



MARKETING *Club* 143rd

143rd Marketing Club
102nd Business Club
1st Switzerland Club



Strategic Global Pricing Practical Approach



LIVE WEBINAR

JOIN FREE

| Date | Time | Time | Time | Place |
|--------------------|-------|-------------|------|----------------|
| 25-6-24 Tuesday | 10 pm | KSA & Egypt | | Online Zoom |



Instructor
Dr. Mahmoud Elghadban
Head of Global Business Excellence

CLUB FOUNDER, HOST
DR. MAHMOUD BANGAT
LEGENDARY DIRECTOR

How to Build a Global Pricing Strategy

From diagnostic process to Value-Based Pricing Implementation

- *Marketing Club*
- Moderator: **Mahmoud Bahgat**
- Speaker :**Mahmoud Elghadban**
- 25.06.2024

Mahmoud Elghadban

- Veterinarian, Suez canal university graduated 2003.
- Guest lecturer at [ZHAW Zurich University of Applied Sciences](#) for MBA, international business
- 20+ experiences in sales and marketing (pharmaceutical and medical) companies local and multinational.
- 2003 started as Medical Rep. in Pharonia Co. and went through different roles, positions in 3 continents, 7 cities!
- I gained mix experiences of B2B and B2C business and currently I work as Head of Business Excellence at SIGVARIS GROUP based in Switzerland HQ in Winterthur, Zurich.
- In my current role I'm owning different workstreams
 - Global sales excellence (Sales process, Pricing and CRM)
 - Global marketing excellence(Global Congress management, Marketing Campaigns and Medical Marketing)
 - Global customer care excellence (24/7 service center of excellence)
- Learning languages, exploring cultures and sports my daily routine

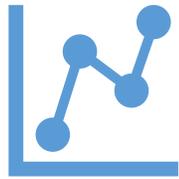


Pricing Excellence is supposed to help an organization to increase its EBIT by 1-2%-pts. and systematize and harmonize its pricing globally

- **KEY QUESTIONS**

- What is **the company's ' level of pricing maturity** in their key markets? What is the potential to harmonize the price architecture? Which **best practices** can be applied globally?
- What key **findings** can be drawn from a quantitative price analysis? What **quick wins** can be derived? What's the data quality and what do we learn for future price governance?
- What are the **primary price** levers for the company that need to be optimized? What **potential** do they have in terms of EBIT contribution and systematization?
- What are the **next steps** on the **price excellence journey** for the company? What does this imply on a global level, what for individual countries/regions?

The Diagnostic Process



Market Analysis

Identifying market size, growth rate, and trends

Analyzing competitors and their pricing strategies



Internal Analysis

Evaluating cost structures and margins

Understanding company capabilities and strategic goals



Data Collection

Gathering quantitative data

Collecting qualitative data

Market Analysis

Competitive Landscape

- Benchmarking against competitors
- Understanding their pricing models and market positions

Customer Segmentation

- Segmenting customers based on demographics, behaviors, and needs
- Assessing price sensitivity for each segment

Economic Factors

- Considering macroeconomic factors like inflation, exchange rates, and economic cycles
- Impact of these factors on pricing and purchasing power

Internal Analysis

Cost Structure

- Detailed breakdown of fixed and variable costs
- Understanding the impact of scale on cost efficiency

Value Proposition

- Clearly defining the unique value your product/service offers
- Aligning product features with customer needs and preferences

Operational Capabilities

- Assessing production, distribution, and marketing capabilities
- Ensuring readiness to support the chosen pricing strategy

Data Collection and Analysis



Quantitative Data

Sales data: volumes, revenues, and trends

Pricing data: historical prices, discount patterns

Cost data: production, marketing, distribution costs



Qualitative Data

Customer feedback: surveys, reviews, focus groups

Market research: industry reports, analyst insights



Tools and Techniques

Using statistical tools for data analysis

Employing data visualization tools to identify trends and patterns

SWOT Analysis



Strengths

- Unique selling propositions
- Strong brand recognition
- Superior product quality or features



Weaknesses

- Higher costs compared to competitors
- Limited market presence
- Gaps in capabilities or resources



Opportunities

- Emerging markets
- Technological advancements
- Changing customer preferences



Threats

- New entrants
- Regulatory changes
- Economic downturns

Approaches to Pricing Strategy

- **Cost-Plus Pricing**
 - Adding a standard markup to the cost of the product
 - Simple to calculate and ensures covering costs
- **Competitor-Based Pricing**
 - Setting prices based on competitors' pricing strategies
 - Useful in highly competitive markets
- **Dynamic Pricing**
 - Adjusting prices in real-time based on demand and market conditions
 - Common in industries like hospitality and e-commerce
- **Value-Based Pricing**
 - Setting prices based on perceived value to the customer
 - Focuses on the benefits and value delivered rather than costs or competition



Value-Based Pricing

- **Definition**
 - Pricing based on the perceived value to the customer
 - Aligning price with the benefits and value provided
- **Advantages**
 - Potential for higher profit margins
 - Increased customer satisfaction and loyalty
 - Differentiation from competitors
- **Challenges**
 - Requires deep understanding of customer perceptions
 - Difficult to quantify perceived value
 - Needs continuous monitoring and adjustment

Value-Based Pricing Implementation Process



Customer Insights

Conducting surveys and focus groups to gather insights

Understanding customer needs, preferences, and willingness to pay



Value Proposition Development

Defining the key benefits and value your product offers

Ensuring the value proposition is clear and compelling



Pricing Structure Design

Designing pricing models that reflect value

Ensuring pricing flexibility to cater to different segments



Testing and Adjustment

Piloting the pricing models with a small group of customers

Collecting feedback and performance data

Making iterative adjustments based on insights

Customer Insights

Methods

- Surveys: quantitative data on preferences and price sensitivity
- Interviews: in-depth understanding of customer needs and value perceptions
- Focus Groups: qualitative insights on customer experiences and expectations

Analysis

- Identifying key value drivers for different customer segments
- Understanding how different features and benefits are valued

Application

- Using insights to tailor pricing strategies to different segments
- Ensuring the pricing reflects the perceived value

Value Proposition Development

Key Components

- Benefits: What benefits does your product/service offer?
- Differentiation: How is your product/service different from competitors?
- Price: Aligning the price with the perceived value and benefits

Communication

- Clearly communicating the value proposition to customers
- Using marketing and sales channels to reinforce the value message

Examples

- Case studies of companies with successful value propositions
- Real-world examples demonstrating the impact of a strong value proposition

Pricing Structure Design

Models

- Tiered Pricing: Offering different pricing levels based on features and benefits
- Subscription Pricing: Charging a recurring fee for ongoing access to products/services
- Pay-Per-Use: Charging customers based on their usage levels

Flexibility

- Allowing for customization and flexibility in pricing
- Adapting pricing structures to different customer segments and needs

Transparency

- Ensuring customers understand the pricing structure
- Clearly communicating the benefits and value at each pricing level

Testing and Adjustment

Pilot Programs

- Running pilot programs to test new pricing strategies
- Selecting a small group of customers for initial testing

Feedback Collection

- Gathering customer feedback on the pricing models
- Analyzing performance data to assess the impact

Iterative Adjustments

- Making iterative adjustments based on feedback and data
- Continuously refining the pricing strategy for optimal results

Challenges and Solutions

Common Challenges

- Resistance to change from stakeholders
- Difficulties in collecting and analyzing customer data
- Adapting to changing market conditions

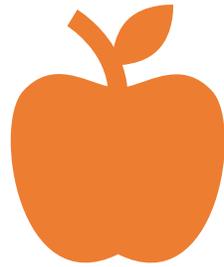
Solutions

- Change management strategies to gain stakeholder buy-in
- Investing in advanced analytics and data collection tools
- Implementing continuous monitoring and adjustment processes

Case Study:
Apple's
Value-Based
Pricing
Strategy



Case study : Introduction



Objective

Understand how Apple implemented a value-based pricing strategy

Learn the impact of this strategy on Apple's market positioning and profitability



Overview

Background of Apple and the iPhone
Diagnostic process and market analysis
Implementation of value-based pricing
Results and lessons learned

Background of Apple and the iPhone



Company Overview

Founded in 1976 by Steve Jobs, Steve Wozniak, and Ronald Wayne

Renowned for innovation in consumer electronics, software, and services



Product Overview

The iPhone, launched in 2007, revolutionized the smartphone industry

Known for its high-quality design, advanced technology, and user experience

Market Analysis and Diagnostic Process

- **Market Analysis**
 - Identifying a growing market for smartphones
 - Analyzing competitors like Samsung, Google, and other smartphone manufacturers
- **Customer Segmentation**
 - Segmenting customers based on demographics, usage patterns, and preferences
 - Targeting premium segment customers who value innovation, design, and brand prestige
- **SWOT Analysis**
 - Strengths: Strong brand, loyal customer base, high-quality products
 - Weaknesses: Higher prices compared to competitors
 - Opportunities: Expanding global market, increasing demand for high-end smartphones
 - Threats: Intense competition, rapid technological changes



Apple's Value Proposition



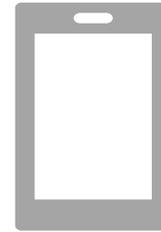
Key Components

Innovation: Cutting-edge technology and features

Design: Sleek, premium design and user-friendly interface

Ecosystem: Seamless integration with other Apple products and services

Brand: Strong brand identity and customer loyalty



Communication

Marketing campaigns emphasizing the unique value and innovation of the iPhone

Highlighting features like advanced camera systems, powerful processors, and exclusive services

Value-Based Pricing Strategy

Definition

- Pricing the iPhone based on the perceived value to the customer rather than solely on production costs or competitor prices

Approach

- Conducting extensive market research to understand customer perceptions of value
- Aligning pricing with the unique benefits and high-quality experience offered by the iPhone

Implementation

- Setting premium prices for new iPhone models to reflect advanced features and brand prestige
- Offering different models to cater to various customer segments while maintaining value-based pricing principles

Pricing Structure and Models

Tiered Pricing

- Introducing different tiers with varying features and price points

Subscription Services

- Offering additional services like AppleCare+, iCloud storage, and Apple Music to enhance value

Seasonal and Regional Adjustments

- Adjusting prices based on regional market conditions and seasonal demand

Testing and Adjustment

Pilot Launches

- Testing new pricing models with pilot launches in select markets
- Collecting customer feedback and sales data to evaluate performance

Continuous Monitoring

- Analyzing market trends, customer preferences, and competitive actions
- Making iterative adjustments to pricing strategies based on insights and performance metrics

Results and Impact



Market Positioning

Establishing the iPhone as a premium product with high perceived value

Strengthening Apple's brand image and customer loyalty



Financial Performance

Achieving strong revenue growth and high profit margins
Consistently leading the market in terms of profitability despite higher prices



Customer Satisfaction

High levels of customer satisfaction and repeat purchases

Positive customer feedback on value, quality, and innovation

Lessons Learned



Understanding Customer Value

Importance of deep customer insights to determine perceived value

Aligning product features and benefits with customer expectations



Continuous Innovation

Maintaining a strong focus on innovation to justify premium pricing

Continuously enhancing the value proposition to stay ahead of competitors



Effective Communication

Clear and consistent communication of the unique value offered

Leveraging marketing and branding to reinforce perceived value

Take home message



The significance of a thorough diagnostic process.



Focus on understanding customer perceptions, communicating customer value to aligning pricing with the value provided and iterative processes.



The Value-based pricing strategy can lead to higher profitability and stronger market positioning so consider to apply it in your organization.



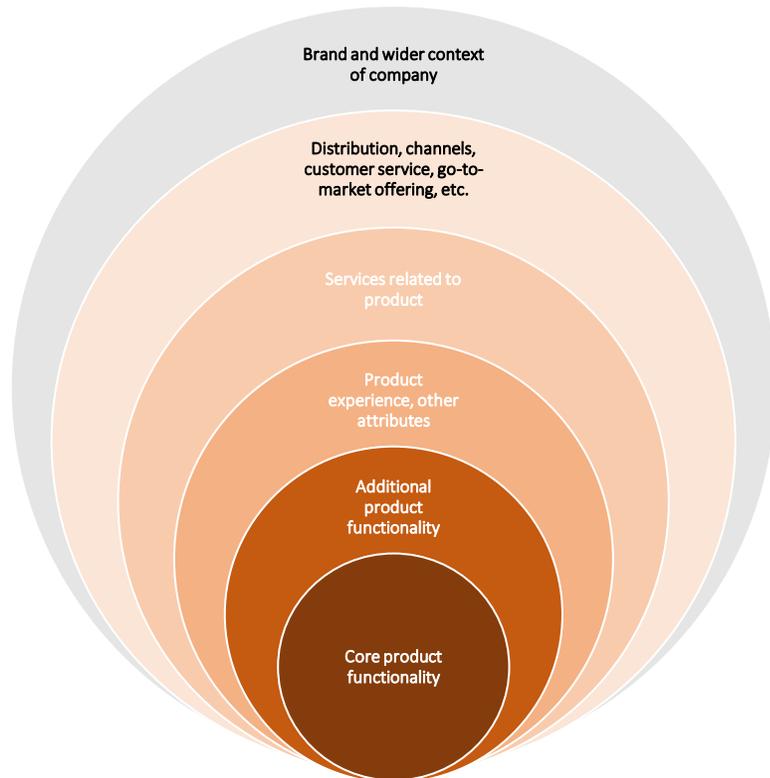
Continuous monitoring and adjustment for sustained success



Continuous innovation and effective communication are crucial for sustaining value-based pricing

Pricing strategy and principles

- Define all dimensions that determine customer value



Define the key value dimensions from a customer's perspective for...

- Identification of offering fit / gaps for specific customer segments
- Overall competitive positioning
- Value-based list price setting
- Argumentation of salespeople towards dealer
- End customer / decision maker (doctor) communication (through dealer, packaging, own website, marketing material, etc.)

Pricing strategy and principles

- An overarching pricing strategy should set the frame for country pricing and provide guidance around key pricing principles



Which **price setting methodologies** (competitive, value-based) should be used and how?



Which elements in the **price waterfall** do we employ, how, and what for (RRP, LP, NP, NNP, NNNP)¹?



How do we segment **channel partners and end customers** and differentiate pricing accordingly?



How do we **position against competition** in a like-for-like comparison?



How do we **align prices across countries** in a meaningful way?



Which factors **drive value**, how do we measure **customer's willingness** to pay and how to translate into **list prices**?



What are key principles about the utilization of **discounts, rebates and budgets**?

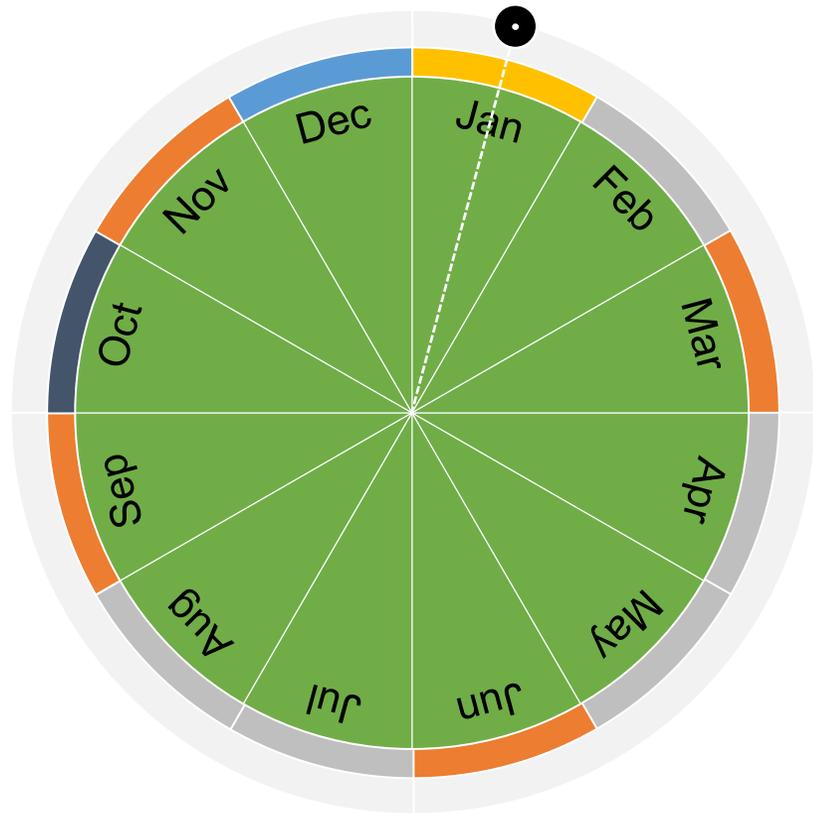


How do we effectively **steer and monitor pricing** and terms in the countries?

1) RRP = Recommended retail price, LP = list price, NP = net price, NNP = net net price, NNNP = net net net price

Pricing wheel

- Definition of global and local pricing activities



1

Annual price revision

- Analysis of cost and market development
- Strategic adjustment of reference prices
- Update of local price lists and coordination with markets

2

Annual customer evaluation and discount revision

- Analysis of customer performance
- Update of customer contracts
- Customer communication through sales

3

Quarterly price check

- Analysis of cost development and profitability
- Identification of need for corrections
- Correction of pricing errors

4

Implementation of price and discount changes

- Implement new prices and discounts in the relevant IT systems

Q/A

Thank you

