

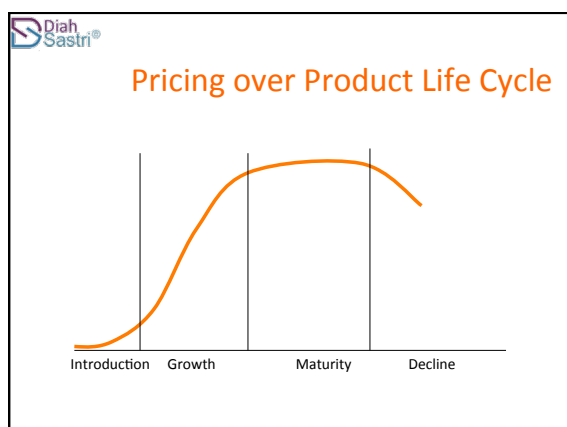
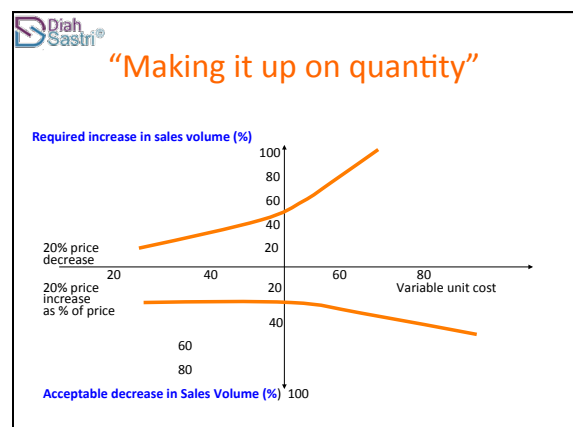
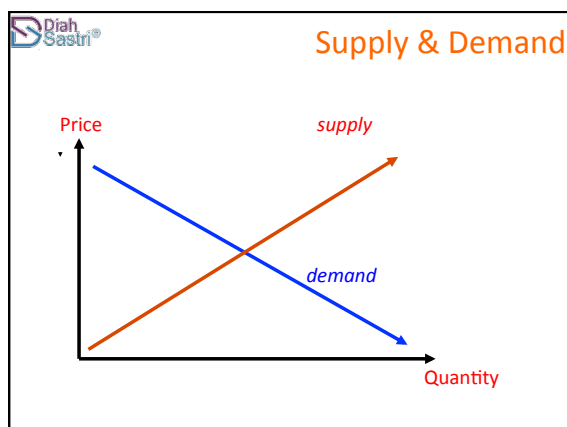


Pricing Strategy:
A focus on profit,
not sales

Diah Sastri
www.diahsastri.com



- 1 An evolved role for Pricing strategy
- 2 Against the backdrop of an ever more challenging landscape
- 3 Leading success in Pricing Strategy requires a strategic step-change




Pricing strategy plays a major role in driving growth, but needs to evolve into a CORE STRATEGIC ASSET

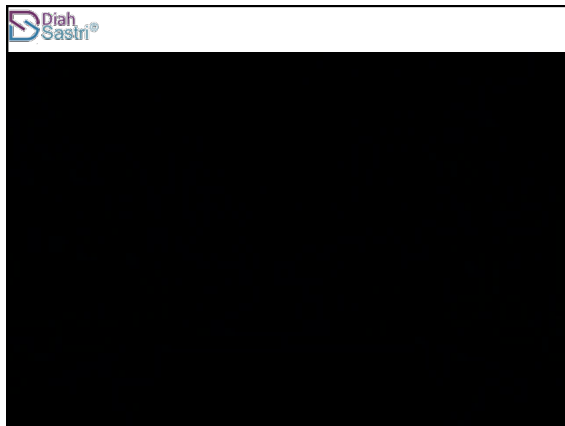
A fundamental driver of long-term growth, directly connecting commercial teams to the consumer...

PRICING STRATEGY JOURNEY

INTERNAL CAPABILITIES	PORTFOLIO STRATEGY	PRICE ARCHITECTURE	CUSTOMER TERMS	CONSUMER BENEFIT
Develop fundamental skills, capabilities and structures	Direct average prices across the portfolio to growth sales & margin	Optimal price/pack architecture to drive penetration	Work with retail landscape to develop terms across channels	Drive brand equity & consumer-value through innovative pricing

But – in many businesses, Pricing is under-leveraged, too tactical and designed from the "bottom-up"...
...given current market dynamics, this has to change - Pricing has to evolve into a strategic growth lever

- Drive strategy through a consumer-lens to develop the right price, & range across the portfolio
- Develop & embed best practices to transform Price Pack into a strategic capability across the business
- Enhance innovation with increased commercial insight, rigour & focus at key stages to sustain success
- Evolve price positioning across channels to drive margin & differentiate based on consumer need



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Industry-wide issues are having a significant effect on growth & profitability...

Consumer Promo-Promiscuity
Consumers buying more on promo, amplifying margin pressures & creating a culture of discounting

Rise of the Discounter
Emergence of discounters as credible alternatives to traditional retailers, enticing consumers with compelling value-based propositions at comparable quality

Retailer Price Wars
Destructive price wars undercut competition & combat discounters, as suppliers see margin & brand equity erosion

Margin Dilution
Value created through sales diluted through costly customer terms & promo cycles

The Future...?
More of the same, or can companies turn it around with evolved, integrated Pricing thinking?

Lack of Sustained Innovation Success
Significant investments made in Innovation & NPD, but most fail within the 12 month mark

...with companies beginning to feel the pressure...

Revenue & margin growth in decline, whilst spend is increasingly difficult to control

Innovation process lacks commercial rigour, is too reactive, and rarely delivers after the first 12 months...

Annual trade investments are increasing ahead of margin...

P&L is increasingly geared through significant promo investment...

Customers feel we lack credible commercial strategies, affecting relationships...

Price & Pack strategy still isn't considered as an internal strategic capability...

Our channel strategy & price positioning lacks clarity & clear governance...

...suffering from a visible impact on performance

Highly-geared, unsustainable P&L

£ Revenue

% Promo

8 years 1 year ago 2 years ago Today

Business Impacts

- Baselines decline as a result of chronic price wars
- Shoppers become increasingly promo-promiscuous, driving promo downward-spiral
- Significant & continuous investment in Promo required to sustain revenues, at detriment of margin
- Urgent need to reverse "promo junky" consumers, without any sustainable mechanism to do so

76% of new company launches fail in the first year

Company Life Cycle

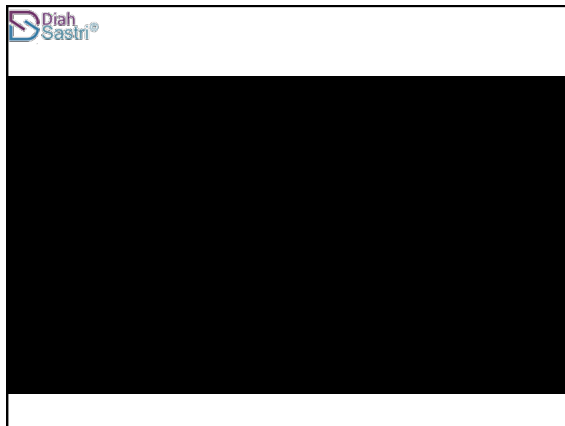
0-6 Months 12 Months 24 Months 36 Months

Business Impacts

- Failure to capitalise on growth opportunities diverts focus & resources & detracts from successful innovation
- Significant costs emerge from write-offs and excess stock sold below market value to discounters
- Overly intensive resource, energy & capital spent in developing unsuccessful companies
- Increased trading & reputational costs as customer & consumer confidence falters

Differences in pricing strategies

- In a "old fashioned industry"
 - Operators fight with price
 - Customers become more price sensitive
- In a "smart industry"
 - Operators fight with...
 - More complex pricing
 - More varied pricing plans
 - Greater subtlety of pricing options
 - Greater use of techniques from other fields



Diah Sastri®

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Diah Sastri® Companies need to shift focus to lead success in Pricing Strategy

- 1 Develop & embed best practices to transform Pricing into a **strategic capability** across the business
- 2 Drive strategy through a consumer-lens to develop **the right price, pack & range across the portfolio**
- 3 Evolve **price positioning across channels** to drive margin & differentiate based on consumer need
- 4 Enhance **innovation** with increased commercial analysis, rigour & focus at **key stages** to sustain the company's success

Diah Sastri® Develop & embed best practices to transform Pricing into a strategic capability across the business

Pricing as a Strategic Commercial Capability

- Data**: Simplify & rationalise data streams to leverage existing resources & unlock new value
- Analytics**: Develop simple and effective analytic models & tools to improve insight depth, range & quality
- Outside In**: Consider commercial strategy from the consumer, customer and wider value chain
- Collaboration**: Integrate & align functions to transform ways of working across & within teams
- Strategic Culture**: Promote a strategic, innovative culture to develop robust & sustainable commercial strategy

Pricing Models

- Cost-based Pricing
- Value-based Pricing
- Flat Rate Pricing
- Ala-Carte Pricing
- Peak Load / Congestion Pricing
- Dynamic Pricing

Diah Sastri® Drive strategy through a consumer-lens to develop the right price, pack & range across the portfolio

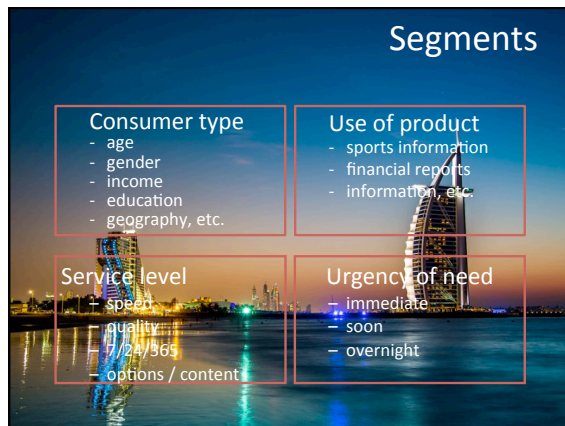
Benefits

- Strategy framed by outside-in consumer trends, rather than bottom-up business mandates
- Balanced rational & emotional consumer insights
- Informs credible & compelling category stories for customers
- Aligns diverse business functions around a single, mutually beneficial goal
- Refocuses category agendas back to quality, value and equity growth
- Identifies unique white-spaces and sources of future growth based on genuine need

• Develop an "outside-in" approach, putting the consumer at the core of Pricing

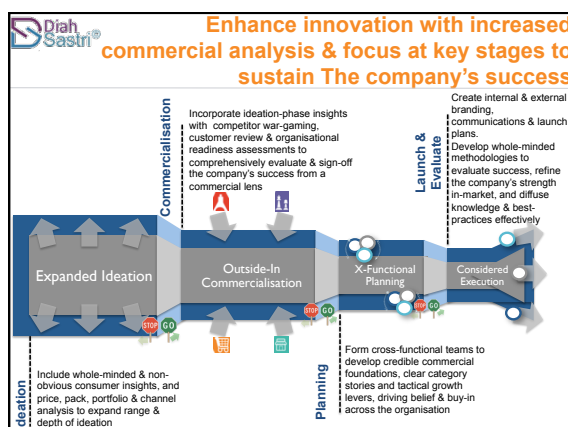
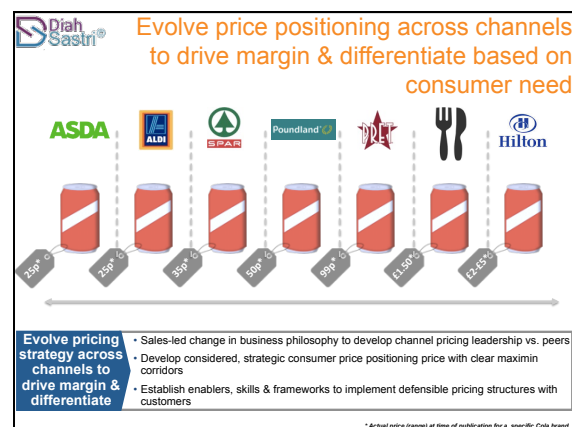
• Drive strategy with **authentic and whole-minded** consumer insights

• Connect organisation, customers & competitors through a **consumer-lens**



Pricing Plan

- Determine **target market(s)**.
- What do those consumers want?
- What can you give them that **competitors** cannot? (or haven't thought of yet)
- What are their **financial impediments**?
- How can you **structure your pricing** to solve their problems?
- How **profitable** will that be?




Next Week's assignment

Chapter 4 DISTRIBUTION STRATEGY

Revision on the Pricing Strategy by adjusting the incomplete items.

- 4.1 Target market
- 4.2 List Hotel's OTA and non OTA (if possible productivity)
- 4.3 OTA and non OTA 2016
- 4.5 Conclusions

 Please send assignment to: sastrri.stpbali@gmail.com
Subject: TugasPHO(DISTRIBUTION STRATEGY)_ADHXsmtY_Nama Kelompok

