

# NEW PRODUCT PRICING

## STRATEGIES AND TOOLS TO SET THE RIGHT PRICE FOR NEWLY INTRODUCED GOODS

### SETTING PRICES THAT MAXIMIZE PROFITABILITY FOR NEW LAUNCHES

New products are the lifeblood of a company. What often happens is that these new introductions are made at price levels that do not take into account the value created for customers. What comes out of this is an increased price pressure and thinner margins, year after year. Innovation is essential in any industry, even if only to keep market share constant, but sometimes the value created can be destroyed by applying competitive price levels even to products that are superior. The quest for volume in itself, requires the company a lot of effort, nevertheless a set of simple tools allows to calculate precisely which price levels are convenient for the company, while staying in line with customer expectations. Counter-intuitively these prices are usually higher than expected and they require the production of a smaller output; even minimal percentage improvements have a huge impact on operating profits. Only a limited number of companies manages pricing strategies, tactics and processes the right way. During this course, we will learn about the strategies implemented by leading companies in many industries, with particular attention to B2B industries, where pricing is used as a strategic weapon, being this the most important lever to improve short-term profitability and enjoy durable, above-average, profitability. This course is an interactive mix of lectures, reviews and applications of the best B2B and B2C pricing strategies, accompanied by intense participants' interaction.

Many companies set prices by looking at competitors, even when introducing innovative products and services.

By applying the right tools, it is possible to identify the value that customers get from our product. Then, these tools allow us to set prices that maximize operating profits.

### FOR WHOM

- Product managers, marketing managers
- Pricing managers
- Business development managers
- Heads of business units
- Key account managers, strategic account managers
- Vice presidents, senior vice presidents
- General Managers
- Controllers, accountants
- Sales managers
- Technical managers, research and development managers

## CONTENTS



### PRICING METHODS USED BY LEADING COMPANIES

The tools adopted by the most successful companies



### PRODUCT-MARKET FIT

How to choose the best segment for new introductions



### CUSTOMER VALUE BASED PRICING

Using the price-value map and maximizing the value perceived by customers through pricing



### PRODUCT LIFE-CYCLE

Identifying the stage of maturity of our offer, in order to introduce new products in the most effective way



### EFFECTIVE COMMUNICATION OF PRICE

Transforming the sales force and account managers into value sellers, not cost sellers



### MONITORING PRICES

Periodical control and analysis of prices and introduction of effective indicators for proactive pricing



### CANNIBALIZATION

Extracting value and getting the highest return from R&D investments with the new products, without selling to the detriment of the existing portfolio

Starts at 9:00 am – Ends at 5:00 pm

Maximum learning, thanks to the limited number of participants

# OVERVIEW – DAY 1

# PRICING AND VALUE



## INTRODUCTION TO PRICING AND CUSTOMER VALUE

### 1 Presentation and group discussion - Overview of pricing strategies

Typical methods and drawbacks: cost-plus pricing, prices in line with competitors, value-based pricing



Basis of customer value and best-practices in B2B. Who are the pricing champions and what can they teach us

### 2 Presentation and group discussion - Perceived price – perceived benefit

Pricing as a communication tool



Communicating value through price: from luxury products to commodities



Three categories of benefits: functional, process, relationship – group discussion and identification

COFFEE BREAK

### 3 Presentation and group discussion - Value and the customer value map – the tool to establish the relationship between price and benefit

Definition of value, how to establish it for new and innovative products



The value in our company, industry, segment of customers



Reducing competitive pressure, minimizing the risk of price wars when introducing new products

LUNCH BREAK (1:00 PM – 2:00 PM)



## QUANTIFICATION OF THE BENEFITS AND EXPLOITMENT OF THE LIFE CYCLE

### 4 Presentation and methods - The “customer value map”

Creating the map



Where are we standing and how to move



Price and customer segment elasticity

### 5 Presentation and group discussion - Quantification of value and benefits perceived for a new product

What is Quantification? Group exercise



Setting prices of new products in line with customer's expectations



Professional tools for quantifying value

COFFEE BREAK

### 6 Business case and group exercise - Pricing in the product life-cycle

The phases of the product life-cycle



The phases of the life-cycle for a line of products



Which tools are used by industry leaders in each phase and how to identify a phase

END OF WORKSHOP (5:00 PM)

# OVERVIEW – DAY 2

# IMPLEMENTATION AND MONITORING



## VALUE AND QUANTIFICATION

### 1 Presentation - Pricing applied

How Henkel tripled the price of new generations of products, while demonstrating savings for customers



Innovative products VS incremental improvement



Pricing in a mature industry

### 2 Presentation and group discussion - Launching a new product: risks and opportunities

Group discussion



Determining the variables to control

## COFFEE BREAK

### 3 Business case and group discussion - Cannibalization rate

What is Cannibalization and how to calculate it



Synchronizing actions on old and new products to maximize profitability



Correct timing of introduction for new products and product lines



Choosing not to sell under given circumstances

### 4 Presentation - What is price elasticity?

Definition and its importance in strategic pricing



Tools to measure the price elasticity in B2B industries



Case study on price elasticity

## LUNCH BREAK (1:00 PM – 2:00 PM)



## MONITORING AND IMPLEMENTATION

### 5 Presentation and group discussion - Strategic pricing – sales force and the volume/profit trade-off

The new role of sales managers in the pricing process



Analysis and fine-tuning of the incentive system for the sales force



Identifying the problems associated to the implementation

### 6 Group discussion - Price monitoring and control

Tools for improving short-term profitability via controlling



The “profit-pools” and other measurements of pricing efficiency



Analyzing and improving discount policies



Tools for short-term price optimization

## COFFEE BREAK

### 7 Group discussion - Summary and implementation of the concepts learned so far

Case study on excellence in new product pricing - B2B and B2C



Discussion on price-related matters



Group work to develop a checklist before introducing new products



What are the most significant factors learned in this workshop?



How to implement these concepts?

## END OF WORKSHOP (5:00 PM)



Academic excellence and managerial experience, for years by the side of Global 50 companies from all over the world

## WHY DO WE SUGGEST ATTENDING THIS WORKSHOP?

Pricing is the most important lever that managers have to generate profit, but it is sometimes interpreted as set by external forces – like competition and production costs. Even though those forces should be taken into account during the pricing decision-making, it is also important to look at the Value our offer generates for customers. Leading companies in any industry, even in presence of commoditized products (chemical industry, raw materials, etc.), enjoy above-average profits thanks to the right implementation of strategies built upon value-based pricing; what these

leaders do, is to set prices based on the value that customers obtain from their product or service. These strategies are particularly important during periods of economic uncertainty, when customers – especially in B2B realities – increase their demand for discounts, putting the company's profitability under a lot of pressure. What emerges from our experience is not only that it is possible to counteract these demands, but also that this can be done in a cost-effective way; this stems from the ability to calculate the value of the company's offering and leverage its uniqueness.

## HINTERHUBER & PARTNERS

HINTERHUBER & PARTNERS ([www.hinterhuber.com](http://www.hinterhuber.com)) is a premier consulting company specialized in Strategy, Pricing and Leadership. It stands for the combination of academic excellence and real world business experience to deliver a lasting impact in client results and capabilities. Kennedy Information, a Bloomberg business, ranks Hinterhuber & Partners among the top consulting companies globally in pricing strategy consulting. HINTERHUBER & PARTNERS has successfully completed projects concerning

strategy, pricing and leadership for numerous companies in Germany, Italy, Switzerland, Austria, United States of America, China, and it regularly takes part in international conferences. For pricing, it participates to conferences like: Management Circle AG (Germany), Business Circle AG (Austria), Management Center Innsbruck (Austria), Strategic Account Management Association (USA), Marcus Evans (USA) and Professional Pricing Society (USA).



### ABOUT THE WORKSHOP FACILITATORS:

#### DR. EVANDRO POLLONO, MANAGING DIRECTOR AT HINTERHUBER & PARTNERS

Dr. Evandro Pollono has been visiting lecturer at Alcalá University (Spain), he is co-author of the article "Value-based pricing: The driver to increased short-term profits", published by Finance and Management; he is also a contributor of the book "Pricing and the Sales Force". Evandro Pollono deals

with companies operating in diverse industries, supports them in their strategic development and foster their growth and differentiation through seminars in the field of Pricing. He is also involved in startups, with projects encompassing different industries, with the common denominator of digital technologies.



#### ROLANDS PUPKEVIČS, SR. CONSULTANT FOR DATA & ANALYTICS

Rolands Pupkevičs is Senior Consultant of HINTERHUBER & PARTNERS specialized in data and analytics. He holds a Bachelor degree in Economics from Stockholm School of Economics in Riga and CFA designation from CFA Institute. He has more than 15 years of experience in investments, finance and data analytics. Recently, he has

worked on multiple consulting projects on pricing for large and medium-sized companies, including Bosch, Exxelia, and Veritas Petroleum Services (VPS). His main responsibility is to develop ad-hoc analytics and derive financial insights for the client.

## REGISTRATION

To register please send an e-mail with the date desired, the name and number of participants to [evandro.pollono@hinterhuber.com](mailto:evandro.pollono@hinterhuber.com). You will receive a confirmation and a pro-forma invoice, depending on spots availability. The participation fee for the two-day workshop is all-inclusive, including material e soft-drinks, for 1 450 € per participant. From the second participant of the same company (i.e. same billing address), a 15% discount is applied. Up to two weeks before, it is possible to cancel from the seminar free of charge. After this the full

amount is due. The cancellation request must be sent in written form via e-mail. In case of cancellation from Hinterhuber & Partners, the full amount will be refunded. We are committed to make the seminar as interactive as possible, therefore we try to limit the number of participants to 12 at any event. If interested in dates different from the ones proposed, please contact us directly to find out future dates or plan an ad-hoc seminar. All prices are to be intended VAT excluded.