

CONTENTS

INTRODUCTION	1
Style	3
Appendices	3
ONE	
AN OVERVIEW OF THE PRICING PROCESS	5
Synopsis	6
Preparing the ground	6
Who takes the overall responsibility for price in our firm?	7
What is the firm's cost structure and policy, re. overhead allocation?	9
The firm's marketplace	13
TWO	
THE FOUNDATIONS OF THE PRICING DECISION	31
Synopsis	32
Introduction	33
Strategic focus	34
The effectiveness efficiency grid	40
Market forces	42
Oversupply brings the danger of commodity trading	46
Surviving oversupply	47
The marketing concept	48
Introducing the product life cycle [PLC]	50
Strategic focus and the product life cycle	56
Price skimming	58
Barrier pricing	59
Price and the technology adoption curve (TAC)	61

THREE

HOW OTHERS PRICE	77
Synopsis	78
The current situation?	79
How does cost plus work?	81
Activity based costing	103

FOUR

PRICE POSITIONING AND STRATEGIES	113
Synopsis	114
Where it all begins	114
Segmenting for price	115
The conditions	119
The segmentation process	120
Segmenting via B2B buyer behaviour	123
Finally you need to know	125
What constitutes price to your 'target group'?	127
General segmentation principles	128
Price positioning	129
The price landscape	134
Price as an indicator of quality	137
Objectives for pricing and pricing strategies	138
Some useful marketing pricing strategies	141
The profit centre?	146

FIVE

VALUE-BASED PRICING	153
Synopsis	154
Two Cases: 'Value-Based Pricing'	154
The Heart of Value-Based Pricing	158
The Value-Based Pricing process of analysis	162
Some ways to add value for the customer	175
Selling the 'value-add' to the customer	191
Some approaches to discover ways to add value for your customers	194
Exhibit: Simplified example of a conjoint analysis 'data capture'	196

SIX

PRICING TACTICS – DEALING WITH THE DAY TO DAY PRESSURES ON PRICE

201

Synopsis	202
Pricing a tender	220

SEVEN

PRICE WARS – ANTICIPATING/PREVENTING/FIGHTING THEM (BUT ONLY IF YOU HAVE TO)

245

Synopsis	246
An example price war	246
LESSON?	248
Dealing with extreme competition	248
Key issues, re price wars etc.	253
Why price wars must be avoided	255
Know from where to expect the threat	256
Characteristics of strong vs. weak rivals	259
‘Good’ vs. ‘dangerous’ competitors	260
Root causes of price wars	265

EIGHT

THE ART OF PRICE NEGOTIATION

281

Synopsis	282
Co-operative versus adversarial negotiation	282
Price negotiation	283
Issues when preparing to negotiate	287
Analysis of potential trading chips/concessions	288
Checklist for assessing buyers likely needs, strategies and tactics	289
Discuss	290
Decision-makers who make good partners	292
Decision-makers who make difficult partners	294
The language of negotiation	295
Structure of the negotiating interview	298
Defining the issues	302
Refining the issues	304
Propose	306

Bargaining	309
Defensive negotiating techniques	310
Stratagems	314
Agree	320
Summary	322

APPENDIX ONE

ANSWERS AND DISCUSSIONS FOR THE EXERCISES 325

Exercise 1.1	326
Exercise 2.2	328
Exercise 2.3	328
Exercise 2.4	329
Exercise 2.5	330
Exercise 3.1: 'What price peanuts?'	331
Exercise 3.2: 'What is the cost?'	331
Exercise 3.3	333
Exercise 3.4	335
Exercise 4.1	337
Exercise 4.2	337
Exercise 7.1	344
Negotiation exercises	345

APPENDIX TWO

THE CALCULATIONS FOR PRICING 347

Profit and loss account	348
Break-Even (B/E)	348

APPENDIX THREE

MAIN SOURCES AND RECOMMENDED READING LIST 357

INDEX 359