

Business Pricing Power – Part 2

Following from last month's Part 1 article on this important topic, we continue to discuss how you should approach pricing in your business on a disciplined and structured basis.

Key Question: *"Why do your customers do business with you?"*

Customers always ask for a discount and most will continue asking. **"Delighted customers"** are those who have a choice and continue to choose you, time after time, despite holding your price.

The most important question to ask is *"do I really have pricing power?"* Pricing power is one of those things that is very easy to identify in retrospect, but significantly more difficult to proactively create. Why? Because ***you must continually scan the market, competitors, and customers to understand how your products and services provide impactful value and how it changes over time. Only then, will you be able to define an offering structure in which customers feel they are receiving greater value than the price they pay.***

Some Pricing Questions

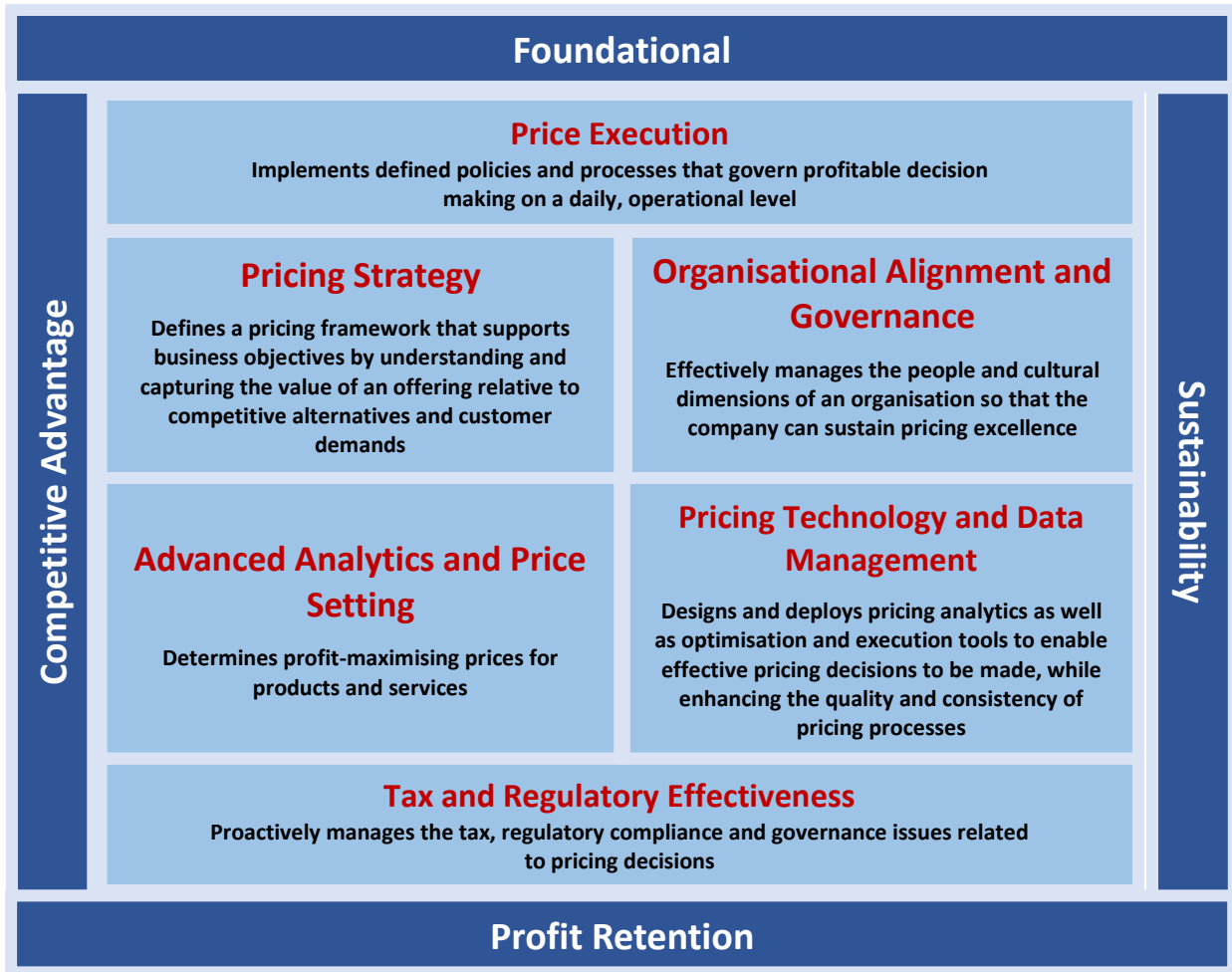
Pricing is an intricate and interdependent competency that impacts all levels of an organisation and the market it serves (including customers and competitors). At any given time, a business must ask itself and address several questions:

- *How can price be used as a competitive advantage, and how can we achieve results as quickly as possible?*
- *How do we position a price with our customers, and how do we differentiate our offering?*
- *What should our value propositions be for each customer segment?*
- *How does our product portfolio match the needs of our customers?*
- *What do we have to do to meet the promises made by our executives and our sales force, while still delivering the required margin?*
- *Can we use price to influence demand (and can we build that into our production and supply chain thinking)?*
- *What should our price be?*
- *Once we have the right price in place, how do we execute it effectively, and what will be the likely customer and competitor responses?*

The Six Core Competencies of Pricing

To meet the pricing challenge, companies cannot rely on any single internal or external perspective. Rather, all views must be combined in a way to maximise each of their strengths and to minimise each of their weaknesses.

The following **six organisational competencies** are needed to achieve this – see the diagram below:



Next Action Steps

Dig deeper into your unique customer base to better understand the value they perceive/receive from your products and services using the six competencies noted above as the basis for your review. This will provide the best insights into what is the best way forward to getting strategic “pricing power” implemented into your business.

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