

Preventing main errors when defining our pricing policy around new technologies

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Why is it important?

- Pricing decisions are STRATEGIC:
 - A price too high for our target market is simply unaffordable → We will have to adjust our costs to market limits in order to achieve a sustainable financial plan.
 - We need to prevent that our price falls below what our market would be willing to pay for it → We need to maximise our growth potential and, therefore, the value of our company.
- Our aim is FIXING AN ADEQUATE PRICE FOR OUR PRODUCT IN OUR TARGET MARKET → **It is costs what need to be changed, not price.**

What is difficult about it?



ROI
A living
philosophy



RTDI
Innovation
School

What is difficult about it?



Let's play it!

The use case



Let's play it!

The use case



Let's play it!

The use case



Let's play it!

The game



INNOWIZARD: Price Canvas

1 a CUSTOMER'S VALUE

Quantified Value Proposition



The 80-20 Rule

Consumables (Razor and blades)

Pay per use

Suscription

Upsell with high-margin products



Maximizing LIFE TIME VALUE (LTV)

3 a REVENUE MODEL

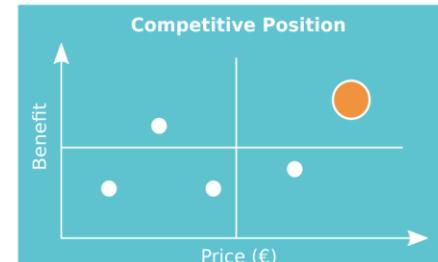
1 b WILLINGNESS-TO-PAY RESEARCH

Primary research on customers



2 a POSITIONING

For incremental innovation



2 b STRATEGIC PRICING

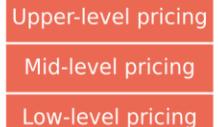
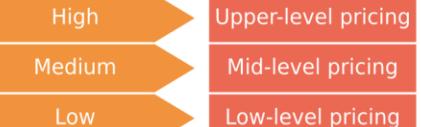
For Breakthroughs

Step 1: identify the price corridor outside the industry boundaries

Substitutites and alternatives

Step 2: Specify a price level according to price sensibilities

Legal and resource protection
Difficulty to imitate



PRICE

Price-conscious Segments

Low-margin prices

Subsidies limits

Purchasing Authority limits

Quality-conscious Segments

High-margin prices

▼ Cost of Customer Acquisition

▼ Sales Cycle Length

According to Price-elasticity

Reducing Sales friction

Short-term Long-term

3 b SEGMENTATION

3 c KEY PRICE POINTS

3 d PRICING STRATEGY

Penetration Strategy

Skimming Strategy

INNOWIZARD: Price Canvas

- Setting the price for our new technology is an **iterative process**:
 - We start from P_0
 - We correct towards the final price

Let's see with a use case

STEP 1: P_0 from the VALUE TO CLIENT



- **STARTING QUESTION:** How much value do our potential clients **PERCEIVE** from us?
- From the QUANTIFIED VALUE PROPOSITION → 80/20 Rule:
 - $P_0 = QVP * 20\%$
- Validate this starting point with real potential clients → **Willingness to pay research** (we will get a curve showing Price vs buying probability).

OBJECTIVE: MAXIMIZE REVENUES

CORRECTION 1: Positioning



2a POSITIONING

For incremental innovation

Competitive Position

Benefit

Price (€)

- **STARTING QUESTION:** Our product, is it a disruptive innovation or incremental one?
- If it is incremental → ***Competitive position graph*** with relation to the Unique Selling Point / VP / Main Benefit for clients
- If it is disruptive → ***Strategic pricing*** (Blue ocean)

OBJECTIVE: OVERCOME OUR COMPETITORS TODAY... AND TOMORROW

CORRECTION 1: Positioning

Strategic pricing (Blue ocean):

1. Define the **Price corridor**, over potential substitutes, in the stripe allowing us gain bigger market share.

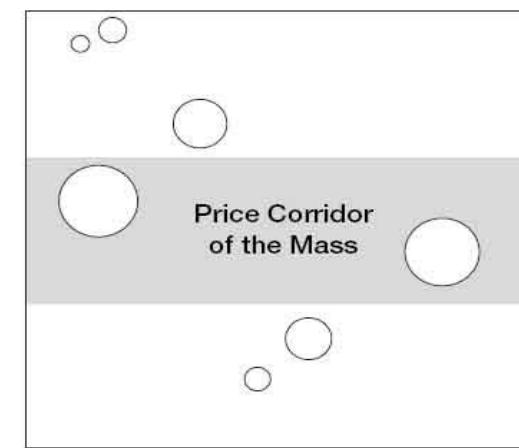


The Price Corridor of the Mass

Step 1: Identify the price corridor of the mass.

Three alternative product/service types:

Same form	Different form, same function	Different form and function, same objective
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Step 2: Specify a price level within the price corridor.

High degree of legal and resource protection Difficult to imitate
Some degree of legal and resource protection
Low degree of legal and resource protection Easy to imitate

Size of circle is proportional to number of buyers that product/service attracts

CORRECTION 1: Positioning



Strategic pricing (Blue ocean):

- Adjut Price in that stripe = f(existing barriers to imitation, to competitors)

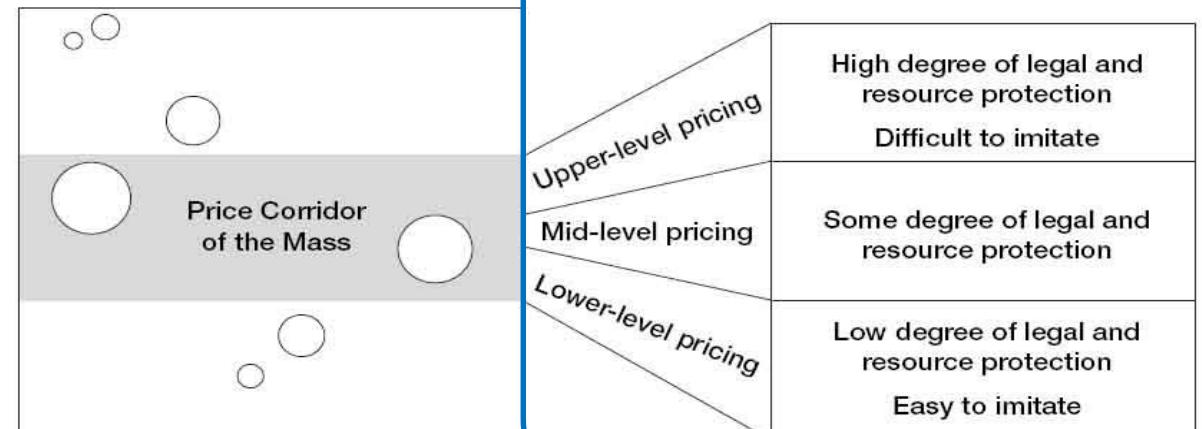


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Same form	Different form, same function	Different form and function, same objective



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CORRECTION 2:

The company's perspective



- **STARTING QUESTION: Which is our *Revenue Model?***

- Price is only a part of all the value each client can give us (LTV)
- Potential strategies for maximising revenues from a client along time.

OBJECTIVE: MAXIMISE TOTAL REVENUES / CLIENT (LTV)

CORRECTION 3: Segmentation



- **STARTING QUESTION: Are all potential clients equally sensitive to price?**
- Versions *Good – Better – Best*
- CRITICAL FACTOR FOR GROWTH

OBJECTIVE: MAXIMIZE REVENUES

CORRECTION 4: Key Price points



Subsidies limits

Purchasing Authority limits

▼ Cost of Customer Acquisition

▼ Sales Cycle Length

Reducing Sales friction

3C

KEY PRICE POINTS

- **STARTING QUESTION: Where are the buying limits around our product?**

- Subsidized products
- Buying decision hierarchies
- ...

OBJECTIVE: MINIMIZE SALES FRICTION

CORRECTION 5: Market access strategies



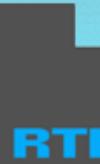
- **STARTING QUESTION: How do I start “sinking the tooth into the market pie”?**
 - If we have an incremental innovation → We start with a lower Price, loosing profit for accelerating market share
 - If we have a disruptive innovation → We charge more to *early adopters*, and lower the price as I advance along the market uptake segments towards the mainstream markets.
 - Strategy very related to the market segmentation performed.

OBJECTIVE: ACCELERATE MARKET UPTAKE

Let's play it!

The game





Before we finish

PRODUCT IDEATION

- IDEA
- CONTEXT
- TEAM

DEVELOPMENT

- OBJECTIVES
- PLAN
- RISKS
- IPR

EXPLOITATION

- MARKET
- BUSINESS MODEL
- ROUTE TO MARKET





INNOWIZARD offers you assistance to get better ready for this adventure...

by offering you advanced user-friendly tools you can use to define concepts, plans and strategies crucial for your project...

designed and integrated by long-experience practitioners still active in the field.

Before we finish



For each step you get:

1. A practical briefing
2. Access to the specific tool ('work on your contents')
3. Self-assessment checklist



At all times you have:

1. An overall picture of the progress achieved
2. Access to **FREE** professional support

Advanced consulting in R&I project building

RTDI offers two categories of services. **Firstly**, it offers consultancy services specialized on technology brokering, R&I integral management, exploitation planning for innovative solutions, business and Investment plans. RTDI serves clients from a variety of industrial sectors, - mainly ICT, Industry, Health, Agrifood and Energy - and sizes (i.e. companies such as SavanaMed, Insulclock, Barrabés Group, FCC & Aqualia, Marsibionics, Appentra, Canaan Investing, ... We have a >200 companies client base).

Within this context, we help our clients leveraging financial support for their projects, either public (at European, national and regional levels), and private (business angels, venture capital, crowdsourcing, and some special stock markets). Along the years, we have supported >100 projects and gained >€100M.

Secondly, it works in the area of advanced training methods for building fundamental capabilities related to innovation.

Within this context, 3 years ago we created the division **RTDI Innovation School**, in which we have already trained >100 young PhDs and business people as “R&I professional project builders”, with a unique work-based method. We are also very active in webinars and seminars, in which more than 1,000 people across Europe have already participated, and workshops and seminars, with already more than 500 participants.



**THANKS AND
GOOD LUCK!**