

Liability

RETURNS

TERM

The contractual section has a red background and lists three key areas: 'Liability', 'RETURNS', and 'TERM'.

**SECURITY**

PRIVACY

DATA Protection

Notifications

The security section has a blue background and lists three key areas: 'PRIVACY', 'DATA Protection', and 'Notifications'.

# Packaging

- Customer Survey analysis - Conjoint, Preference Surveys
  - Lump features into tiers of value to customer
- Use case analysis
  - Feature bundles to solve specific use cases
- Segment analysis
  - Small business versus Enterprise
  - Vertical X versus Vertical Y

**GOOD**

**BETTER**

**BEST**

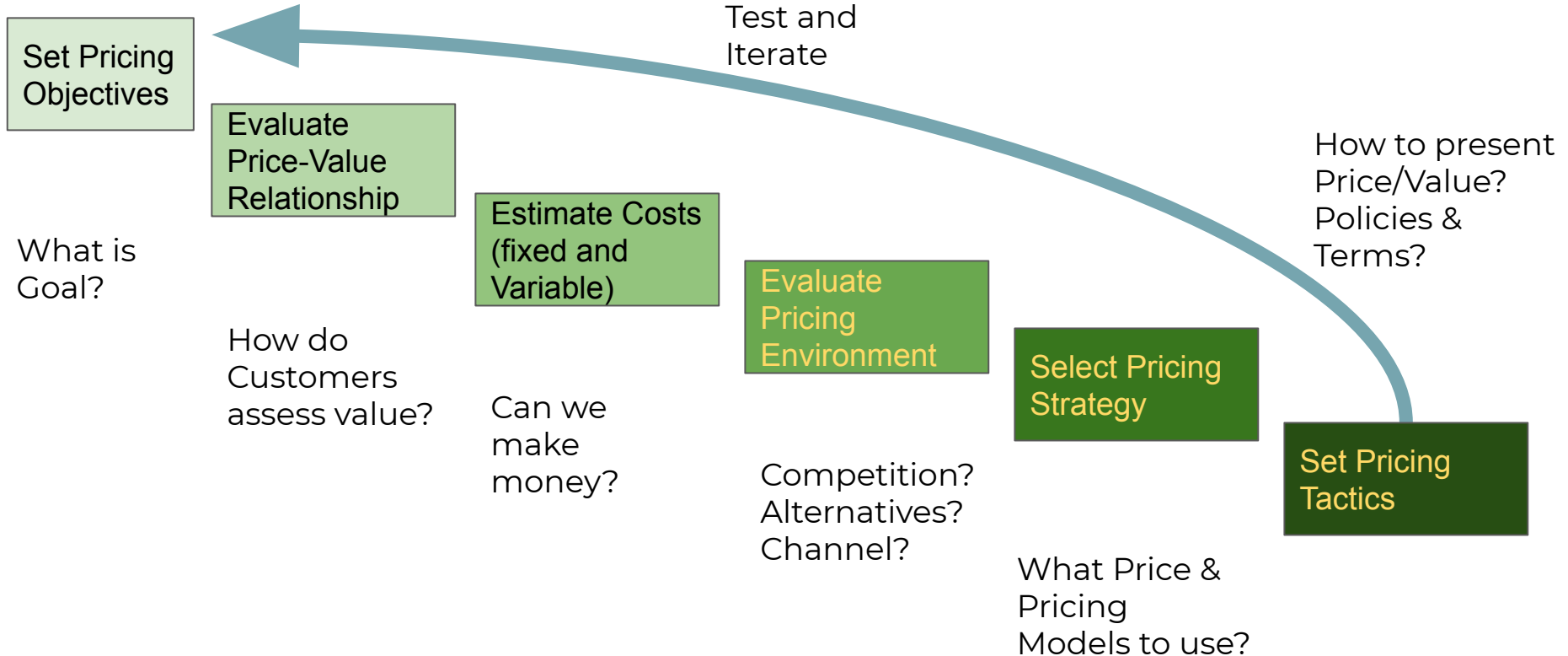
# Example Pricing Models

Type of Product	Distribution	Pricing Model
Hardware, Physical Product	Online- Direct Ship Channel Partners Retail	<b>Unit Price</b>
Content	Media Download Streaming	<b>Unit Price</b> <b>Subscription</b>
Software - License	Media Download	<b>Unit Price</b> <b>Usage Price - per user, computer, processor</b>
Software as a Service  Communication as a Service	Hosted/Cloud Network	<b>Subscription</b> <b>Freemium</b> <b>Usage Based</b>

# Role of PM in Pricing Process

- Coordinate creating the pricing model
  - Cross-functional process
    - Sales, Finance, Marketing
  - Build the Analysis and Justification
  - Obtain Approval
- Monitor the performance of the pricing model
  - Are Pricing adjustments needed?
  - Is the customer matching product value to price
  - Are competitors entering or changing the pricing in the market

# Price Planning Process



Questions?

