

## NAVIGATING THE PRICING ODYSSEY

*A Comprehensive Guide to Transforming Your Pricing Policy*



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Ignasi Moreno is leading the Pricing & Analytics team at Frit Ravich, a leading company in food distribution in Spain. His main motivation in my work is based on analysing data and patterns to establish action plans focused on profitability, new commercial strategies or proposals for process efficiency.

He is steering price optimisation and increasing the company's revenue activities by implementing actions based on price, promotion and all related to P&L. He is contributing to developing the company's new Pricing policy and setting up the strategy and tactics needed to manage pricing in terms of KPIs, visualisation, and processes, as well as establish a revenue culture in the company.

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### ABSTRACT

This article outlines a comprehensive approach to developing and implementing a new pricing policy that is adaptable to various goals, such as increasing sales or optimising margins, all with the aim of maximising profits and promoting sustainability. The author shares their experience and provides a structured plan based on four key steps: defining the strategy, setting price lists linked to the strategy, determining new ways of executing the pricing policy, and establishing new processes and control systems. This article serves as a guide for businesses looking to create a new pricing policy and emphasises the importance of careful planning and execution to achieve long-term success.

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## INTRODUCTION

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The journey towards a successful pricing policy begins with setting clear objectives and adopting a flexible, step-by-step approach. This article presents the lessons learned from our experience in developing and implementing a new pricing policy that helped our company achieve various goals, such as increasing sales or optimising margins, ultimately leading to a more sustainable and profitable future. This article serves as a guide for businesses looking to create a new pricing policy and emphasises the importance of careful planning and execution to achieve long-term success.

## 1. DEFINING THE STRATEGY: A COMPASS FOR THE JOURNEY

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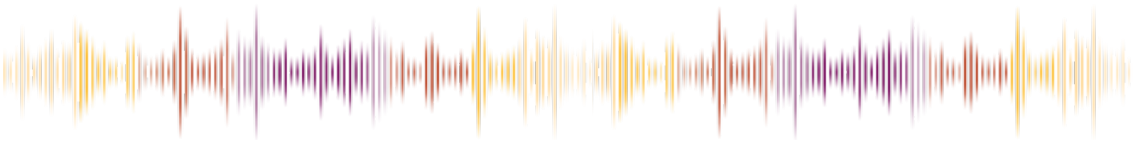
Embarking on the journey to redefine our pricing strategy, we started with the essential first step: establishing the criteria. As wise experts have said, the more we differentiate prices, the more profit we capture. However, selecting the right attributes and priorities to segment our prices is crucial, as attempting to include every possible factor might result in an overly complex, unmanageable policy.

During our initial meetings with the commercial managers, we brainstormed attributes such as region, volume, zip code, the role of the brand, cost of logistics, strategic value of the customer, competitiveness, etc. We managed to list nearly all critical components of a successful pricing strategy. However, when we tried to integrate these concepts into a coherent policy, it became overly complex. We realised it may be way too difficult to explain it and make it easy for our sales representatives to understand and execute it.

At that point, we took a step back to assess the most relevant aspects of our business and evaluate their execution feasibility. We decided to simplify and focus on the top two or three attributes. After all, taking that first step is often the most crucial. With a streamlined approach, we were prepared to add attributes and key factors incrementally to refine our price discrimination.

So, when embarking on the journey to redefine your pricing strategy, we learned that you need to start small, focus on what matters, and evolve your strategy as you progress. This approach will set you on the path towards pricing excellence.

Companies can either build their own pricing solutions or invest in best-in-class software, depending on their resources and vision. Automation and efficient workflows are essential in managing and updating multiple price lists.



## 2. SETTING: CHARTING THE COURSE

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Moving on to the second step, we needed to convert our strategy into tangible prices. The objective was to establish a price list that factored in the key attributes of our strategy. As you're probably aware, the market offers a plethora of pricing software, tools, and systems out there to help with this.

My suggestion, as with all aspects of pricing, is to create a roadmap that reflects your company's pricing maturity. Evaluate whether you need best-in-class software or if a more flexible, custom solution would suffice. **The decision to buy or build hinges on your organisation's vision, resources, and expertise.**

In our case, we opted for an in-house solution using available cloud technology. This enabled us to create a tool that could generate and manage multiple price lists while expanding seg-

mentation aligned with our strategy. For instance, the new strategy called for 13 additional price lists compared to our initial setup, making it impossible for any human being to set all the prices in time and form.

Our solution overcame time and capability constraints by automating the process. In addition, by automating the process, we aimed to establish a workflow to manage data and business criteria for price list creation, followed by a framework for pricing analysts to review proposals, make adjustments, and update prices in pursuit of company goals. This was all integrated into a dashboard for analysis and detection of potential inconsistencies.

So, when transitioning from strategy to pricing implementation, consider a tailored roadmap and weigh the pros and cons of buying or building a solution to ensure success.

## 3. EXECUTION: SAILING THE HIGH SEAS

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Armed with a strategy and robust price lists, our focus turned to execution. Sales representatives play a critical role in implementing the pricing policy in the market because they bring these prices to life. It is crucial to empower them. Never forget that they are the driving force behind price changes. A price in an ERP, excel, or another tool is not a price; it is only a wish until placed in the hands of the execution agents. It must be put into action to have any real impact.

Understanding the processes and updating information for the execution part is vital. Effective communicati-

on and providing access to accurate, up-to-date information are essential to ensure that price lists are readily accessible and utilised by the sales force. To bridge the gap between setting and execution, we implemented a framework that connected the two processes.

The final step in the setting review involved pricing analysts approving the previously reviewed proposal. They could then update the new prices in the company systems using an automated workflow. Additionally, analysts had the responsibility of monitoring price dispersion, updating it in the



commercial systems to maintain control during execution, and ultimately, generating a tangible impact. As pricing professionals, it's essential to remember that the effectiveness of our strategies and price lists relies on

seamless execution. Establishing a solid framework and workflow that connects setting and execution processes can make all the difference in ensuring a successful pricing implementation.

## 4. PROCESSES AND CONTROL: THE STEADY RUNNER

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Processes and control are integral components of any pricing initiative. As Paul Hunt and Jim Saunders emphasised in "World Class Pricing," pricing is fundamentally a process. When adapting your pricing policy, it's essential to establish or refine your processes and measure performance. Neglecting the importance of processes and control while making changes elsewhere can render your efforts futile.

Well-defined processes help maintain necessary structures, identify anomalies, control execution levels, analyse possible deviations, and be in control of your pricing power. Our experience required us to introduce new processes not only for pricing and sales teams but also for marketing and finance. This was due to the incorporation of competitive and value-based factors in addition to cost-based criteria in our policy.

Addressing essential aspects like communication about new products, price list changes, discount establishment, and internal interactions became necessary. It's vital to ensure that the new working method penetrates all organisational levels; pricing leaders and their teams must develop and integrate these processes.

While there's no one-size-fits-all approach, as each company must update or redefine various aspects of their workflows, we found that focusing on processes was a key factor. Initially, our attention was on devising the right strategy, enhancing execution, and communicating the policy. However, it wasn't until we implemented new processes that we confidently progressed on our pricing journey.



## FINAL THOUGHTS: THE TREASURE MAP TO PRICING MASTERY

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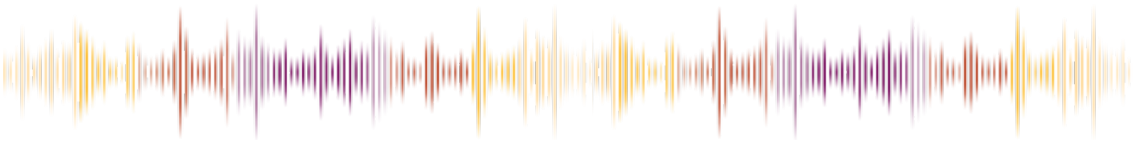
Looking back on our expedition, I would like to emphasise the most crucial lessons we have learned:

- 1 Invest time in defining your strategy and selecting the main attributes for price discrimination. Don't let your ideas gather dust - transform them into reality. Take action and start small to avoid getting stuck.
- 2 Ensure your setting process is constantly in alignment with your pricing policy and transform your strategy into actionable price lists.
- 3 Integrate your approach at all levels of your company, communicate the value strategy, and make price lists available to those who need them.
- 4 Never underestimate the power of processes and control. Focus on defining new processes or updating existing ones, as they are the backbone of your pricing strategy and will grant you control over your pricing power.

By embracing these lessons, you can successfully navigate your own pricing journey. As you forge ahead, remember that your pricing journey will be filled with twists and turns, challenges and triumphs. Keep your eyes on the prize, and never forget that the ultimate goal is to maximise profit and drive your company towards a more sustainable future.

In the ever-changing business landscape, our tale of redefining pricing strategy stands as a testament to the power of innovation, determination, and adaptability. As you navigate the waters of pricing transformation, may you draw upon the lessons we have learned and chart your own course to success.





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