Comphrensive Sales Training .

Handling objections is both an art and a science.

UpskilPRO e Institute
for Sales & Marketing

upskilPRO
capability enhancement tools

Pricing Strategies

Understanding Pricing Models
Module 4

Tools, Content & Templates
Hand built using experience & insight

Templates

Templates are designed based gather information in a structured manner

Job Descriptions

Develop roles clearly and completely across varying levels of experience

Agreements

Draft your business agreements across a variety of areas

KPI's

Performance indicator, a quantifiable measure of performance over time versus a specific objective.

Content Modules

Best practice material in power point for use as a knowledge base in business training , planning and execution .

upskill PRO

capability enhancement tools

Gain a competitive edge using the best tools and techniques to build a better you .

Strategic tools

These tools are recognised the world over in business schools, consulting firms and companies who plan strategically.

Analytical Tools

Interactive excel tools on specific business areas based on your data inputs delivered in a workbook model with instructions.

Scorecards

Designed as functional or subject indicators across a variety off situations to enable performance of situational evaluation versus aligned standards.

Calculators

calculate the right ratios for businesses looking for benchmarks in a variety of situations

Checklists

Designed around achieving milestones in a sequential manner.

Research

Research tools for sales and marketing engagement

Assessments

Assessments are designed around specific areas to conduct reviews and will center around a benchmark reviewing individuals or functions

Comprehensive Sales Training Plan
Module 4
Understanding pricing models

Comprehensive Sales Training Plan
Module 4 – Understanding Pricing Models.

upskilPRO
capability enhancement tools

Learning Objective: Understand how to create a pricing strategy that aligns product price with perceived customer value to enhance sales and profitability.

Understanding Pricing Models
- Common pricing models
- Pros and cons of each model

Communicating Price and Value
- Linking price to value
- Handling price objections

Discounts and Promotions
- Effective use of discounts
- Impact of promotions on long-term value

Negotiating Price
- Strategies for price negotiation
- Maintaining profitability

Psychological Pricing Tactics
- Pricing psychology
- Techniques like anchoring, charm pricing

Comprehensive Sales Training Plan
Module 4 – Understanding Pricing Models.

upskilPRO
capability enhancement tools

Summary

Understanding pricing is crucial for setting competitive rates that maximize profitability while meeting customer expectations. It ensures businesses can effectively communicate value, handle objections, and drive sales growth.

Comprehensive Sales Training Plan
Module 4 – Understanding Pricing Models.

Cost + Profit = **Price**

Simple Formula for Establishing a Pricing Model.

Cost: Total cost of producing the product or service.
Profit Margin: Additional amount added to the cost to achieve desired profit.

Common Pricing Models

"When your price is very high, people assume that your product must be very good!"

Understanding Pricing Models.

Common pricing models.

upskilPRO capability enhancement tools

Cost Plus

Definition: Cost-plus pricing involves adding a fixed percentage or amount to the cost of producing a product to determine its selling price.

- **Calculating Costs**: Identify all costs involved in producing the product, including direct costs (materials, labor) and indirect costs (overhead, administrative expenses).
- **Setting the Markup**: Determine the markup percentage to be added to the total cost. This percentage can be based on industry standards, desired profit margins, or company policy..

Pros of Cost-Plus Pricing:

- **Simplicity**: Easy to calculate and implement.
- **Predictability**: Ensures a consistent profit margin on each unit sold.
- **Transparency**: Customers can easily understand the pricing rationale if costs are disclosed.

Cons of Cost-Plus Pricing:

- **Ignores Market Demand**: Does not consider customer willingness to pay or competitive pricing.
- **Risk of Overpricing or Underpricing**: Can lead to prices that are too high (reducing sales) or too low (eroding profit margins).
- **Limited Flexibility**: Does not adapt well to changes in market conditions or consumer preferences.

Price = Unit Cost + Expected % of return on cost

Understanding Pricing Models.

Common pricing models.

Stage 2: Value-Based Pricing

Definition: Value-based pricing sets prices based on the perceived value of the product to the customer rather than the cost of production.

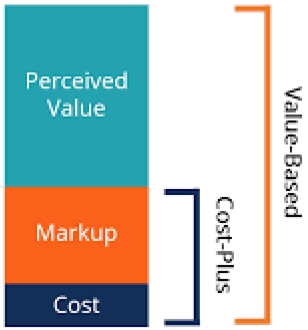
- **Understanding Customer Perception**: Conduct market research to understand how customers perceive the value of the product.
- **Assessing Value**: Evaluate the benefits that the product provides to customers and how it compares to alternatives.
- **Setting Prices**: Determine a price point that reflects the perceived value, often higher than cost-plus pricing, but justified by the benefits offered.

Pros of Value-Based Pricing:

- **Customer Focused**: Aligns prices with customer perceptions and willingness to pay.
- **Higher Profit Margins**: Can lead to higher profit margins if customers perceive significant value.
- **Competitive Advantage**: Differentiates products based on value rather than just price.

Cons of Value-Based Pricing:

- **Complexity**: Requires detailed market research and understanding of customer perceptions.
- **Market Sensitivity**: Highly dependent on customer perceptions, which can change over time.
- **Difficult Implementation**: Challenging to implement across different customer segments with varying perceptions of value.



Price = Perceived Value + Mark up + Cost

Understanding Pricing Models.

Common pricing models.

Stage 3: Competition-Based Pricing

Definition: Competition-based pricing sets prices based on the prices of similar products offered by competitors.

- **Market Analysis**: Conduct a thorough analysis of competitor pricing strategies and their product offerings.
- **Benchmarking**: Set prices slightly below, at, or above competitors' prices based on strategic goals (e.g., gaining market share, maintaining parity, or positioning as a premium option).

Pros of Competition-Based Pricing:

- **Market Relevance**: Ensures that prices are competitive within the market.
- **Ease of Implementation**: Relatively straightforward to implement by monitoring competitor prices.
- **Adaptability**: Allows for quick adjustments in response to competitor actions.

Cons of Competition-Based Pricing:

- **Price Wars**: Can lead to destructive price wars if competitors continuously lower prices.
- **Neglects Unique Value**: Does not consider the unique value proposition of the product, potentially undervaluing it.
- **Dependency on Competitors**: Relies heavily on competitors' pricing strategies, reducing control over pricing.

Market Price = Cost + Market price + Premium

Competition Based Price = Nearest Competitor + Premium

Pros and Cons of each model

Understanding Pricing Models.

Pros and Cons of the 3 Models of Pricing.

Cost Plus Pricing

Pros:

- **Ease of Calculation**: Simple to understand and calculate, making it suitable for small businesses or those with straightforward cost structures.
- **Stable Margins**: Provides a predictable profit margin, simplifying financial planning and budgeting.

Cons:

- **Market Disconnect**: May not reflect what customers are willing to pay, leading to missed revenue opportunities.
- **Inflexibility**: Does not easily adapt to market changes, such as shifts in demand or competitor pricing adjustments.

Value-Based Pricing

Pros:

- **Customer Alignment**: Directly ties pricing to the benefits perceived by customers, potentially maximizing revenue.
- **Brand Differentiation**: Helps in positioning the product as a premium offering if it provides superior value.

Cons:

- **Research Intensive**: Requires comprehensive market research and ongoing customer insights to maintain effectiveness.
- **Variable Perceptions**: Different customer segments may perceive value differently, complicating pricing strategies.

Competition-Based Pricing

Pros:

- **Market Competitiveness**: Ensures that prices are competitive, helping to attract price-sensitive customers.
- **Strategic Positioning**: Allows for strategic positioning within the market relative to competitors.

Cons:

- **Margin Erosion**: Can lead to reduced profit margins if competitors engage in aggressive pricing.
- **Limited Differentiation**: Focuses on matching or beating competitor prices rather than highlighting unique product benefits.

Understanding Pricing Models.

Pros and Cons of the 3 Models of Pricing.

Evaluating Cost-Plus Pricing

Pros:

- **Ease of Calculation**:
- **Stable Margins**:

Cons:

- **Market Disconnect**
- **Inflexibility**

Evaluating Value-Based Pricing

Pros:

- **Customer Alignment**
- **Brand Differentiation**

Cons:

- **Research Intensive**
- **Variable Perceptions**

Evaluating Competition-Based Pricing

Pros:

- **Market Competitiveness**
- **Strategic Positioning**

Cons:

- **Margin Erosion**
- **Limited Differentiation**

Understanding Pricing Models.

Conclusion.

upskilPRO capability enhancement tools

Understanding and choosing the right pricing model is crucial for a business's success.

Cost-plus pricing offers simplicity and predictability but may not align with market demand

Value-based pricing closely aligns with customer perceptions and can maximize revenue but requires thorough market research.

Competition-based pricing ensures market relevance but can lead to price wars and neglect the unique value proposition.

By carefully evaluating the pros and cons of each model, businesses can select the most suitable approach for their products and market conditions, ultimately enhancing profitability and customer satisfaction.

upskilPRO
capability enhancement tools

Comphrensive Sales Training .

Handling objections is both an art and a science.

Pricing Strategies

Understanding Pricing Models
Module 4

UpskilPRO e Institute
for Sales & Marketing

Tools, Content & Templates
Hand built using experience & insight