

BusinessPlus+ Newsletter

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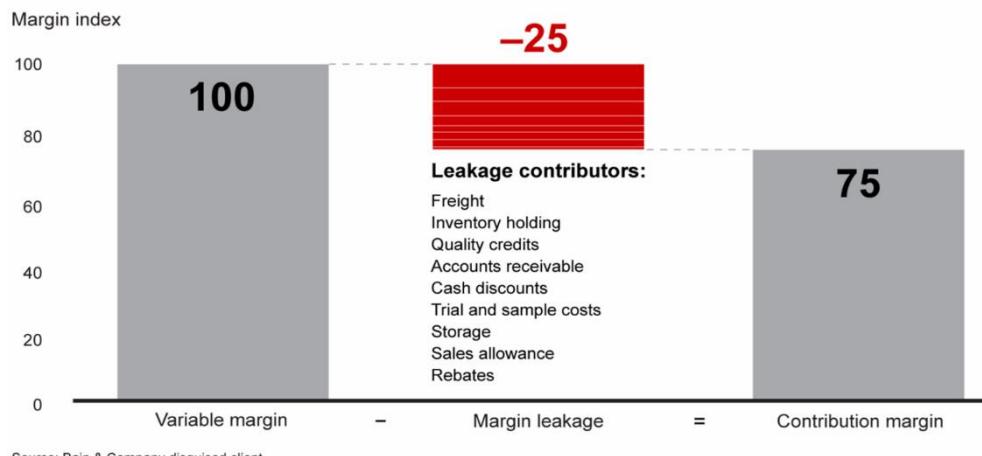
Some Pricing Principles in a Business as Unusual World

Given all the disruption and change this year, challenging your commercial organisation's go-to-market strategy is a totally reasonable endeavour. **The big questions are:**

*Should you change your pricing models to accommodate the changing landscape?
If you do, how?*

The answer, of course, is entirely dependent on the industry, the company, and, ultimately, the customer. However, a few core pricing principles never change, even if the world does.

Quantifying margin leakage is one key to pricing for maximum profit



Pricing Principles You Can Always Depend On

1) Build Your Pricing Strategy Based on Your Customer's Perspective:

While it's tempting to begin by assessing your company's finances, organisations thinking about price changes must invest in concrete customer research to better understand their customers' behaviour and uncover what they value (both now and in the future). Focusing on your customer first will help you make far better decisions when you start incorporating profitability or other business metrics. It may sound simple, but most companies focus on their needs first, ultimately leading to poor choices and unintended consequences.

2) Be Specific When Segmenting Your Customers:

If you invest in understanding your customers' behaviour, you will begin to identify what they truly need. The next step is to invest in targeted analytics to better track and understand your customers' actions based on the needs you identify. Many companies tend to rely on traditional means of segmentation, but that often leads to grouping dissimilar customers into the same categories. With the right set of data, you have the ability to apply a level of specificity — [called cohort analysis](#) — to group customers into more targeted micro-segments. These micro-segments create an audience for more specific, targeted customer conversations which result in actionable decisions instead of high-level theories.

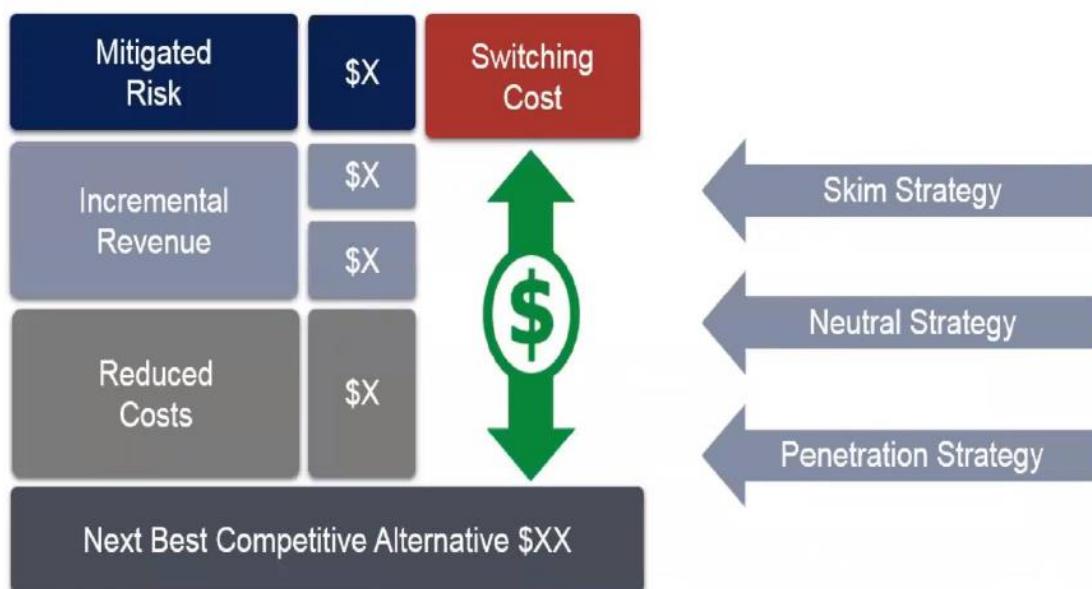
3) Be Flexible:

Because accommodating a niche market or servicing a narrow vertical one can be the most profitable business you produce for the entire year, it is important to remain flexible, especially when the world is in crisis. After you successfully integrate cohort analysis into your pricing process, you need to make swift changes and provide your sales team with the flexibility to respond accordingly. That might mean significant change, but it is better to serve the needs of your customer than it is to try and retrofit an outdated model.

Differentiated Pricing

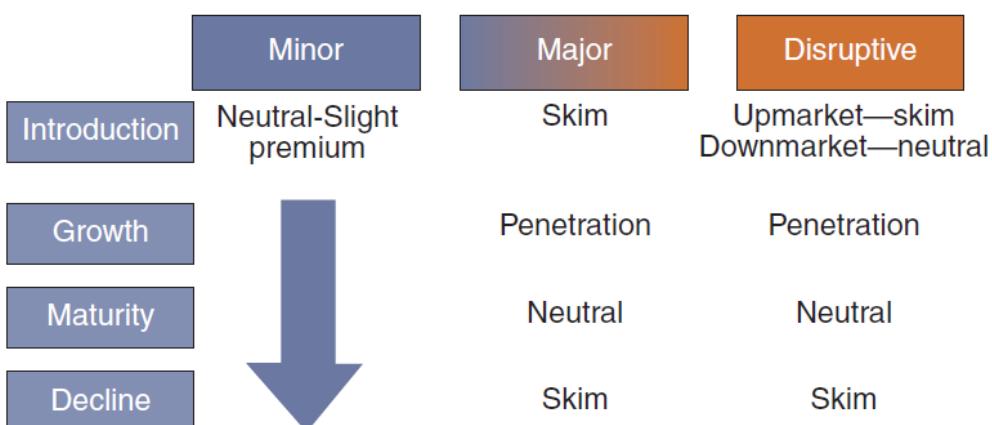
Can your business offer two or three pricing options for the same product or service that are differentiated perhaps as follows and as shown in the diagram below: –

- **Highest Price:** Higher level of product or service offering that provide clear distinctions from the other two price points;
- **Medium Price:** A more normal product or service offering without all the extras, but still a quality product/service;
- **Generic Price:** This is the minimal “no-fuss” offering for the solely price sensitive buyer of a particular product or service;



In disruptive times like these, the best use of time and resources is in understanding your customer base better than you ever have before. Invest in better customer research, better customer conversations, and better tools to help your teams make more informed decisions.

Pricing strategies change with market conditions



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