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Business to Business Pricing

A systematic pricing process
 to unlock hidden profits

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Management Summary





Pricing = putting a value on a product





What does ... mean (*more definitions*)?



1. Price Analysis = Collection of price information (internal and external sources) which is relevant for deciding on a price strategy and setting prices.
2. Price Strategy = Coherent and holistic pricing concept that aligns with the general company strategy.
3. Price Setting = Method to determine list prices. Can be cost-, competitor-, or customer-based.
4. Price Implementation = (Internal) Steering of employees' price behavior (e.g., enforcing list prices) or (External) Implementing prices towards customers and competitors. Includes price negotiations, price implementation towards sales partners/sales channels, and communication of pricing decisions to the market.
5. Price Auditing = Comparing planned and realized aspects of pricing decisions. Provides information for pricing decisions and ensures rationality of pricing decisions.



Undisputed is the importance of pricing...

"The single most important decision in evaluating a business is pricing power."

Warren Buffett
Investor, chairman and CEO
of Berkshire Hathaway

"This thing called 'price' is really important. (...) I think that's **underattended** generally."

Steve Ballmer
CEO of
Microsoft Corporation



...and the need for a systematic pricing process

"Wherever there is a clearly defined pricing process, explicit rules of price determination, and well-defined responsibilities (...), margins may be increased sustainably."

Albert Baehny
CEO and chairman of Geberit AG
sanitary technology

"It is hard work to acquire the competence to set and implement the right price."

Georg Tacke
CEO of
Simon Kucher & Partners



What makes pricing so difficult for managers?

Willingness-to-pay, competitors, complex products, structures, customer segments, discounts, bonuses...



- > Pricing is the most powerful marketing tool:
 - “Good” pricing uncovers **hidden profits**.
 - “Bad” pricing will **deteriorate profits**.
- > Optimizing prizes *per se* does not work. Price management is also about avoiding wrong decisions than making optimal decisions.



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Importance and Challenges of B2B pricing

