



SPMG | Strategic Pricing
Marketing Group

Pricing & Value Strategy Research

Industry Results & Highlights

2013-2014

Table of Contents

Demographics & Methodology	4
Results & Insights	8
Steps to Pricing Performance	34



Demographics & Methodology



Demographics & Methodology

Business Demographics

Business Organization & Number of Workers

Which country do you work in?

Note: Submissions made by organisations representing all of the European Union have been allocated the country of origin as Europe.

< Select > ▼

Which sector do you work in?

- ☐ Public
- ☐ Private
- ☐ Other (Please define)

What sector is your Business in?

< Select > ▼

Other

What is the organization's average yearly sales turnover?

< Select > ▼

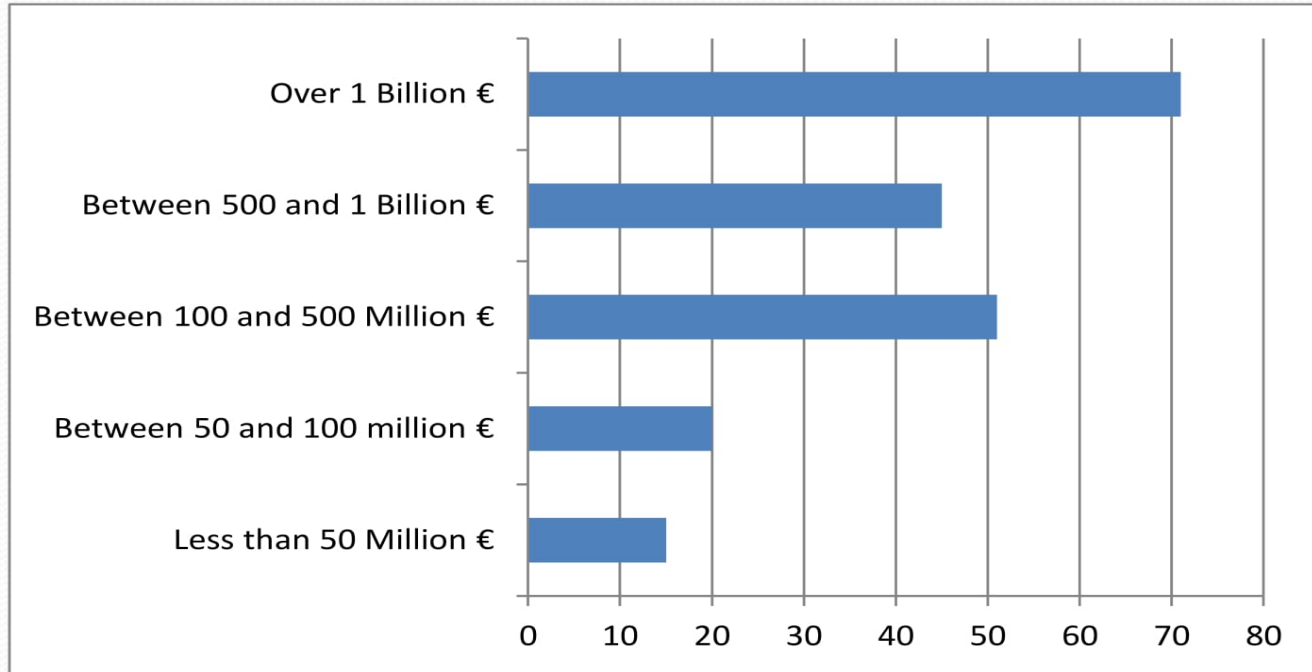
What is the size of your organization in employee numbers?

< Select > ▼



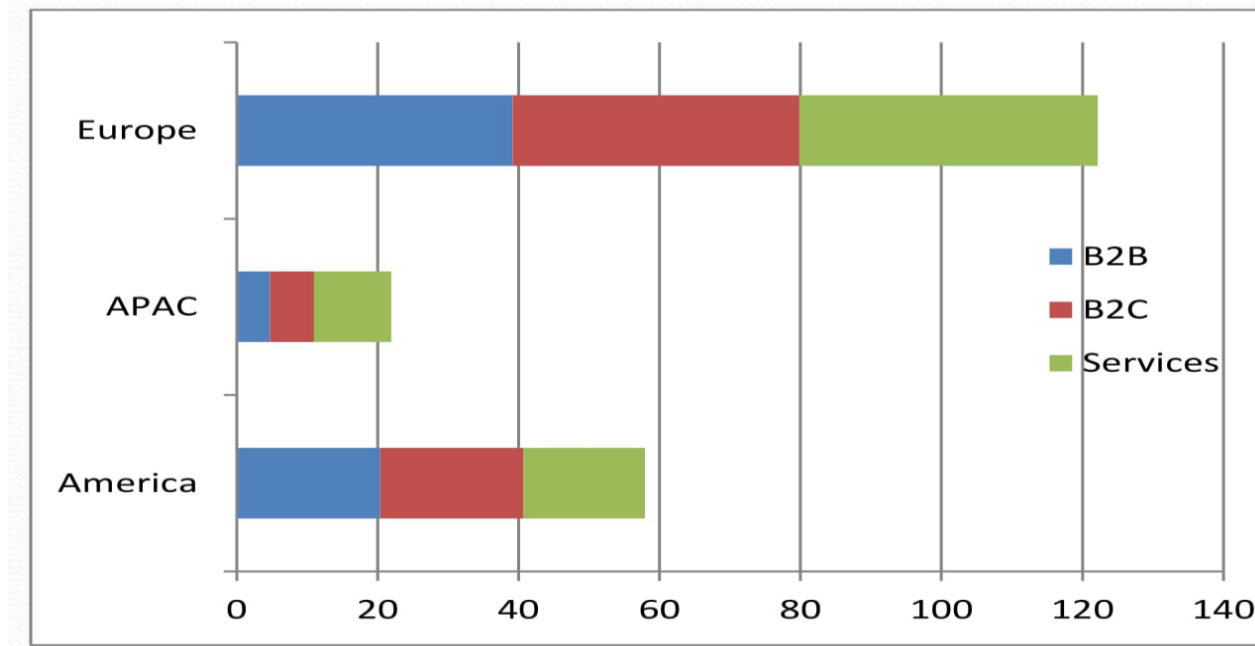
Business Demographics

The sample included mostly large to very large companies...



Business Demographics

...with a high proportion of European respondents.



Results & Insights



Results & Insights

Pricing Organization

Pricing Within the Organization

What is your level within the company hierarchy?

< Select > ▼

Who do you report into?

< Select > ▼

Please select the factors usually considered for price management:

- ☐ Annual Budget
- ☐ Establishment of procedures for anticipating and responding to customer, market, and competitor changes
- ☐ Gathering, processing and analysing relevant information orderly decision process

Who is responsible for Pricing Management in your company?

- ☐ Marketing
- ☐ Sales
- ☐ Finance
- ☐ An organized pricing function
- ☐ Pricing Manager
- ☐ Other (please specify)

Other (please specify)

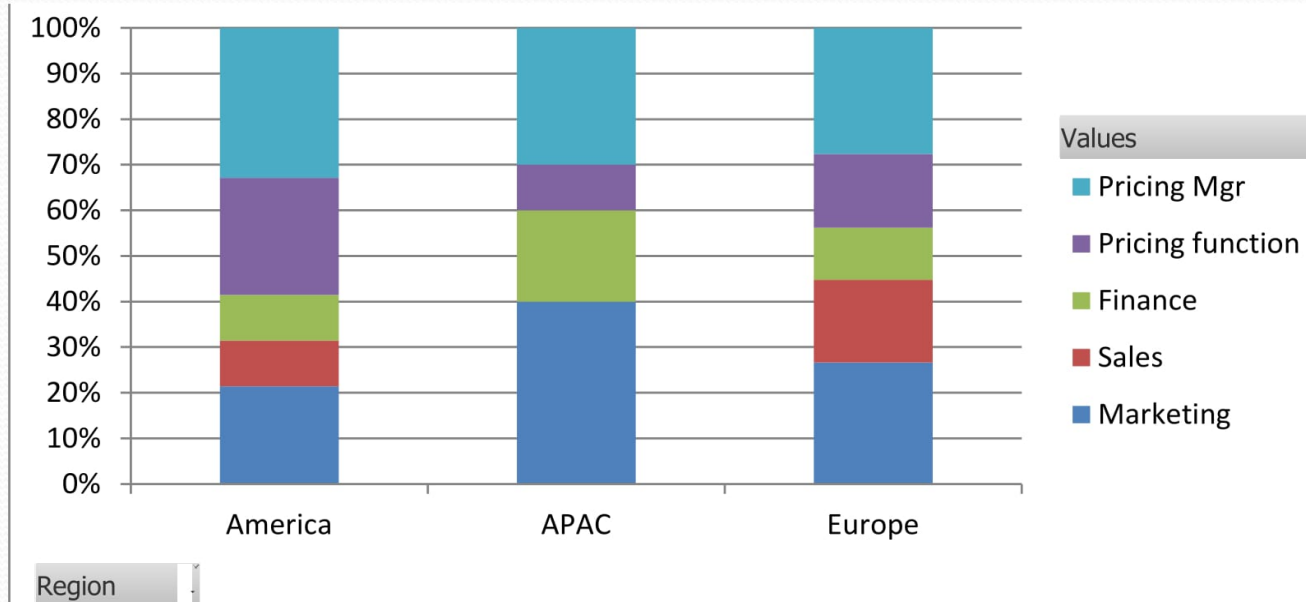
Who finalises decisions to do with rebates, discounts or client conditions? (more than one answer possible)



Results & Insights

Increasingly, a *pricing function* takes on responsibility for pricing management.

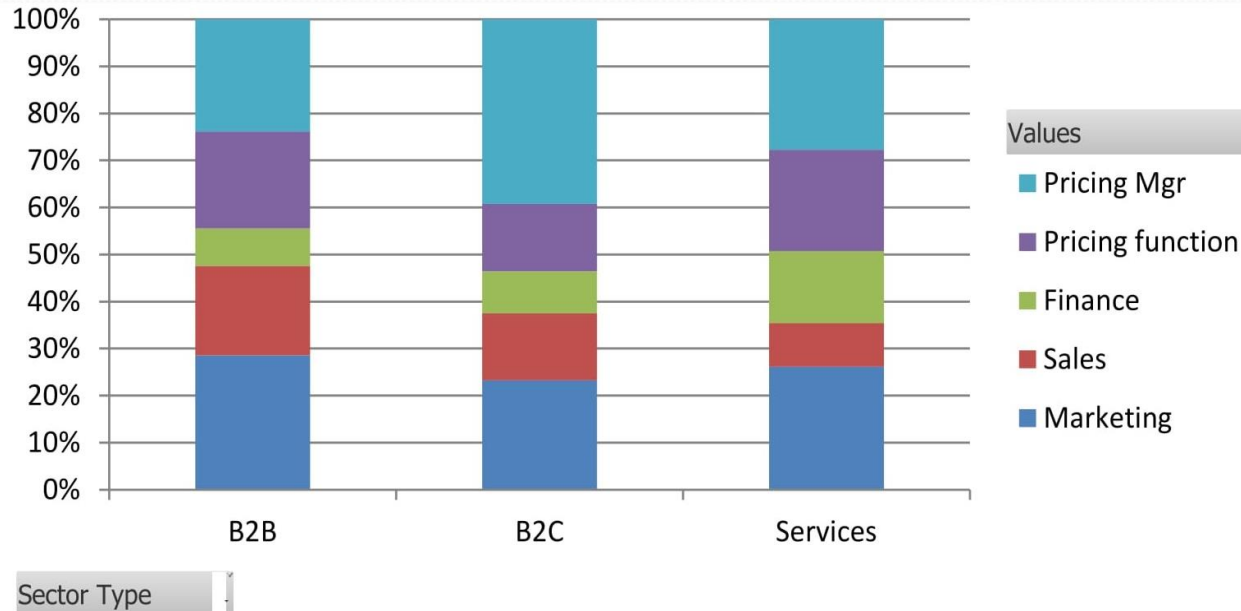
Who is responsible for Pricing Management
(By Region– survey respondents)



Results & Insights

Increasingly, a *pricing function* takes on responsibility for pricing management.

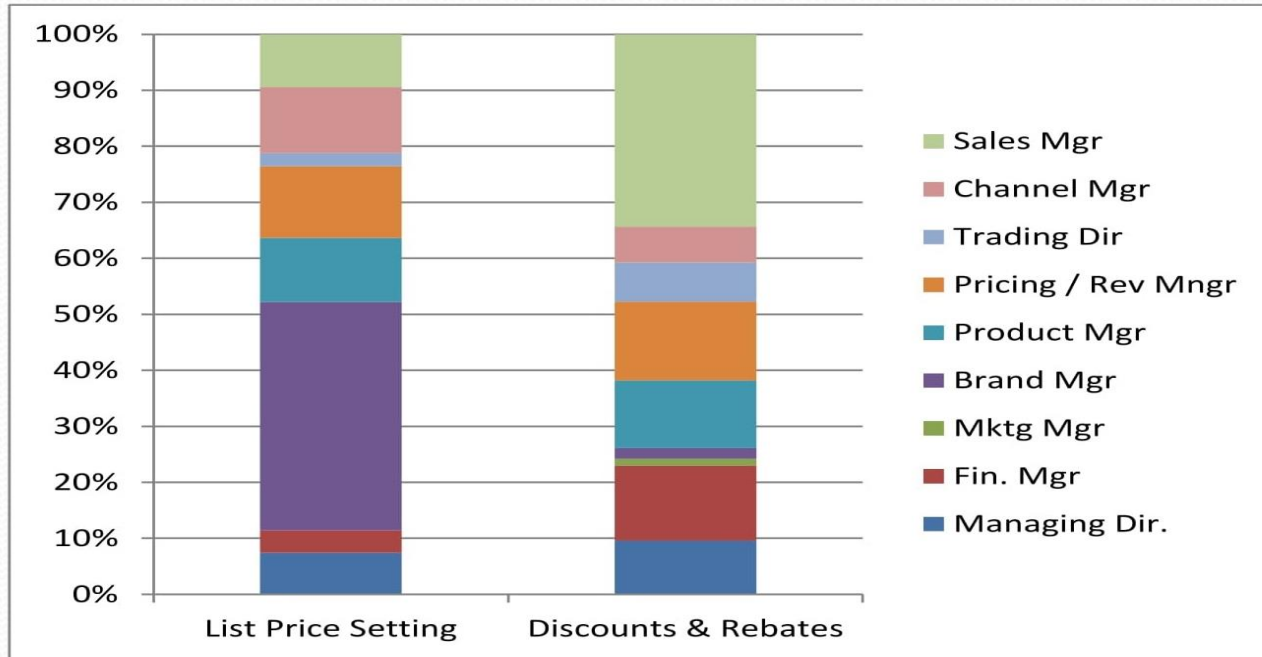
Who is responsible for Pricing Management
(By Sector – survey respondents)



Results & Insights

There are significant differences in organization for list price setting versus discounts and rebates.

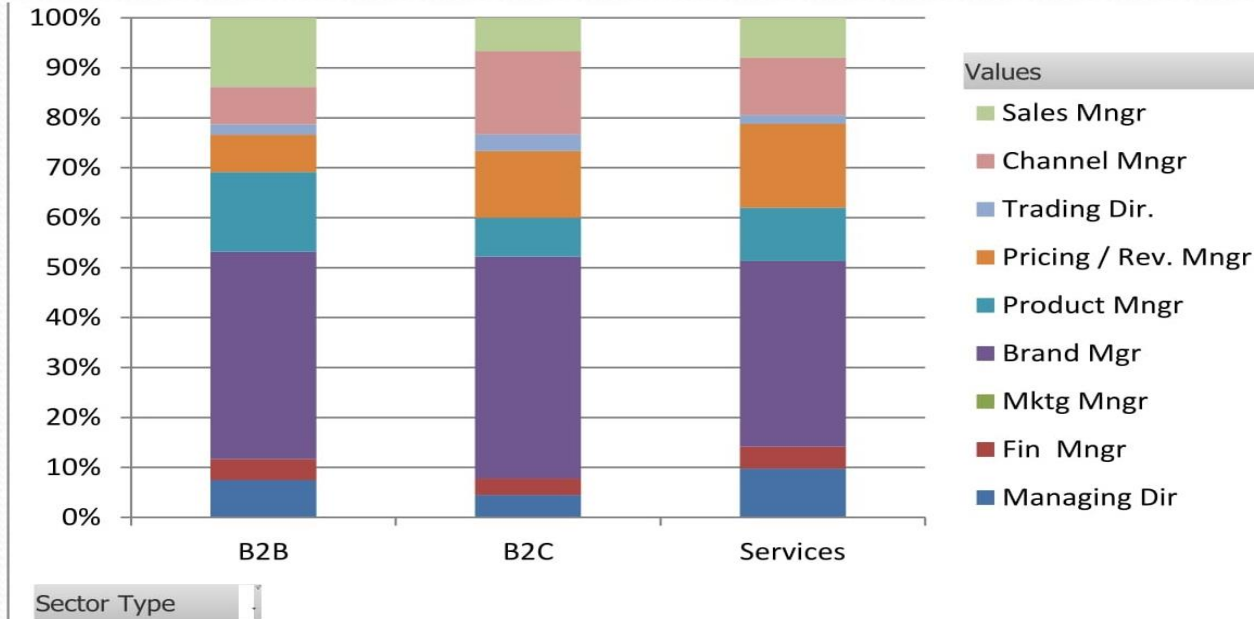
Who is responsible for Pricing *(List Price vs Discount/Rebates)*



Results & Insights

List price setting is mostly driven by marketing and product functions

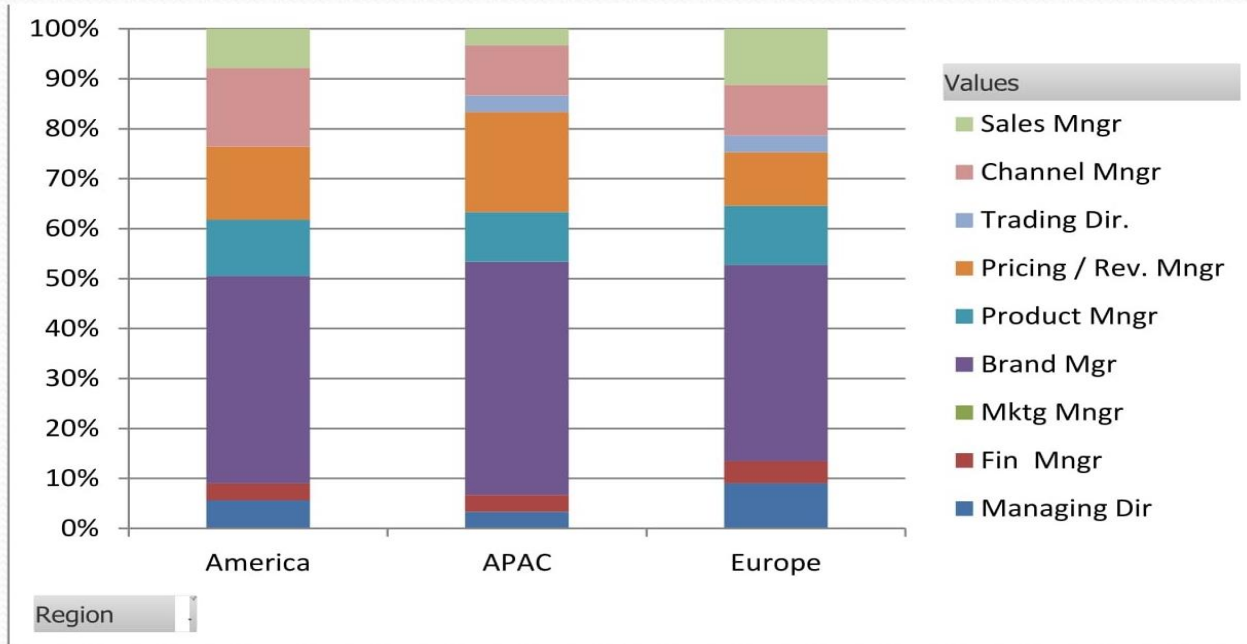
Who is responsible for List Price setting (By Sector – All respondents)



Results & Insights

List price setting is most often driven by marketing and product functions.

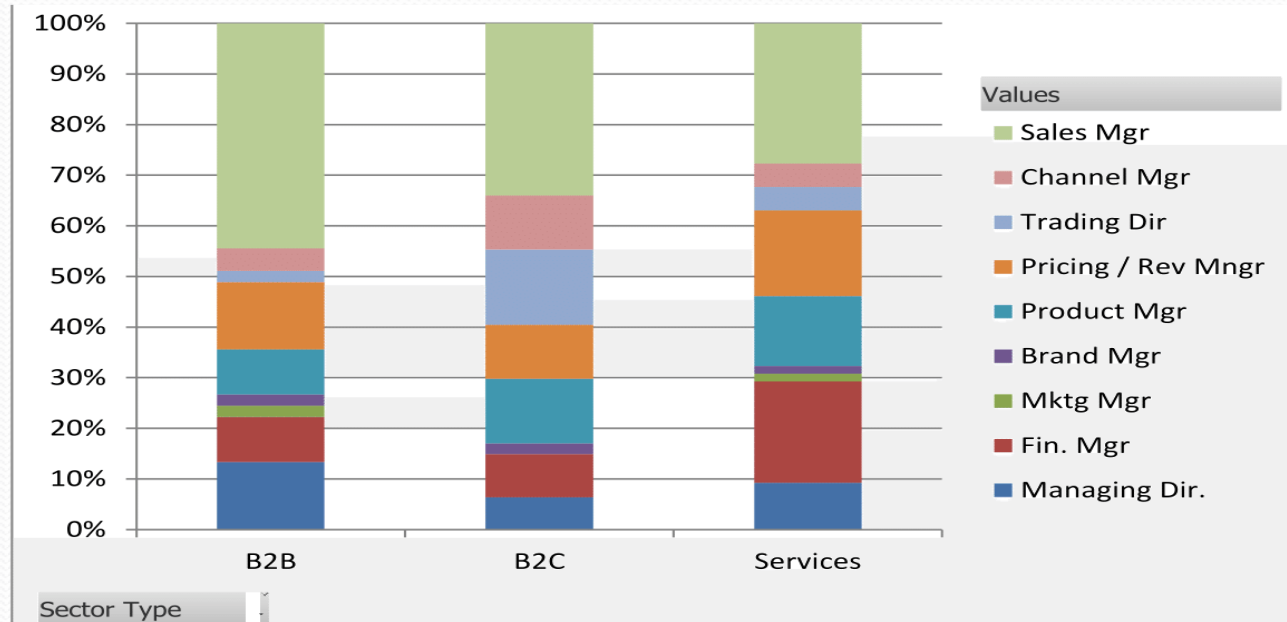
Who is responsible for List Price setting (By Region – All respondents)



Results & Insights

The setting of client discounts is most often driven by sales functions.

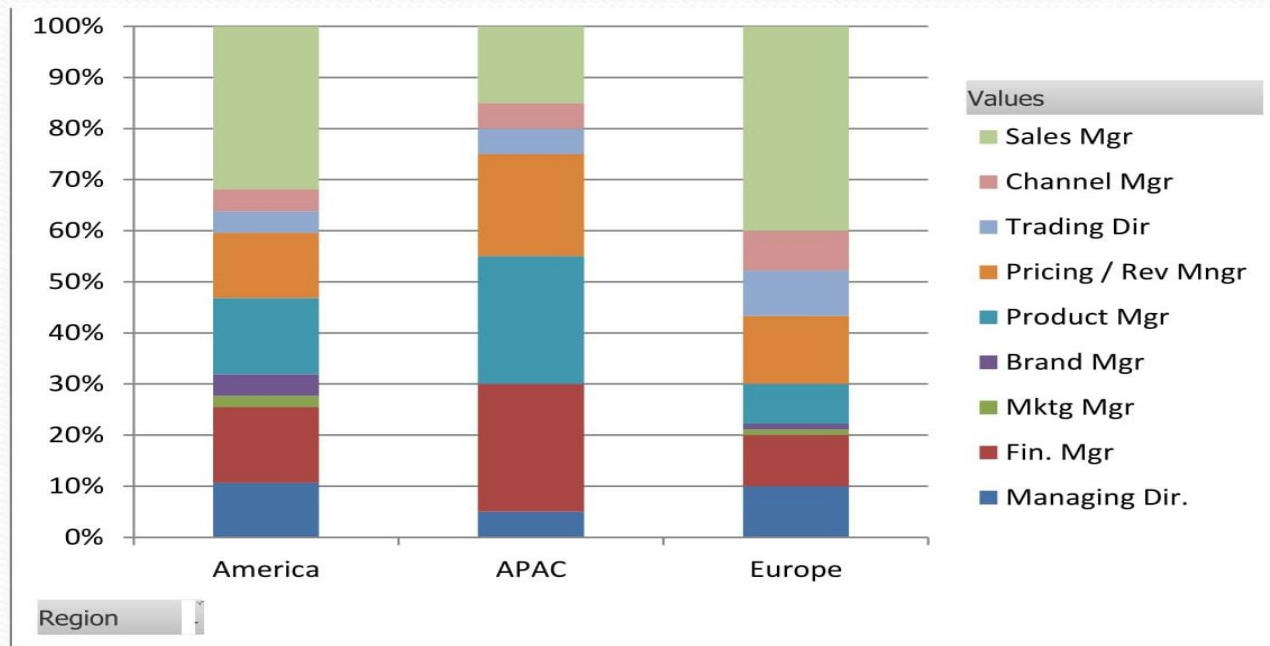
Who is responsible for Discounts & Rebates (By Sector – All respondents)



Results & Insights

The setting of client discounts is most often driven by sales functions.

Who is responsible for Discounts & Rebates (By Region– All respondents)



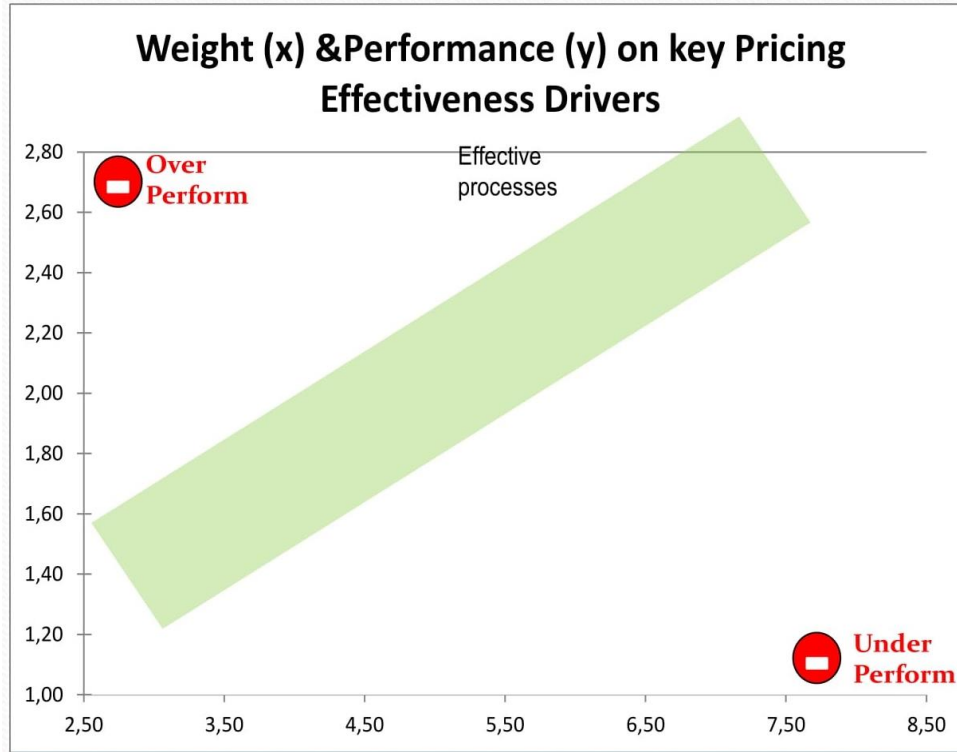
Results & Insights

How good are you? The Price-Value Self Assessment:

		Weight 	Performance 
	Pricing/Value/Brand Strategy <ul style="list-style-type: none"> • Clear & actionable Value & Pricing strategies (by brand) • Clear & actionable Brand Pricing & Value Positioning • Value based product development / innovation 	<input type="text"/> <input type="text"/> <input type="text"/>	
	Pricing Strategy <ul style="list-style-type: none"> • Understand & measure what drives Value perception • Value based pricing in place • Value based segmentation in place 	<input type="text"/> <input type="text"/> <input type="text"/>	
	Pricing Tactics <ul style="list-style-type: none"> • Constant testing of new promos & commercial actions • Optimization of price points / Price slopes • Pricing corridors in place (countries & channels) 	<input type="text"/> <input type="text"/> <input type="text"/>	
	Pricing Management <ul style="list-style-type: none"> • Optimized Clients' conditions/discounts system • Effective & motivated sales force, able to sell based on Value • Strong discipline & exceptions systems for client conditions 	<input type="text"/> <input type="text"/> <input type="text"/>	
	Pricing Intelligence <ul style="list-style-type: none"> • Monitoring of performance on Customer Value drivers • Detailed analysis of Key Clients' profitability • Reliable predictive modeling of demand impact 	<input type="text"/> <input type="text"/> <input type="text"/>	
	Pricing Capabilities <ul style="list-style-type: none"> • Effective Pricing processes • Full set of operational Pricing tools • Competent Pricing managers with sufficient authority 	<input type="text"/> <input type="text"/> <input type="text"/>	
	Overall Score	<input type="text"/> <input type="text"/> <input type="text"/>	

Results & Insights

Performance is not always aligned with lever effectiveness.

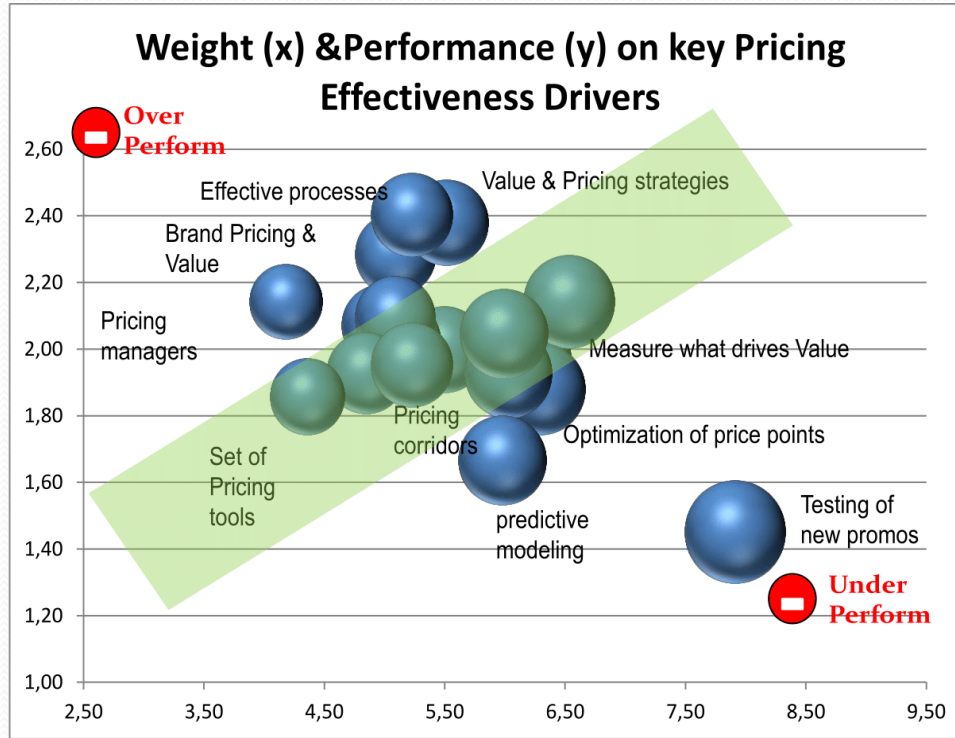


col	1	America
Attribute	Weight	Rating
Value & Pricing strategies	4,49	2,34
Brand Pricing & Value Positioning	5,68	2,24
Value based product innovation	6,81	1,90
Measure what drives Value perception	5,28	2,17
Value based pricing	4,56	2,00
Value based segmentation	5,19	1,93
Testing of new promos	6,06	2,24
Optimization of price points	5,97	2,07
Pricing corridors	5,65	2,31
Optimized Clients' conditions/discoun	5,57	2,34
Effective & motivated sales force	5,36	1,97
Discipline for client conditions	5,92	2,52
Monitoring of perf on Value drivers	5,85	2,07
Analysis of Key Clients' profitability	5,54	2,28
predictive modeling	6,99	1,72
Effective processes	5,09	2,41
Set of operational Pricing tools	4,97	2,24
Pricing managers with sufficient autho	5,03	2,52
		2,17



Results & Insights

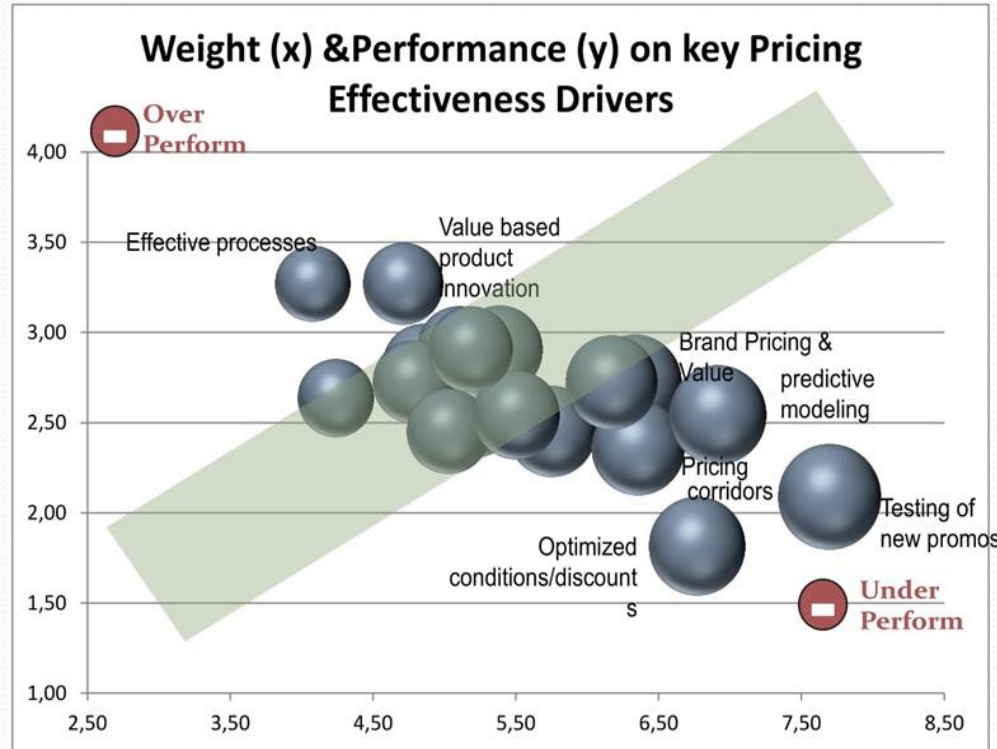
Performance is not always aligned with lever effectiveness.



col	3 Europe	
Attribute	Weight	Rating
Value & Pricing strategies	5,09	2,29
Brand Pricing & Value Positioning	5,51	2,38
Value based product innovation	6,18	1,98
Measure what drives Value perception	6,53	2,14
Value based pricing	5,49	2,00
Value based segmentation	4,97	2,07
Testing of new promos	7,91	1,45
Optimization of price points	6,29	1,88
Pricing corridors	6,02	1,93
Optimized Clients' conditions/discoun	5,13	2,02
Effective & motivated sales force	5,08	2,10
Discipline for client conditions	4,84	1,93
Monitoring of perf on Value drivers	5,22	1,95
Analysis of Key Clients' profitability	5,99	2,05
predictive modeling	5,98	1,67
Effective processes	5,23	2,40
Set of operational Pricing tools	4,35	1,86
Pricing managers with sufficient autho	4,18	2,14

Results & Insights

Performance is not always aligned with lever effectiveness.



col	2	APAC
Attribute	Weight	Rating
Value & Pricing strategies	4,85	2,82
Brand Pricing & Value Positioning	6,33	2,73
Value based product innovation	4,71	3,27
Measure what drives Value percep	5,20	2,55
Value based pricing	5,38	2,91
Value based segmentation	5,10	2,91
Testing of new promos	7,69	2,09
Optimization of price points	5,75	2,45
Pricing corridors	6,35	2,36
Optimized Clients' conditions/disc	6,77	1,82
Effective & motivated sales force	4,24	2,64
Discipline for client conditions	4,78	2,73
Monitoring of perf on Value drivers	5,03	2,45
Analysis of Key Clients' profitabili	5,50	2,55
predictive modeling	6,91	2,55
Effective processes	4,07	3,27
Set of operational Pricing tools	6,17	2,73
Pricing managers with sufficient a	5,18	2,91
		2,61



Results & Insights

Performance is not always aligned with lever effectiveness.

Importance of Performance Levers International Comparison

Sum Weights	(Multiple Imports)				
Pricing Level	(All)				
Sector Type	(Multiple Imports)				
	Column Imports				
Values	America	APAC	Europe	Grand Total	
Value & Pricing strategies	4,49	4,85	5,09	4,84	
Brand Pricing & Value Positioning	5,68	6,33	5,51	5,68	
Value based product innovation	6,81	4,71	6,18	6,20	
Measure what drives Value perception	5,28	5,20	6,53	5,91	
Value based pricing	4,56	5,38	5,49	5,15	
Value based segmentation	5,19	5,10	4,97	5,07	
Testing of new promos & commercial actions	6,06	7,69	7,91	7,23	
Optimization of price points	5,97	5,75	6,29	6,10	
Pricing corridors	5,65	6,35	6,02	5,94	
Optimized Clients' conditions/discounts	5,57	6,77	5,13	5,50	
Effective & motivated sales force	5,36	4,24	5,08	5,07	
Discipline for client conditions	5,92	4,78	4,84	5,22	
Monitoring of perf on Value drivers	5,85	5,03	5,22	5,42	
analysis of Key Clients' profitability	5,54	5,50	5,99	5,76	
Reliable predictive modeling	6,99	6,91	5,98	6,46	
Effective processes	5,09	4,07	5,23	5,02	
set of Pricing tools	4,97	6,17	4,35	4,81	
Pricing managers with sufficient authority	5,03	5,18	4,18	4,61	
Total	100,00	100,00	100,00	100,00	



Results & Insights

Performance is not always aligned with lever effectiveness

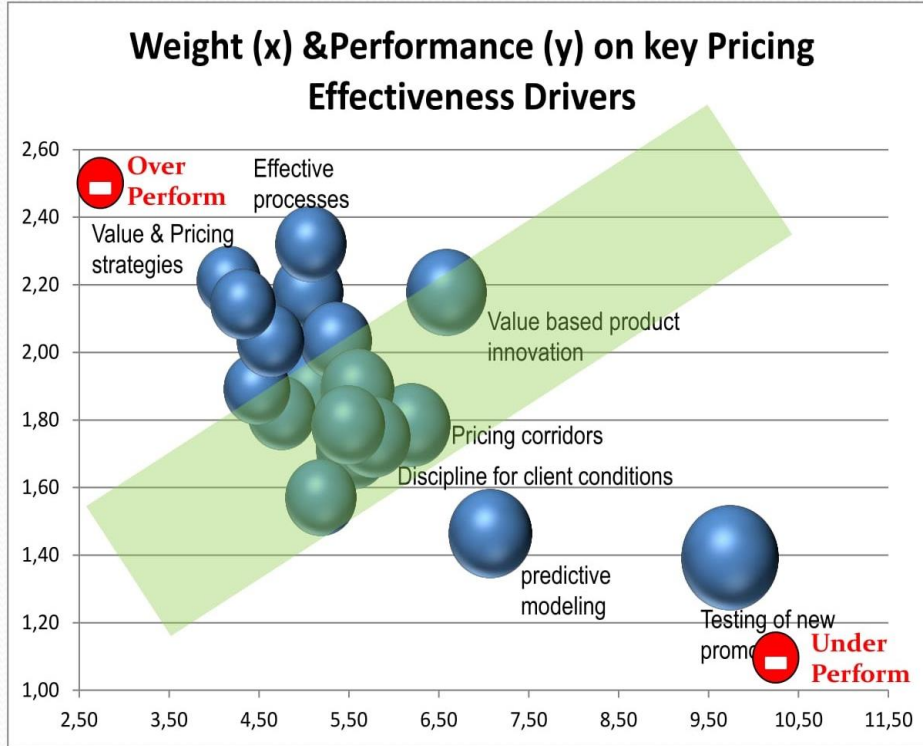
Rating of current Performance International Comparison

Sum Weights	(Multiple Item				
Pricing Level	(All)				
Sector Type	(Multiple Item				
	Column Lab				
Values	America	APAC	Europe	Grand Total	
Value & Pricing strategies	2,34	2,82	2,29	2,38	
Brand Pricing & Value Positioning	2,24	2,73	2,38	2,38	
Value based product innovation	1,90	3,27	1,98	2,12	
Measure what drives Value perception	2,17	2,55	2,14	2,21	
Value based pricing	2,00	2,91	2,00	2,12	
Value based segmentation	1,93	2,91	2,07	2,13	
Testing of new promos	2,24	2,09	1,45	1,82	
Optimization of price points	2,07	2,45	1,88	2,02	
Pricing corridors	2,31	2,36	1,93	2,12	
Optimized Clients' conditions/discounts	2,34	1,82	2,02	2,11	
Effective & motivated sales force	1,97	2,64	2,10	2,12	
Discipline for client conditions	2,52	2,73	1,93	2,24	
Monitoring of perf on Value drivers	2,07	2,45	1,95	2,06	
Analysis of Key Clients' profitability	2,28	2,55	2,05	2,20	
predictive modeling	1,72	2,55	1,67	1,80	
Effective processes	2,41	3,27	2,40	2,52	
Set of operational Pricing tools	2,24	2,73	1,86	2,11	
Pricing managers with sufficient authority	2,52	2,91	2,14	2,38	
Average Rating	2,17	2,61	2,00	2,14	



Results & Insights

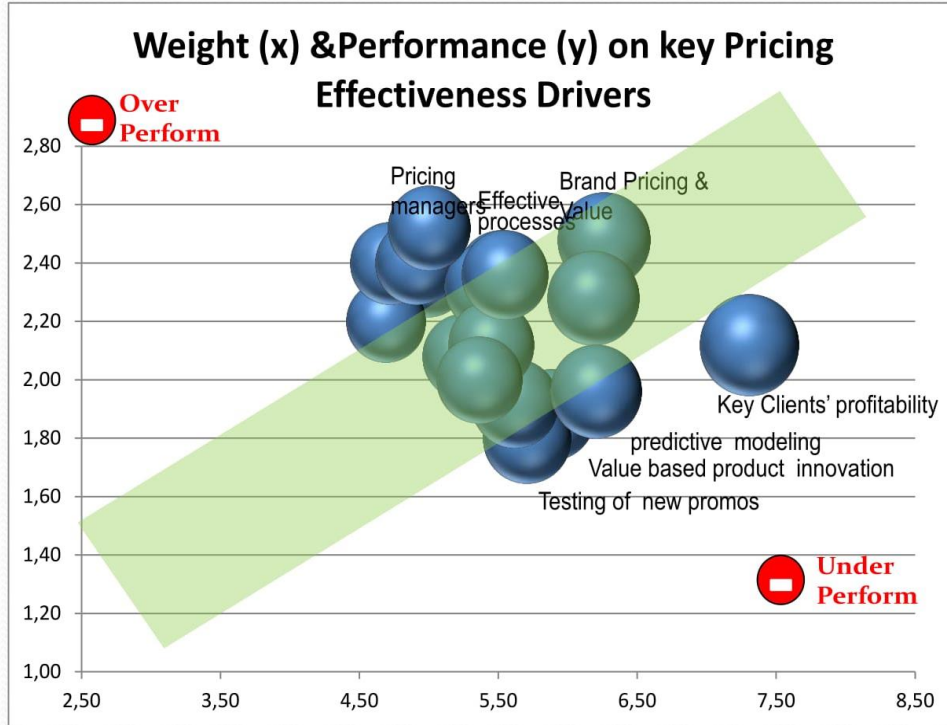
Pricing is not always aligned with lever effectiveness



col	1 B2B	
Attribute	Weight	Rating
Value & Pricing strategies	4,16	2,21
Brand Pricing & Value Positioning	5,04	2,18
Value based product innovation	6,58	2,18
Measure what drives Value perception	5,09	1,89
Value based pricing	4,75	1,82
Value based segmentation	4,47	1,89
Testing of new promos	9,73	1,39
Optimization of price points	5,54	1,71
Pricing corridors	6,19	1,79
Optimized Clients' conditions/discoun	5,35	2,04
Effective & motivated sales force	5,18	1,57
Discipline for client conditions	5,59	1,89
Monitoring of perf on Value drivers	5,76	1,75
Analysis of Key Clients' profitability	5,49	1,79
predictive modeling	7,07	1,46
Effective processes	5,07	2,32
Set of operational Pricing tools	4,62	2,04
Pricing managers with sufficient autho	4,32	2,14
Average Rating		1,86

Results & Insights

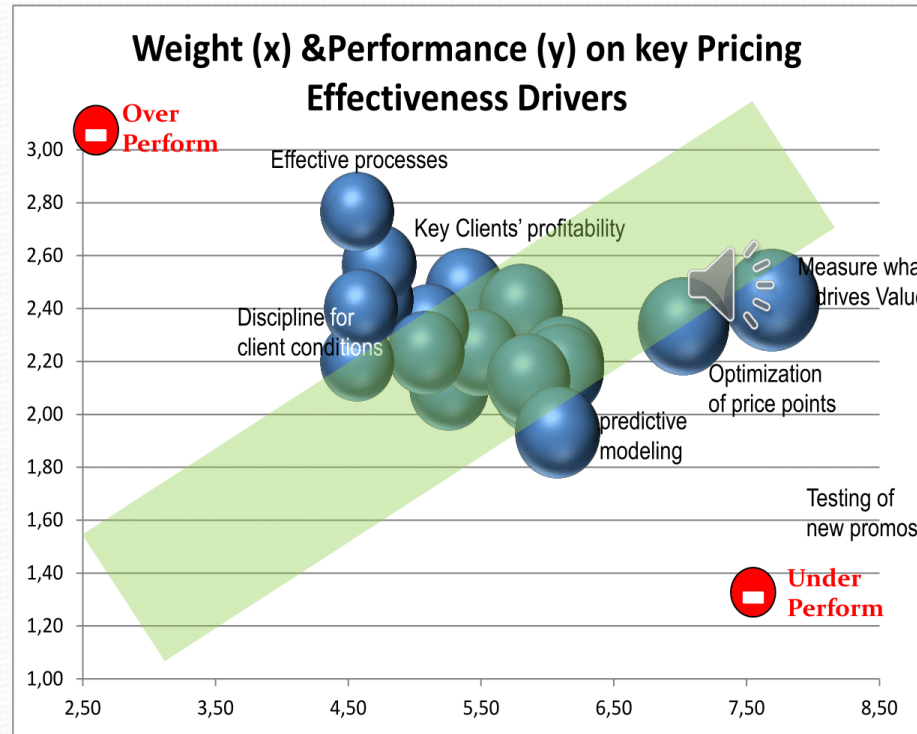
Performance is not always aligned with lever effectiveness.



col	2 B2C	
Attribute	Weight	Rating
Value & Pricing strategies	4,99	2,36
Brand Pricing & Value Positioning	6,26	2,48
Value based product innovation	5,88	1,88
Measure what drives Value perception	4,69	2,20
Value based pricing	4,72	2,40
Value based segmentation	5,52	2,36
Testing of new promos	5,70	1,80
Optimization of price points	5,62	1,92
Pricing corridors	6,18	2,28
Optimized Clients' conditions/discount	5,26	2,08
Effective & motivated sales force	4,91	2,40
Discipline for client conditions	5,42	2,32
Monitoring of perf on Value drivers	5,45	2,12
Analysis of Key Clients' profitability	7,30	2,12
predictive modeling	6,20	1,96
Effective processes	5,54	2,36
Set of operational Pricing tools	5,36	2,00
Pricing managers with sufficient autho	5,00	2,52
Average Rating		2,19

Results & Insights

Performance is not always aligned with lever effectiveness.



col		3	Services
Attribute	Weight	Rating	
Value & Pricing strategies	5,38	2,47	
Brand Pricing & Value Positioning	5,80	2,40	
Value based product innovation	6,10	2,20	
Measure what drives Value perception	7,69	2,43	
Value based pricing	5,90	2,10	
Value based segmentation	5,25	2,10	
Testing of new promos	6,10	2,17	
Optimization of price points	7,02	2,33	
Pricing corridors	5,48	2,23	
Optimized Clients' conditions/discoun	5,85	2,13	
Effective & motivated sales force	5,11	2,33	
Discipline for client conditions	4,71	2,43	
Monitoring of perf on Value drivers	5,08	2,23	
Analysis of Key Clients' profitability	4,73	2,57	
predictive modeling	6,07	1,93	
Effective processes	4,56	2,77	
Set of operational Pricing tools	4,56	2,20	
Pricing managers with sufficient autho	4,59	2,40	
Average Rating		2,29	



Results & Insights

Performance is not always aligned with lever effectiveness.

Importance of Performance Levers Sector Comparison

Region	(All)			
Sum Weights	(Multiple Imports)			
Pricing Level	(All)			
	Column Imports			
Values	B2B	B2C	Services	Grand Total
Value & Pricing strategies	4,16	4,99	5,38	4,85
Brand Pricing & Value Positioning	5,04	6,26	5,80	5,68
Value based product innovation	6,58	5,88	6,10	6,19
Measure what drives Value perception	5,09	4,69	7,69	5,91
Value based pricing	4,75	4,72	5,90	5,16
Value based segmentation	4,47	5,52	5,25	5,07
Testing of new promos & commercial actions	9,73	5,70	6,10	7,21
Optimization of price points	5,54	5,62	7,02	6,10
Pricing corridors	6,19	6,18	5,48	5,93
Optimized Clients' conditions/discounts	5,35	5,26	5,85	5,50
Effective & motivated sales force	5,18	4,91	5,11	5,07
Discipline for client conditions	5,59	5,42	4,71	5,22
Monitoring of perf on Value drivers	5,76	5,45	5,08	5,42
analysis of Key Clients' profitability	5,49	7,30	4,73	5,76
Reliable predictive modeling	7,07	6,20	6,07	6,45
Effective processes	5,07	5,54	4,56	5,03
set of Pricing tools	4,62	5,36	4,56	4,82
Pricing managers with sufficient authority	4,32	5,00	4,59	4,62
Total	100,00	100,00	100,00	100,00



Results & Insights

Performance is not always aligned with lever effectiveness.

Rating of Current Performance Sector Comparison

Sum Weights Pricing Level	(Multiple Item (All))				
Values	Column Lab	B2B	B2C	Services	Grand Total
Value & Pricing strategies	2,21	2,36	2,47	2,35	
Brand Pricing & Value Positioning	2,18	2,48	2,40	2,35	
Value based product innovation	2,18	1,88	2,20	2,10	
Measure what drives Value perception	1,89	2,20	2,43	2,18	
Value based pricing	1,82	2,40	2,10	2,10	
Value based segmentation	1,89	2,36	2,10	2,11	
Testing of new promos	1,39	1,80	2,17	1,80	
Optimization of price points	1,71	1,92	2,33	2,00	
Pricing corridors	1,79	2,28	2,23	2,10	
Optimized Clients' conditions/discounts	2,04	2,08	2,13	2,08	
Effective & motivated sales force	1,57	2,40	2,33	2,10	
Discipline for client conditions	1,89	2,32	2,43	2,22	
Monitoring of perf on Value drivers	1,75	2,12	2,23	2,04	
Analysis of Key Clients' profitability	1,79	2,12	2,57	2,17	
predictive modeling	1,46	1,96	1,93	1,78	
Effective processes	2,32	2,36	2,77	2,49	
Set of operational Pricing tools	2,04	2,00	2,20	2,08	
Pricing managers with sufficient authority	2,14	2,52	2,40	2,35	
Average Rating	1,86	2,19	2,29	2,12	



Results & Insights

Pricing Strategies

Pricing Strategies within the Organization

How visible are pricing strategies with the organization?

- ☐ Lower level visibility (Assistant category managers, Assistant brand managers, assistant marketing managers...)
- ☐ Medium level visibility (category managers, brand managers, sales managers, marketing managers...)
- ☐ High level visibility (Trading Directors, Marketing Directors and Sales Directors and Legal department)
- ☐ Top executive level (CEO)

Has your company undertaken any significant Pricing related Strategic initiative in the last 2 years?

- ☐ Yes
- ☐ No

Please elaborate

Is your company planning to undertake any significant Pricing related Strategic initiative in the next 2 years?

- ☐ Yes
- ☐ No

Please elaborate

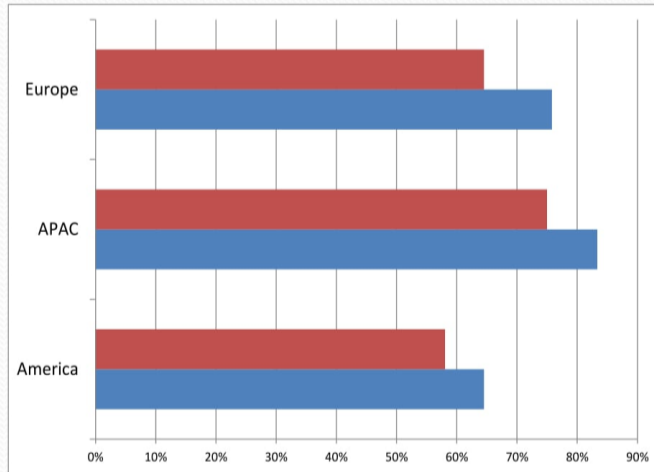


Results & Insights

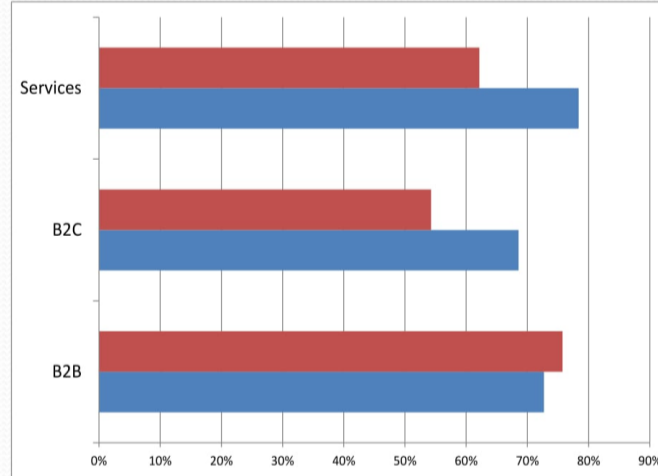
Numerous Initiatives to help improve pricing performance

Pricing Initiative (Past & Next 2 years)

By Region



By Sector



% of companies concerned



Last 2 years



Next 2 years

Results & Insights

Numerous Initiatives to help improve pricing performance

Pricing Performance

How would you rate your organization's overall Pricing Management performance?

- ☐ Excellent
- ☐ Good
- ☐ Neutral
- ☐ Fair
- ☐ Poor

How do you evaluate the progress your company has made on Pricing in the last 2 years?

- ☐ Very Significant
- ☐ Significant
- ☐ Neutral
- ☐ Insignificant
- ☐ Very Insignificant

Is research conducted following implementation to measure the success of the strategy?

- ☐ Yes
- ☐ No

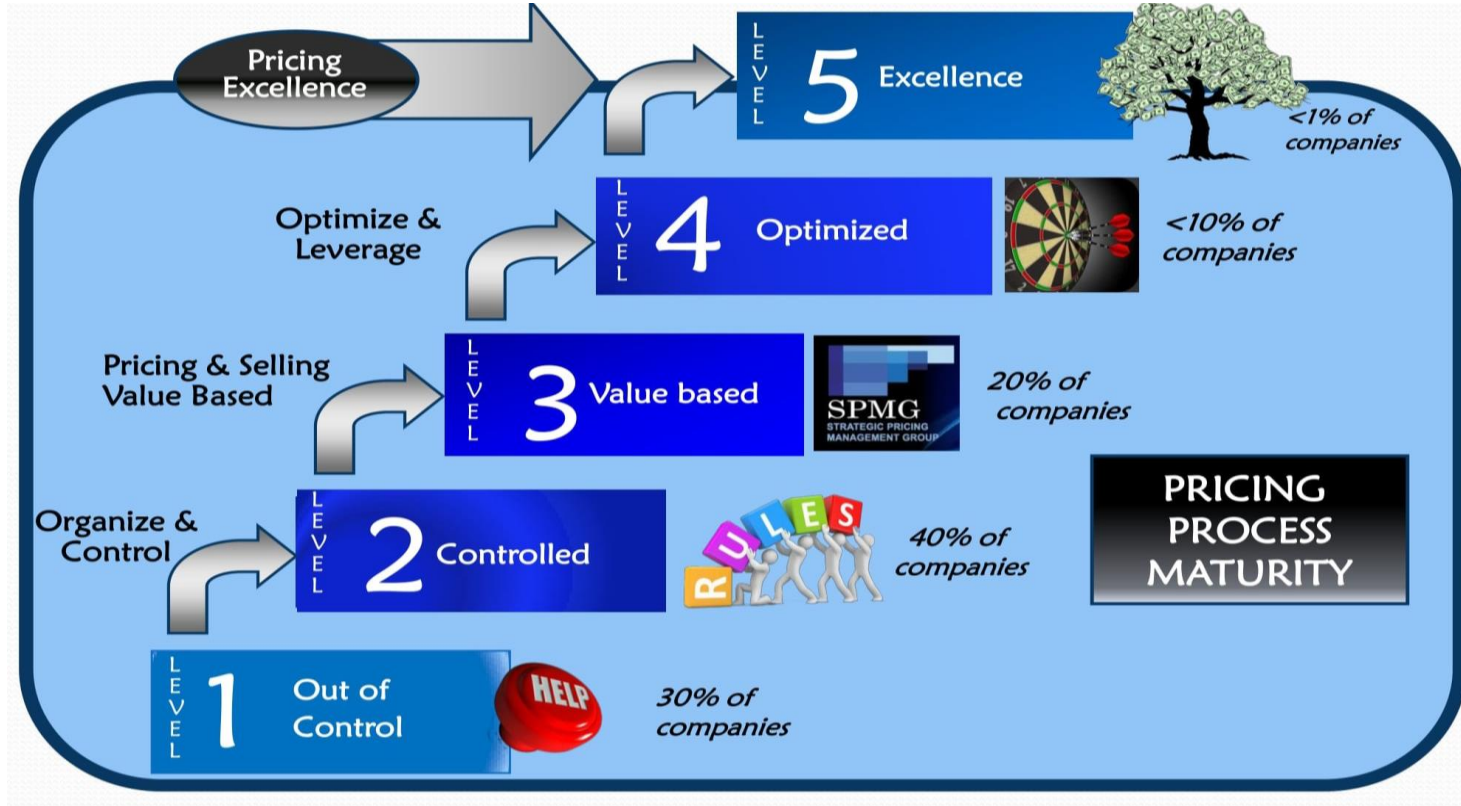
How is value of pricing strategy measured for the client?

- ☐ Economic Value in Use (EVIU)
- ☐ Financial value Model (FVM)
- ☐ Perceived value
- ☐ Total Cost of Ownership (TCOE)



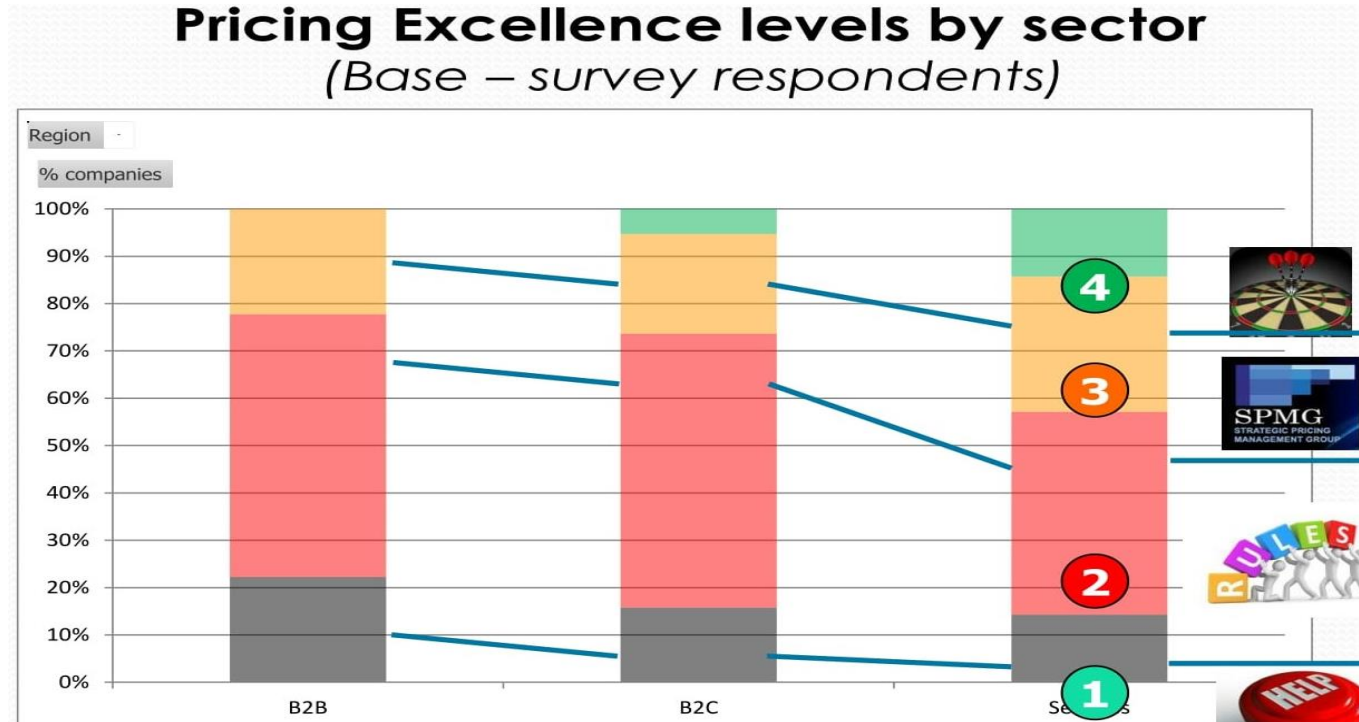
Results & Insights

Performance Management Process Maturity levels



Results & Insights

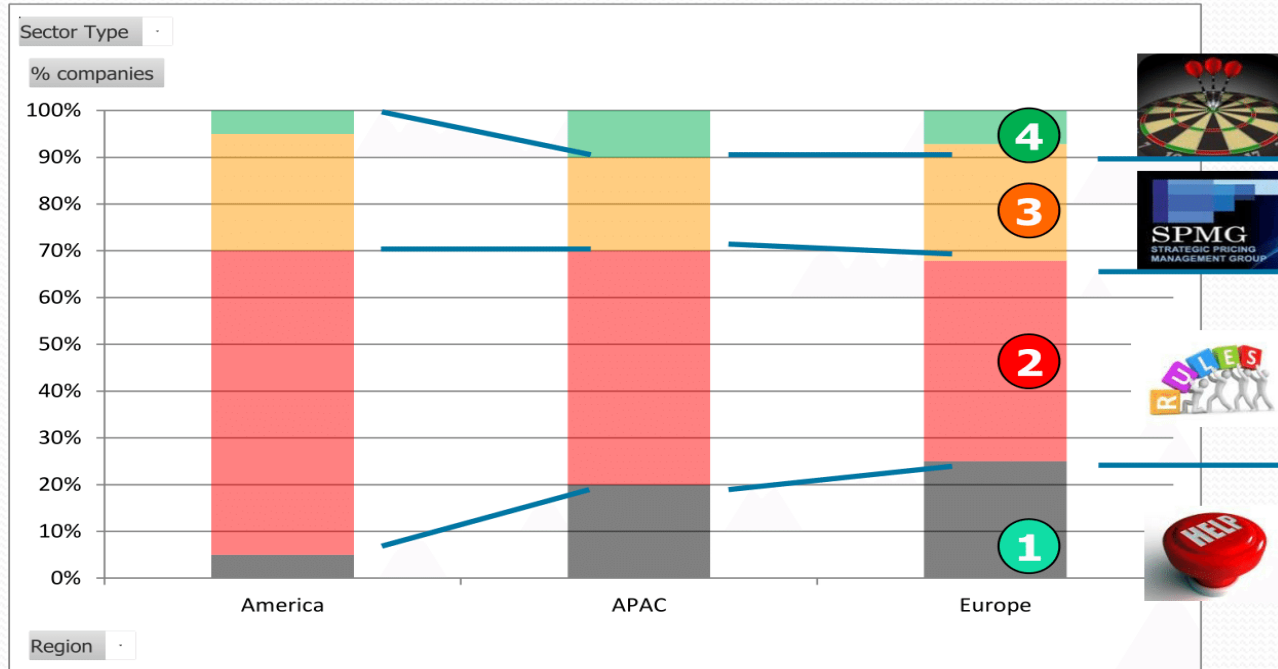
The majority of respondents operate at levels 2 or 3 of pricing excellence.



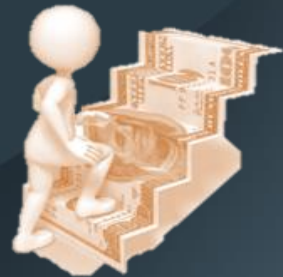
Results & Insights

The majority of respondents operate at levels 2 or 3 of pricing excellence.

Pricing Excellence levels by region (Base – survey respondents)



Steps to Pricing Performance



Steps to Pricing Performance

Feedback:

- *“10 Years ago, Pricing was not even on the radar screen, not it was considered a major contributor to performance and competitiveness”*
- *“We put customer value at the center of our strategy & our competitive strategy – Our major strategic thrust is to better understand & measure what creates value for customers and to better reflect it in our service offering.”*
- *“The economic crisis has, if anything, reinforced the importance given to pricing. Through effective pricing discipline, organization & execution, we defended margins during the recession & avoided a costly price war .”*



Steps to Pricing Performance

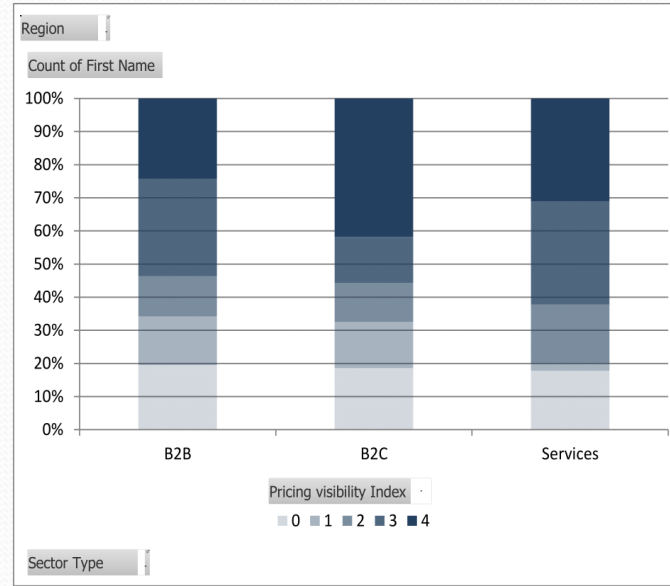
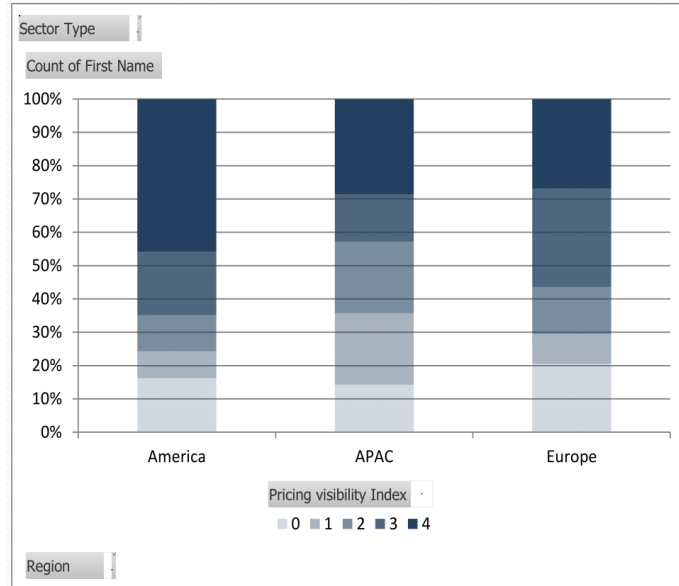
Feedback:

- *Price based competition & the development of Generics is our main threat today. Pricing & Value strategies are the keys to our strategy & future success.”*
- *“Honestly, our company has not put much focus on pricing in the past. But now we realize its key impact on performance & bottom line and we intend to rapidly improve our pricing performance. It has become a key company initiative.”*
- *Based on the success of pilot projects, we intend to roll out our pricing approach globally & to make Pricing a key competitive weapon for this company*



Steps to Pricing Performance

The visibility of pricing within the company is on the increase.



1. Lower level visibility (Assistant category managers, Assistant brand managers, assistant marketing managers...)
2. Medium level visibility (category managers, brand managers, sales managers, marketing managers...)
3. High level visibility (Trading Directors, Marketing Directors and Sales Directors and Legal department)
4. Top executive level (CEO)



Steps to Pricing Performance

Feedback:

- *"80% of Pricing is driven by organizational discipline and clear responsibilities. Prices drives volumes and volumes drives prices. By having a clear business process in place which starts at price administration and extends all the way to supporting Value Based Selling, you can significantly impact competitiveness & bottom line".*
- *A lot of theories of value pricing are truly right but I have installed a best practice starting bottom up and understand where and why we are not selling and track why new business"*
- "The biggest organizational threat is customer intimacy of marketing & sales for any price activity so I am pleased to be a part of Finance to be the final decision maker of 900MM\$ turnover."



Steps to Pricing Performance

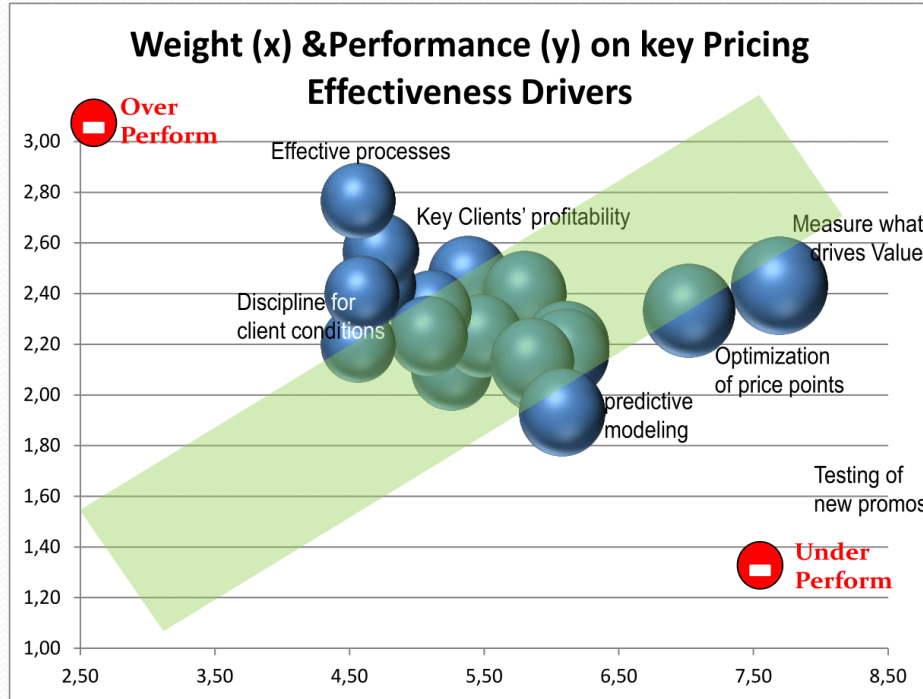
Feedback:

- *"I have found it helpful to ask people ""Who is responsible for managing the value that your customer's receive from your solutions?"" and ""Who is responsible for optimizing the profitability of the solutions you provide to your customers?"" When these are not part of the same organization,*
- *I go on to ask ""How are customer value creation and customer profitability management reconciled?""*
- *"Peer pricing tools are currently of main interest for our Business Unit"*
- *"When we talk about pricing, we should not miss the other equation: cost elements"*



Steps to Pricing Performance

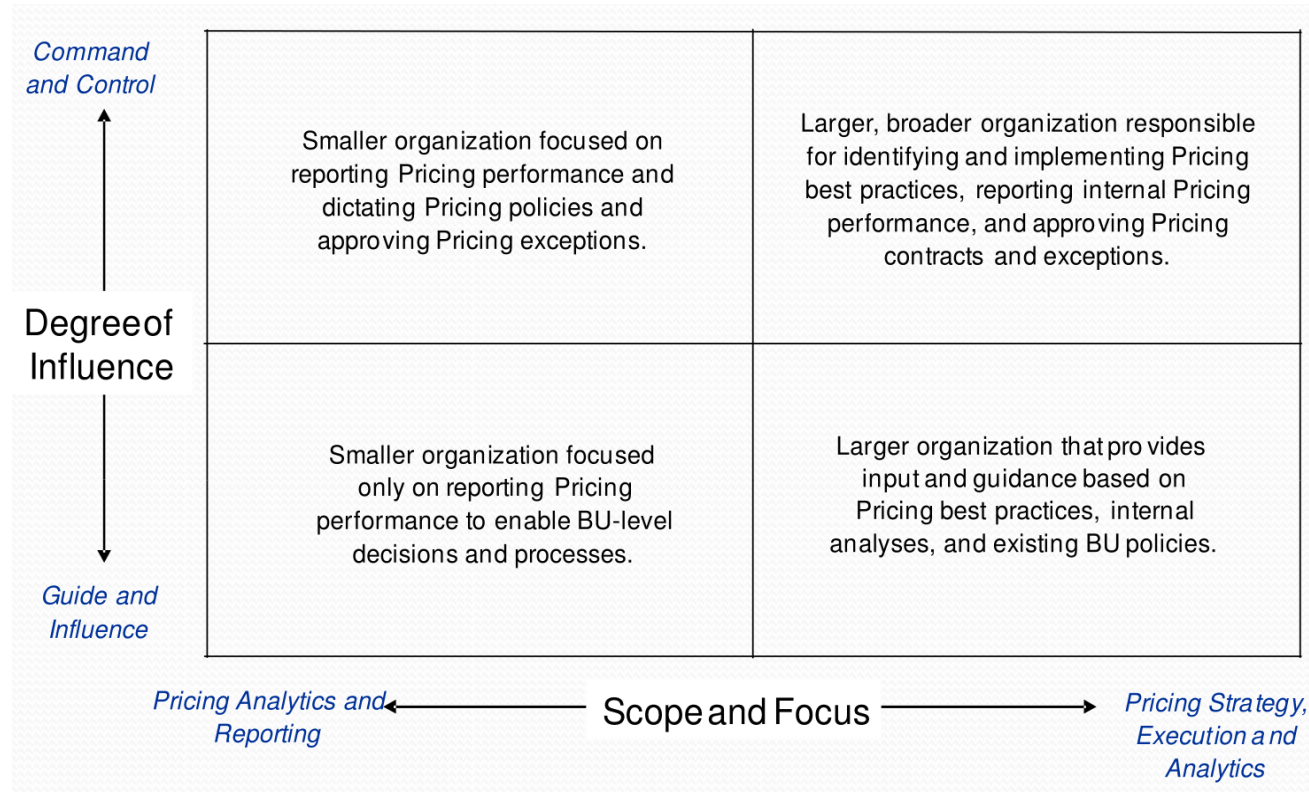
Performance is not always aligned with lever effectiveness.



		3	Services
Attribute	Weight	Rating	
Value & Pricing strategies	5,38	2,47	
Brand Pricing & Value Positioning	5,80	2,40	
Value based product innovation	6,10	2,20	
Measure what drives Value perception	7,69	2,43	
Value based pricing	5,90	2,10	
Value based segmentation	5,25	2,10	
Testing of new promos	6,10	2,17	
Optimization of price points	7,02	2,33	
Pricing corridors	5,48	2,23	
Optimized Clients' conditions/discoun	5,85	2,13	
Effective & motivated sales force	5,11	2,33	
Discipline for client conditions	4,71	2,43	
Monitoring of perf on Value drivers	5,08	2,23	
Analysis of Key Clients' profitability	4,73	2,57	
predictive modeling	6,07	1,93	
Effective processes	4,56	2,77	
Set of operational Pricing tools	4,56	2,20	
Pricing managers with sufficient autho	4,59	2,40	
Average Rating		2,29	

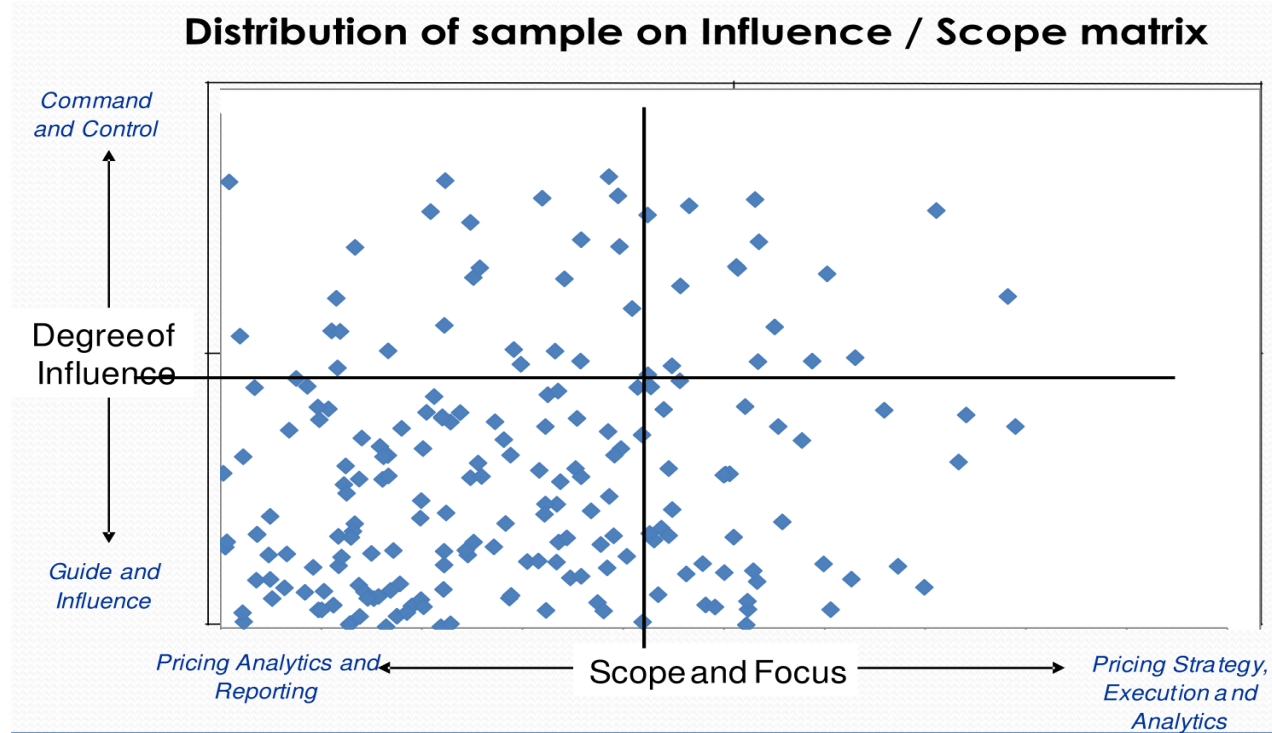
Steps to Pricing Performance

Pricing Organization – Influence vs Focus



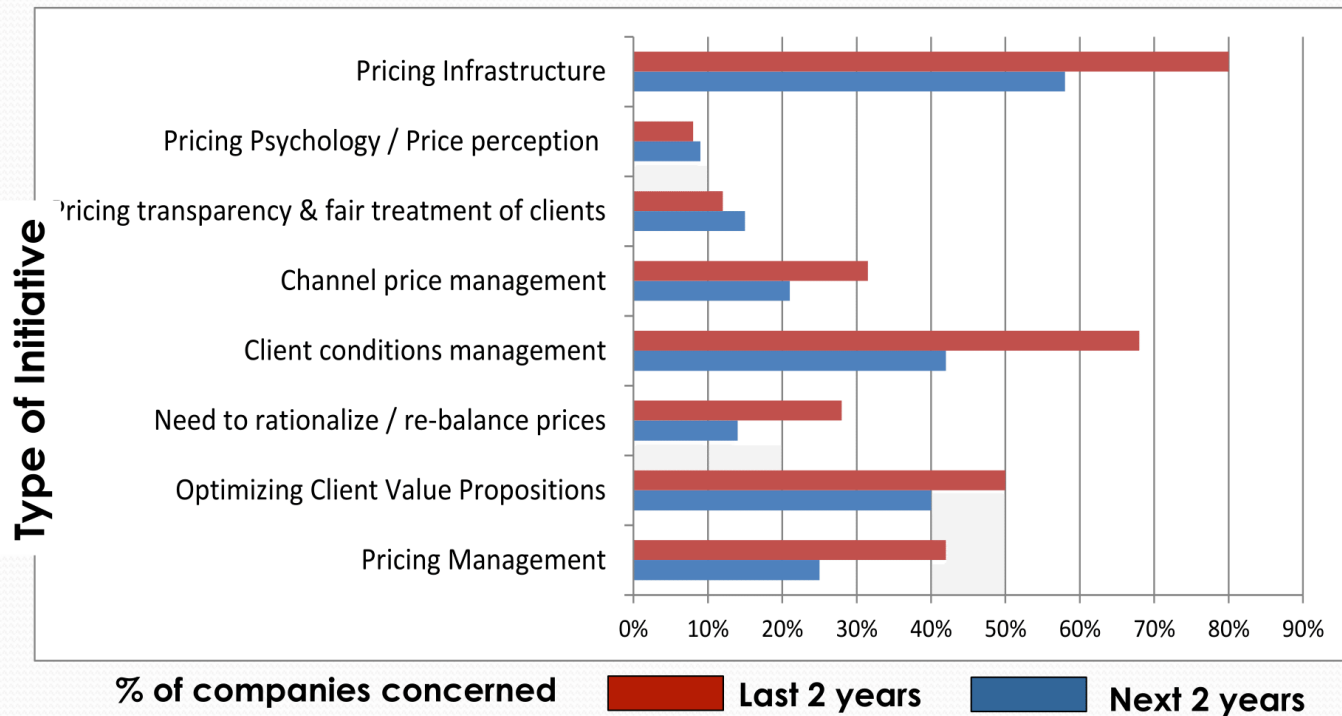
Steps to Pricing Performance

During improvement implementation, *pricing scope & influence* is still limited.



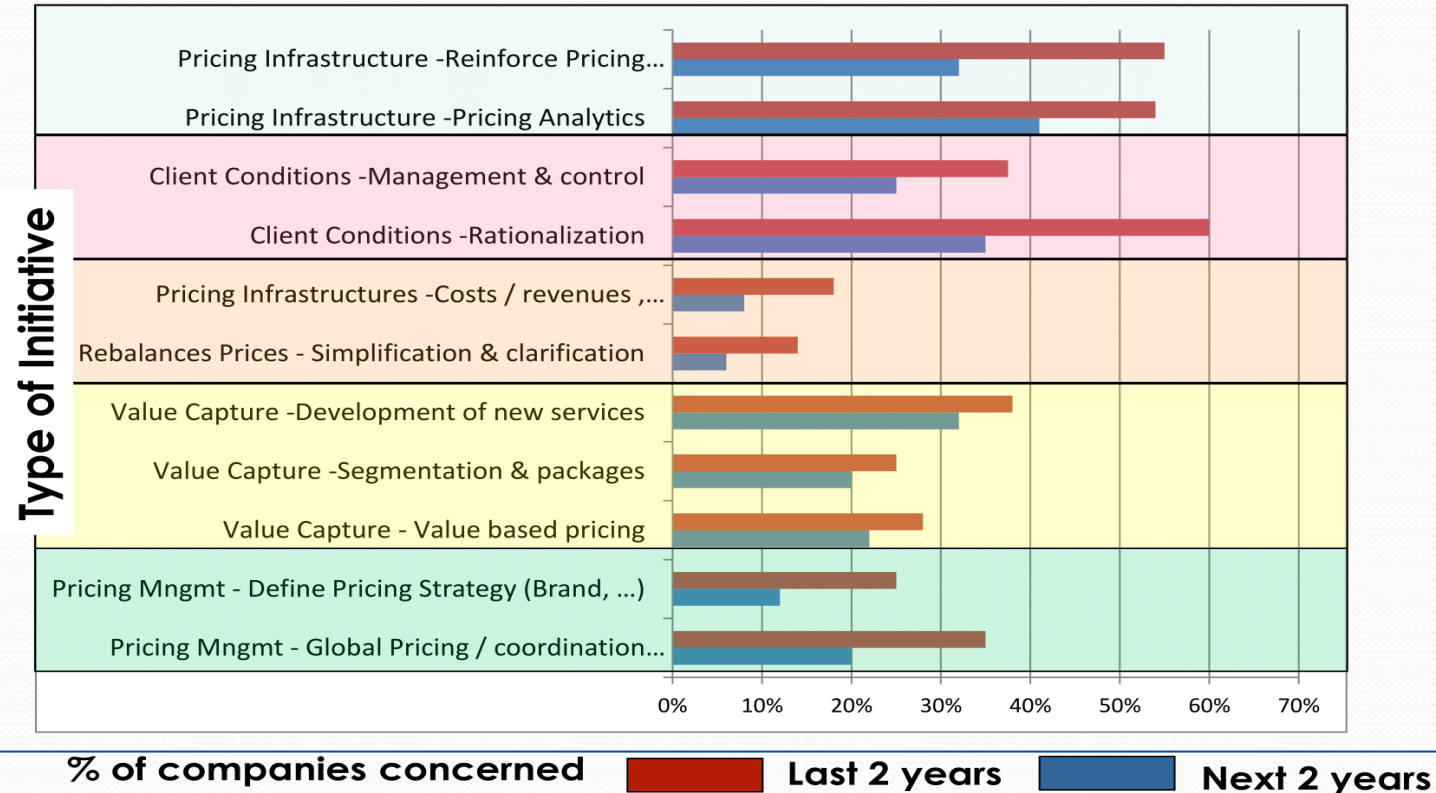
Steps to Pricing Performance

Numerous initiatives to help improve pricing performance.



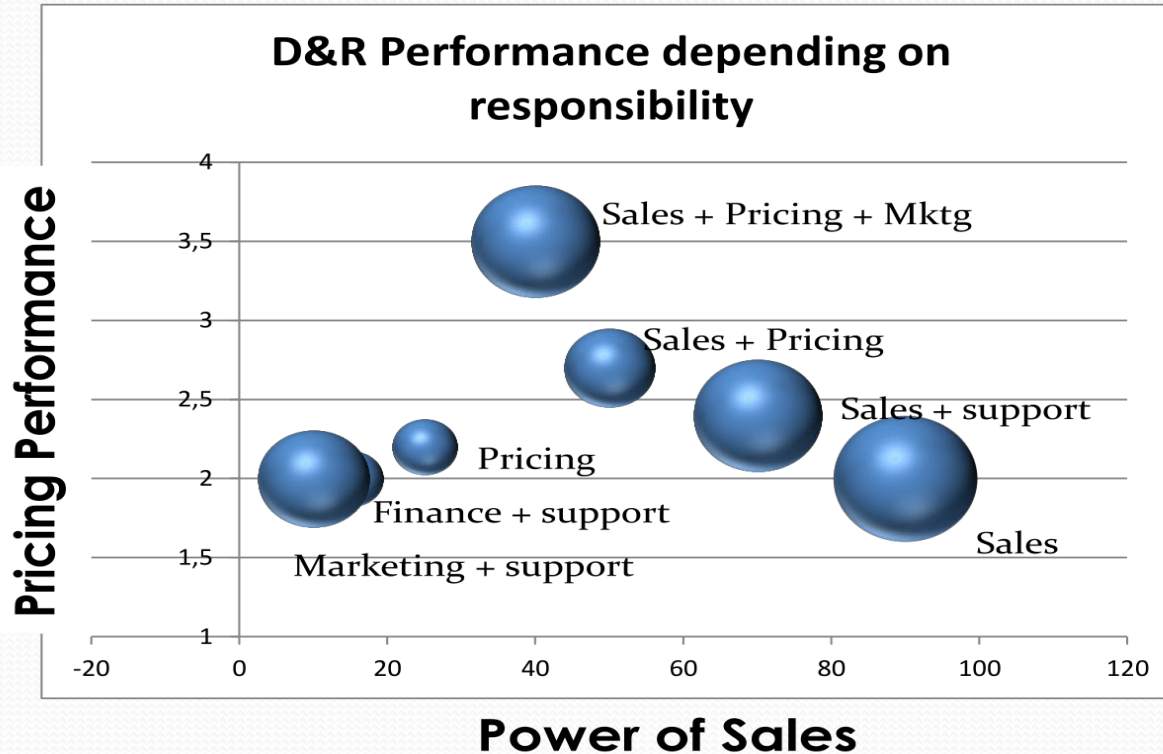
Steps to Pricing Performance

Numerous initiatives to help improve pricing performance.



Steps to Pricing Performance

Key drivers of discounts & rebates performance: working together.



Steps to Pricing Performance

Key drivers of discounts & rebates performance: visibility & pricing infrastructure.

Visibility of Pricing					
Pricing Infrastructure		Low	Med	High	Top Exec
	None	1,03	1,22	1,73	1,61
	Weak	1,77	1,69	2,20	2,48
	average	2,23	2,53	2,42	3,11
	Strong	2,68	2,79	3,34	3,77





Michael Hurwich,
M.B.A., President SPMG

Michael is an internationally renowned Pricing Consultant who has helped companies in multiple industries around the world develop their Pricing Strategy and find extra revenue and profit.

One of the foremost Pricing Consultants around the world, Michael has consulted to major Fortune 500 firms for the past 18 years. He started his consulting career at Braxton Associates, the strategic arm of Deloitte & Touche Consulting Group. During his consulting career, Michael has developed numerous corporate pricing and business unit strategies for a broad range of Key Accounts in a broad range of industries including telecommunications, finance and insurance, software, logistics and distribution, pharmaceuticals, Medical Equipment OEM's, retail and not-for-profits.

Michael has written numerous articles on pricing and marketing strategies including, "Pricing in Turbulent Times", "Managing 100 Basis Points", "Pricing for Speed: A Pharmaceutical Case", and "Pricing in Channel Management". He has recently published a 285 page book (March 2013) called the "Joy of Pricing". He is also a frequent lecturer in China, India, Singapore, Dubai, Malaysia, the U.S., Europe and Canada to name a few. Some of Michael's Key Accounts and past relevant engagements include, Tyco Security Systems, Tenaga Switchgear, California Power Exchange, Verizon, IBM, CWS Industries, Orthofix Italy, too name a few.

Michael has an M.B.A. in Corporate Finance & International Marketing from the Olin School of Business, Babson College, Boston and an Honors BA, Managerial Economics/Marketing.

Industry Specialization:

- Services Driven Businesses
- Telephone Companies
- Financial Services
- Fast-Moving Consumer Goods
- Manufacturing & Distribution