

Daring Caution Reader Tools

Assessing Your Price Decision-Making & Execution

As discussed in Chapter 6 of Daring Caution: The Executive's Guide to Pricing Improvement, a pricing initiative should begin with an assessment of *what is* against *what could be*, in order to focus improvement efforts. Where are your company's best near-term opportunities for improving pricing practices and outputs? This checklist will help you identify and evaluate those opportunities.

Your Company's Process for Making Pricing Decisions

1. How much weight do your company's pricing decisions assign to the prices that the customer would pay (if not given the chance to pay a lower price)? Is this an area where you sense you could do better?
2. Do you have an up-to-date, written policy spelling out who makes pricing decisions, and how much weight these people should give to each of the four pricing factors outlined in the Pricing Profile?



3. How many pricing decisions does your company make in a year (roughly)? What percentage of pricing decisions gets made one-at-a-time? Could you achieve pricing yield, accuracy, and productivity gains if you made a greater percentage of decisions on a standardized basis?
4. Do management and commercial team members hold self-limiting beliefs and untested assumptions about prices (e.g. "Our product has become a commodity")?
5. Which brings bigger hurrahs in your company or client companies: Big orders or savvy pricing decisions?
6. Do your sales and management compensation plans incentivize lowering prices to increase the perceived probability of obtaining or retaining orders?
7. How prepared and equipped with information and analytical tools are the people involved in making pricing decisions?
8. Do you have financial and operating reports that provide transaction-level visibility to what's really going on with pricing and near-price terms of sale?

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9. Are your company's decisions on price and near-price discounts, deductions and incentives made independently or in an integrated fashion? When was the last time you reviewed the business benefit of the discounts, deductions and incentives you give to customers?
10. Since transactional pricing decisions sometimes must be made too quickly to allow prior review, does your organization conduct after-action analyses to learn from experience and apply corrective actions?
11. Do you have formal processes for rapidly adjusting prices to deal with the volatile costs of operational inputs (such as raw materials, energy, and transportation)?
12. Does your company have formal goals, metrics and benchmarks for pricing ?

Assessing Your Company's Degree of Pricing Power

13. Has your company documented your channel partners' pricing needs, and integrated them into pricing improvement and value-supporting communication with end customers?
14. To what extent has your company innovated or evolved your product / service offering to meet unserved or underserved customer needs and wants? Is your offering meaningfully differentiated in customers' eyes.
15. Are your offering and price structure well-aligned with what customers value? For example, in standardized products and services, do you have offerings at entry-level price points as well as more expensive ones?
16. Do you measure the customer's experience in doing business with your company at all touch points? Do you have a formal improvement program?
17. Are your company's marketing and sales "conversations" effectively delivering your company's value story?