

## MASTERING THE LANGUAGE OF PRICING

*Building a Strong Pricing Culture in Your Organization*



### THE AUTHOR

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His passion for pricing comes from the diversity of topics handled internally and the stakeholders involved externally. With that, Ebrahim has moved across pricing roles: operational pricing, pricing transformation, and price team capability building on a local and regional basis in top player companies like Goodyear, FedEx, P&G.

Ebrahim is running value-finding projects at the European level. Ebrahim is keen on strengthening pricing organisations, learning new trends/skills, and having fun finding new paths to value.

Ebrahim holds a Double Major in Business Admin and Economics from the American University in Cairo. Ebrahim has embarked on his doctorate journey around translating technical pricing skills to all corners of the organisation, as well as to customers.

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### ABSTRACT

This article explores a different maturity scale for pricing departments in organisations that focus on the ability to effectively communicate technical pricing knowledge across all levels of the organisation. The most successful companies with respect to pricing run pricing, value, and revenue management as part of their culture rather than as a standalone department or project. The article outlines the five levels of pricing cultural maturity, ranging from a pricing department that is told what to do and execute to pricing being embedded within the thinking and DNA of the organisation. The article emphasises that upgrading pricing language skills in an organisation is an ongoing process that requires a cycle of doing, reflecting, modifying, and engaging. The article concludes by noting that markets are always changing, requiring new innovative pricing approaches. Organisations that do not continuously upgrade their pricing ability and capability risk being left behind.

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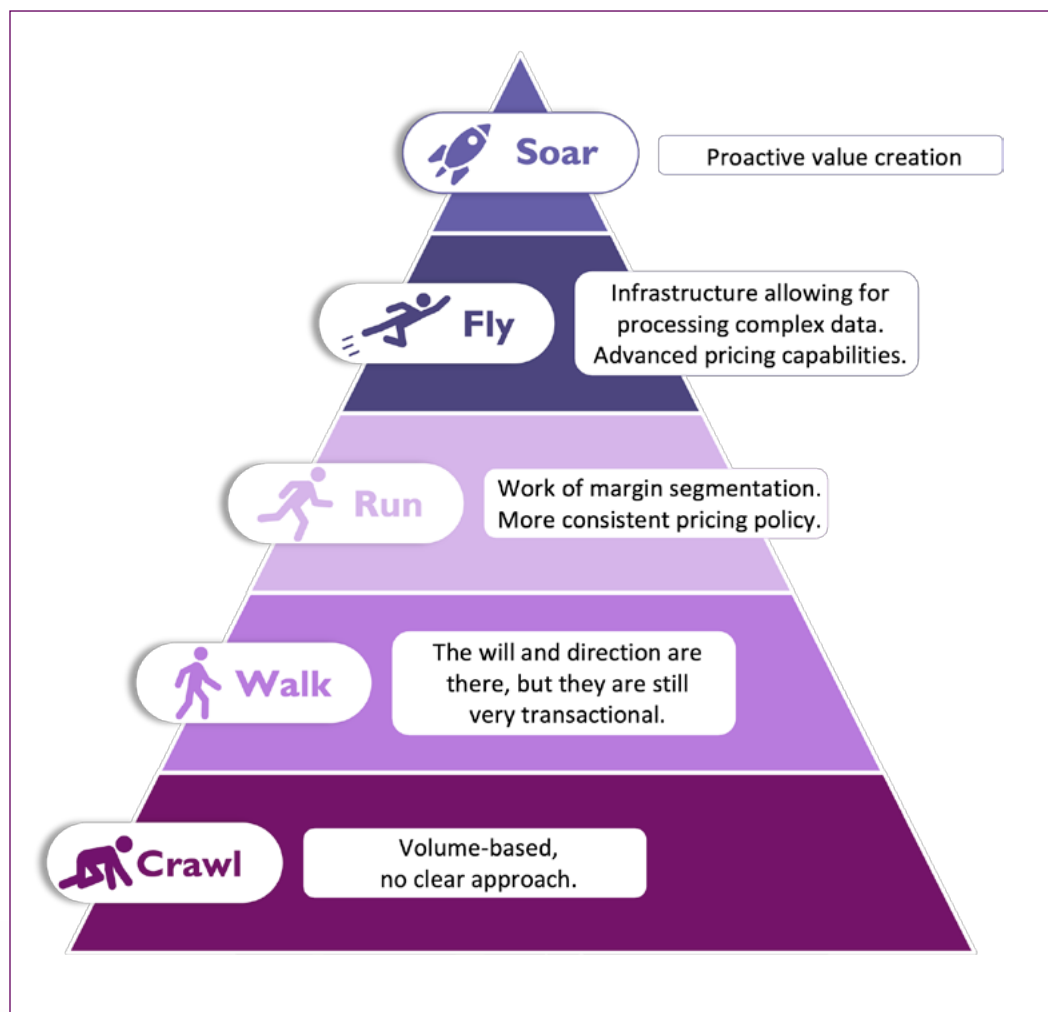
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Businesses have been steadily increasing their emphasis on pricing, seeking to extract more value from their products and services. Consequently, the depth of understanding the pricing techniques and methods has evolved over time. This shift has seen a move from cost-based pricing to value-based pricing, focusing on customer and consumer price acceptance and willingness to pay. Along this journey, innovative tools have emerged that enable pricing to be segmented and targeted in ways unimaginable in the 80s and 90s.

Pricing departments have begun to establish themselves as standalone functions rather than part-time activity within Marketing, Finance, or Sales. As large corporations recognised the potential benefits of pricing flowing into their bottom line, measuring the maturity of pricing activities became increasingly important. Various models have been developed to assess and measure an organisation's pricing maturity. The majority are summarised into 4-5 maturity levels based on pricing methods, data science utilisation, and tools employed (see Figure 1).

Figure 1  
Price maturity  
measurements



All these factors are crucial for businesses continuously seeking to enhance value and margins. However, this article examines a different maturity scale – one that focuses on the effectiveness of technical pricing knowledge. In other words, what is the necessary maturity scale for translating technical pricing language across an organisation? The most successful companies, in terms of pricing, integrate pricing, value, and revenue management into their culture rather than treating them as individual projects or isolated departments.

There are distinct signs and indications when a company is growing its pricing culture maturity. As a pricing professional, you can assess your organisation's stage and determine the necessary steps for progression. It is important to note that developing a mature pricing culture does not detract from the significance of pricing knowledge, data science work, or other essential models required for analysing value-generating parameters. Consider the following five levels to transform pricing from a standalone function to an integral component of daily operations, akin to learning a new language:

- LEVEL 1** The pricing department follows instructions without contributing to decision-making – no seat at the table.
- LEVEL 2** The pricing department participates in sales briefings and financial discussions – a small seat at the back of the room.
- LEVEL 3** The pricing department actively contributes to strategic decisions – a seat at the table when convenient.
- LEVEL 4** The pricing department serves as a value-adding partner across the organisation – a permanent seat at the table.
- LEVEL 5** Pricing is deeply ingrained in the organisation's mindset and DNA.

## PERCEPTION PLAYS A CRUCIAL ROLE IN EACH LEVEL:

- LEVEL 1** Pricing is perceived as a cost centre with intelligent individuals working on complex matters, but their insights seem unrealistic and impractical. Consequently, pricing professionals are excluded from critical decision-making sessions, resulting in an "Us versus Them" mentality.
- LEVEL 2** Business leaders begin to understand basic pricing terminology. Occasionally, pricing insights are comprehended and deemed useful, leading to the pricing leader's invitation to important meetings but without much room for input. It's the observer's small seat at the back of the boardroom.
- LEVEL 3** This level represents a tipping point in pricing culture maturity within organisations. Business leaders grasp key pricing concepts and see the practical applications of pricing experts' recommendations. A dialogue develops between the two

parties, and the positive outcomes of good pricing work become evident, increasing business leaders' interest in pricing. However, pricing's seat at the table is still conditional and often accompanied by a "be grateful you're here" attitude.

**LEVEL 4** At this level, a comprehensive conversation about value takes place. Business leaders comfortably discuss pricing concepts and welcome new insights from the pricing leader. Pricing is considered as important as any other function, and its input is deemed essential for the collective success of the business. Pricing is perceived as an enabler rather than an inhibitor, and a sense of unity emerges with the hashtag #OneOfUs.

**LEVEL 5** Business leaders become fluent in pricing, even to the extent of creatively incorporating it into their communication. The distinction between Pricing and Business dissolves as pricing is embedded across all levels and decisions within the organisation. At this level of maturity, the Pricing leader is seen as an innovator, and there is keen interest in what Pricing will bring next. Business leaders see, understand, and appreciate the value of pricing.

The aforementioned cultural maturity scale is relevant not only for senior pricing management but also across all organisational levels. Languages are not learned in one go; they are acquired through multiple interactions and consistent practice. To improve pricing language skills within an organisation, a cycle of communication, reflection, modification, and re-engagement is necessary (Figure 2).

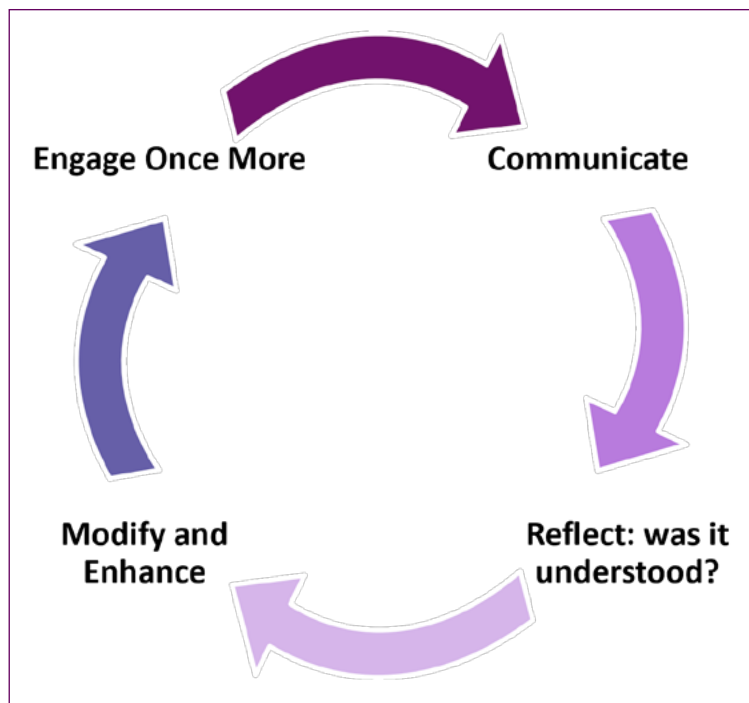
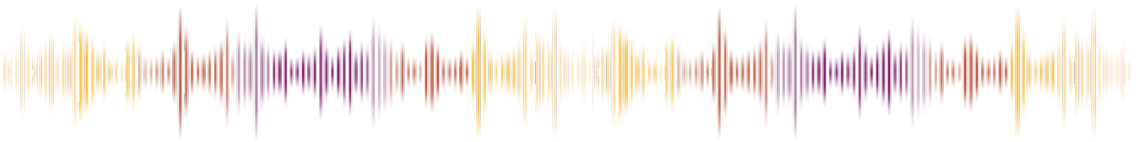


Figure 2 - Price Communication Cycle of Improvement

As with languages, if you don't use it, you lose it. Additionally, languages continuously evolve, and pricing is no different. The markets in which we operate are constantly changing, necessitating innovative methods and approaches to pricing. Therefore, if there is no conscious effort to continuously upgrade pricing abilities and capabilities to enhance language skills within the organisation, the sense of unity represented by #OneOfUs can quickly devolve into exclusion, epitomised by #AloneOutside.

In conclusion, mastering the language of pricing is essential for integrating pricing into your organisation's culture and driving business success. By assessing your organisation's pricing cultural maturity and actively working to improve it, you can ensure that pricing remains a key strategic asset for your company.



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EPP Pulse offers another valuable platform for the Pricing and RGM community by bringing to light successful practices and strategies, enabling expertise exchange, fostering connections among pricing professionals, and engaging the community in dialogue and content sharing. Furthermore, EPP Pulse serves as a tool to identify market needs and interests for topics that could be developed in future EPP forums and events."

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