Preface

Pricing is one of the most challenging strategic areas for managers to make appropriate decisions towards driving profitability and customer value. The multi-product and multi-brand companies often get trapped in the labyrinth of pricing as the strategic pricing cannot be derived with simplified and cost-based formulas while levying prices at the customer end. Most managers look for alternative approaches based on the concept of contribution margin and the need to take into consideration only those costs that are related directly to a specific pricing decision.

Pricing of products and services is a critical task to maximize the profit of business organizations. Price is the one element of the marketing mix that generates revenue while the rest are costs. Most firms intend to increase prices to boost the short-term profits. Prices that undercut competitors attract new customers and allow for greater utilization of facilities. However, low prices squeeze margins and often reduce net profits. Thus, an ideal pricing strategy should be the one that balances the need for sales growth against market demand for profits. The selection of pricing objectives is determined by the decisions of business positioning. Many organizations need profits to satisfy the stakeholders and allocate resources for product development. The other objectives of the pricing strategy for a growing company may be maximizing the revenue, maximizing the market share, and achieving quality leadership.

Several factors influence management's decisions about how price will be used in marketing strategy. Hence, developing a pricing strategy is considered a complex exercise and needs to be pondered over endlessly as new tools and techniques become available. It is necessary to design the managerial capability of setting the right price at the right time to gain competitive advantage in a dynamic marketplace. Competition, costs, and price sensitivity within a market are the key factors that affect the price setting process of firms for their products and services. An effective pricing process is always based on right market analytics, managerial skills, and customer values. Most firms differ substantially in their approach to price setting. The common practices followed by them include cost-based pricing, competition-based pricing, or customer value-based pricing. Accordingly, most firms back up their strategies by investing resources for building pricing capabilities by coordinating three areas that include human capital, systems capital, and social capital.

Amidst global competition, the pricing strategy and marketing tactics of firms reveal the pattern of growth in business and profit. A customized product is a differentiated product because the end result differs from the standard version. Many firms serving business markets believe that practicing value-based pricing means finding out what the value of their offerings is relative to the alternatives for their customers and then charging as high a price as they can. Managers often focus on cost and ignore benefits to customers while pricing products and services. That is a big mistake, because not all components are
valued equally. Traditionally, decision making towards determining the price of products and services is complicated and has rarely been the focus of systematic analysis. That may account for the astounding number of product failures in the market due to irrational pricing and jeopardize the product in a competitive marketplace.

Pricing is a core function in business management, which cannot be narrowed to just a strategic tool for managers in a company. Innovative ideas have built marketing strategies since in the era of globalization, but with manifold competition among companies, it needs to be reengineered. System thinking and process dynamics concepts have emerged as a new stream of applications in mending the conventional strategy development approach in marketing. This is a holistic approach of monitoring, evaluation, and application of appropriate pricing strategies, and understanding the competition and its future implication on the business of a company. The emphasis of discussion is on the process of bringing systems into being, beginning with the identification of a need and extending through requirement determination, functional analysis and allocation, value appropriation, evaluation and validation, operation and support, phase-out, and disposal. By employing the iterative process of analysis, evaluation, feedback, and modification, most systems in existence can be improved in their affordability, effectiveness, and stakeholder satisfaction.

The book has a novel feature of building pricing models in reference to the managerial experience of successful companies and strategic thinking evidenced in extensive survey of literature. The best practices followed by multinational companies have been illustrated throughout the book to support the author’s argument and suggested managerial paradigms. All concepts are presented in a simple and easily accessible graphic format. The book provides an in-depth analysis of a broad spectrum of important topics on pricing strategies and tactics that are not covered in standard textbooks for the students. Throughout the book, the focus is on providing implementable concepts and metrics for managers that help in improving skills on pricing in a competitive marketplace. The arguments on pricing strategy in the book are woven around technology, product portfolio management, attributes mapping, marketing functions, and managing quality services perspectives of a company in a competitive marketplace.

This book reviews categorically the previous contributions and analyzes the best practices of multinational companies on various issues of strategic and tactical pricing. The book discusses new concepts related to efficiency and the effectiveness of pricing strategies required for the firms to sustain in the global marketplace. The discussions in the book bring multiple perspectives on making pricing decisions and present analytical models that managers should understand in determining price of products and services. This book significantly contributes to the existing literature and serves as a learning post and a think tank for students, researchers, and business managers.

Although there are many books on pricing, they do not address the convergence of customer values and market effects on pricing decisions. Many available books do not draw applications of process dynamics of pricing decisions towards gaining long-term (strategic) competitive advantage. Thus, in my view, this book would be a significant contribution to the literature on pricing. Although there are titles available on pricing separately in the market, they largely address conventional concepts and do not present the convergence of conventional product management strategies with the scientific application of pricing models. This book is based on the latest research studies, market analysis, short cases, best practices, graphical illustrations of new concepts, strategic business moves, and consumer policies of firms implemented in the emerging markets to gain competitive advantage and market leadership. Such
pedagogical treatment to the subject distinguishes this book from other books available on the market. The principal audience of this book is corporate managers, including CEOs, and students of undergraduate and graduate management studies, research scholars, and academics in different business-related disciplines. This book has been developed to serve as a principal text to the undergraduate and graduate students who are pursuing courses on pricing strategy and profit management.

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