



How to Improve Your ORGANISATION'S PRICING CAPABILITY

*A Leadership Guide To Best-In-Class Pricing Practices
In Less Than 90 days*



taylor
wells

Build a world class pricing team
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CEO MAGAZINE
INSPIRING THE BUSINESS WORLD



Dear CEO,

“Changing prices is easy.”

“Bigger discounts and promotions will get us the volume we need.”

“We’ll lose too much volume if we increase prices now.”

“Our customers only buy on price.”

Everyday, views like these are circulating around businesses. All of them are unwarranted and detrimental to business profit goals and culture.

Indeed, any executive that has tried to change prices across thousands of different SKUs and hundreds of customers will tell you that pricing is not easy.

To consistently create and capture c.11% EBIT growth a year from pricing; and without jeopardising volume and revenue, you need more than a set of new prices, you want a pricing capability. So where do you begin?

You start by reading this leadership guide. In this fact-filled booklet, you’ll discover obstacles preventing you from building a capability in pricing, common pricing mistakes every team makes, and why vendors of IT software can often make the problem worse.

We wrote this guide to help you improve your pricing capability in the best way possible. Now, with this information, you can build a sustainable pricing system that drives profitability and excellence.

If you have any questions about pricing, or if you are setting up a new pricing team, feel free to reach out to us.

You’re invited to call us at (+61) 02 91994523 or at team@taylorwells.com.au.

We’ve dedicated our business to best-in-class pricing, we’ll be happy to help you.

Yours sincerely,

Joanna Wells
Director Taylor Wells Pty. Ltd.



5 Obstacles to Strategic Pricing



About Taylor Wells Pty Ltd.

Taylor Wells is a pricing advisory firm based in York Street, Sydney CBD. Our sole focus and dedication is supporting leaders build high performance pricing teams and departments.

We partner with industry giants, leaders and innovators to create and capture value using best-in-class pricing and HR strategies.

We invest heavily in our research capability so that businesses can get a faster ROI on their strategy, people & operations using our proven teambuilding programme.

Our track record in pricing team excellence has helped our clients forge up to 5% additional margin in 12-18 months and less.

Our research and consulting shows that a world class pricing team can generate 5X-10X more profit than any other team when they are set up and integrated correctly.

Our mission is to maximise the power of pricing and HR to help leaders drive profitable revenue growth without the usual pain of change.

- Joanna Wells,
Director of Taylor Wells

#1: AVOID REDUCING PRICING TO SIMPLE TACTICS

It is impossible to set the right price at the right time or anytime when you reduce pricing down to tactics. In effect, when a business leads with gut feel pricing decisions, they are simply tinkering with prices in spreadsheets without fully realising the disruption they've created in the market or the financial damage to the P&L.

#2: AVOID REPLACING A PRICING TEAM WITH CONSULTANTS

Consultants provide clients a new set of prices, but they do not provide a robust framework, process, IP, or methodology. A pricing team does this. At the very most, consultants provide a diagnostic report, listing lots of problems with a few vague recommendations or a bare bones price structure that a business cannot implement without them. Overall, an expensive and unsustainable solution to building a capability in pricing.

#3: AVOID DISMISSIVE ATTITUDES TO ORGANISATIONAL DESIGN

Most pricing leaders and teams are not set up correctly. It is common for businesses to rush into recruiting people for key roles without careful planning of roles and team structures first. Many pricing leaders and new teams end up working to old processes and workflows; struggling in turn for years after to get the results expected from them.

#5: AVOID SILVER BULLET SOLUTIONS

Buying a new system is no guarantee of success. In fact, most teams' initial reaction to new technology is to resist it. We have seen many transformations, for instance, in which teams have quickly reverted to old pricing methods, habits and decision making even after executing a million dollar investment in new price software and systems. Asking teams to use systems does not mean they can or will use them effectively.

6 Costly Misconceptions About Pricing

MISCONCEPTION #1: "Pricing is not a priority."

85% of Australian businesses admit that pricing is often one of the biggest causes of profit loss. Yet, 98% of businesses believe that pricing is a non-strategic activity. To take the risk out of pricing, the best organisations take pricing seriously i.e, building the right beliefs, attitudes and skills at every step of the journey.

MISCONCEPTION #2: "Investments in IT will lower people related costs."

Investments in IT and software actually require a lot more investment in people than executives first realise. Cost blow outs tend to be the norm as a result of: lengthy installation times; technical difficulties and significant workarounds. There's also a good deal of change management and training required to get people using the new pricing system properly. Not to mention the large project teams required to manage daily project requirements. Expect substantial cost blow outs and limited margin gains in the first 2 years.

MISCONCEPTION #3: "We can't execute new approaches before we improve our systems."

Systems are often a smaller element of the problem. Difficulty implementing a new price strategy is often a sign of capability gaps, poor operations and broken processes. Outdated price lists, discretionary pricing, blanket price increases and poor controls commonly result in poor execution. New systems don't solve strategy and execution problems, they automate and amplify them.



**Get the Right Team On The Project...
& The Wrong Ones Off...**

A well-executed teambuilding programme specifically developed for pricing teams beats generic project management or HR hiring. It yields a better-motivated and competent pricing team, greater decisiveness, and a sustainable pricing system that delivers conservatively 4% improvement to bottom-line profitability every year.



"Pricing is the moment of truth - all of marketing strategy comes to focus on the pricing decision"

***- Raymond Corey
(Professor - Harvard Business School)***

MISCONCEPTION #4: “Pricing software is customised.”

All price and revenue algorithms are pre-programmed into the software and consequently very difficult to adjust or change. Vendors don't tend to give you options to make adjustments because this increases their cost of doing business. An Out-of-the-Box solution is much more profitable to vendors. If vendors do provide options for adjustments this blows out client costs substantially as vendors commonly charge significant fees (in the thousands / millions) to make structural changes to their models and formula.

MISCONCEPTION #5: “Consultants know best - they can advise what to do next.”

Yes, consultants may be a safe pair of hands, if you don't have a pricing team or you are new to strategic pricing. But consultants are well known for charging steep fees to *'tell you the time'*; not sharing their IP and only solving 1 or 2 aspects of the problem. Yes, consultants will give you a new set of prices. But they won't give you the IP, show you how to do it or stay in the business to build your pricing capability.

MISCONCEPTION #6: “Building capability is the main role of the pricing team.”

Companies can buy: the advice of the best consultants, the latest software, and even a dedicated pricing team, but all of these great resources will fall on deaf ears if teams are working in silo-ed functions - not fully recognising the need for change or understanding the cost of poor pricing decisions. Improving pricing capability is a shared responsibility.



“The way I think about culture is that modern humans have radically changed the way that they work and the way that they live. Companies need to change the way they manage and lead to match the way that modern humans actually work and live. We're trying to re-craft culture in a way that really matches that. I think that 99% of companies are kind of stuck in the '90s when it comes to their culture.”

Brian Halligan, CEO, HubSpot

5 FAQs

Value versus price

We are not going to dress it up - recruiting is one of those necessary evils in life like paying your taxes.

The smart decision is to know some simple facts and optimise your recruiting process so you avoid bad hires and any long term pricing team issues.

Minimising any impact to your teams and business operations is vital. Thus high quality recruitment support will ensure:

- Minimal disruption to business continuity
- High quality candidates for all roles
- Higher candidate & employee engagement
- More informed decisions
- Higher staff retention
- Legal protection
- Peace of mind

Cheapest in the long run

Optimising your recruiting process will be the cheapest option in the long run for your business - offering you greater precision and protection every time you recruit a pricing role.

There should be no fixed fees and prices should be fair and justified.

We have covered what to avoid and common misconceptions but what questions should you ask before you begin your capability build program?

QUESTION #1: How should we improve our pricing capability?

To build a sustainable pricing capability you need to split investment equally into the following 3 pillars of pricing: Strategy, People and Operations. The best way to start your journey to strategic pricing is by hiring a senior pricing leader who acts as your own internal pricing consultant. Don't forget though to carefully scope out the role of pricing in your business before you bring anyone onboard.

QUESTION #2: How much will a pricing team cost me?

Average salaries for pricing roles are as follows:

- Junior pricing analyst (1 – 2 years experience) \$80K - \$95K
- Pricing analyst (3-5 years experience) \$100K - \$120K
- Senior Pricing Analyst/ Junior Pricing Lead (5-8 years experience) \$125K-\$150K
- Senior Pricing Manager (8 years+) \$170K – \$220K
- Pricing Director / Head of Pricing (10 years+) \$230K – \$380K+

QUESTION #3: What kind of ROI can a pricing team deliver?

An A grade pricing team delivers between 2-7% points of additional margin in the first 18 months depending on the approach they are taking. After this, they deliver on average c.4% of profits each year by optimising the pricing system.

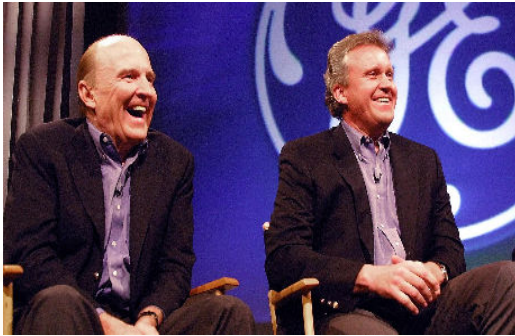
QUESTION #4: What are some of the drawbacks of this approach?

Sometimes, pricing leaders can dwell on problems that don't fit with their realm of knowledge, capability and experience. Pricing leaders can often find themselves in tough work situations daily - fire fighting, back-to-back meetings, answering objections daily for deals. It's a tough job - intellectually and emotionally draining and energy sapping. Pricing leaders must make a conscious effort to be positive, develop their skills and actively manage their mindset and change negative habits. You must do all you can to find the best pricing leader and build the best team possible - or the risk of failure increases.

QUESTION #5: How can a pricing team help us build our pricing capability?

An "A grade" pricing team will refine or completely redesign your price architecture to make more revenue and margin in the safest way possible. After this, they will inform and refine the operational model. This includes: integrating Big Data solutions to perform SKU level price analytics; updating price optimization to make more revenue and margin; implementing price management platforms for automation; developing better dashboard reporting tools; re-designing price data structures for ERP and CRM; creating segmentation analytics.

| 4 Top Tips from distinguished CEOs



Jack Welch and Jeff Immelt, former CEOs of GE led a team of 300,000 people through recessions, bubbles and geopolitical risk. Their advice on improving pricing skills and capability:

1# New strategy:

Jack Welch and Jeff Immelt saw operational redesign as an opportunity for the whole business to improve their pricing system too. “We picked a direction and then implemented like crazy”, said Jack Welch. They first diagnosed their price management system and then measured the effect of price changes on market demand to see the opportunities available to them. From here, they applied a test and learn approach to find the optimum pricing strategy to improve the business.

Through careful redesign, GE discovered that it could beat the price of cheaper foreign competitors charging low ball prices using differentiated pricing and segmentation. They found they could maximise margins by charging customers the appropriate premiums for innovation, supply chain security and high value products while, at the same time, reducing costs via supply chain efficiencies.

2#: People & culture:

Prior to 2016, the company (under Immelt) placed employees into generic 1 of 5 performance rating categories: role model, excellent, strong contributor, development need or unsatisfactory. Then (under John Flannery), they scrapped yearly performance reviews and started to give their pricing teams a flow of constructive feedback to improve their performance. Now, (under Culp) pricing teams tie regular, informal feedback to individual and team performance. They know exactly where they are succeeding or failing at all times. What's more, they bridge the gaps with structured change management (strategic hiring and training) and correct trajectories using lean Six Sigma.

3# New pricing practices:

Pricing is a a key priority for these CEOs. “We sweat the details. Our morning begin with a review of working capital or pricing.” We focus on customer value to support our planned margin expansion of 100 basis points.” GE have full-time dedicated regional and global pricing teams implementing expansive approaches to pricing (not just cost plus or match to market pricing). Pricing is centralised with decentralised execution. Executive management look to their regional pricing leaders to provide local insights and metrics that adds evidence and context to decisions in different markets. All teams have specific goals which are aligned to margin targets and business objectives. They employ tailored pricing at the individual customer and product level. And they were one of the first businesses to align incentives for frontline sales staff with the pricing strategy to encourage more disciplined pricing through an appropriate balance of fixed and variable compensation.

4#: Key outcomes:

GE is an agile pricing organisation managing \$121.6B USD of revenue with some of the biggest margins in their respective industries. They are strong believers in product and service innovation but openly say that strategic pricing is instrumental to their ongoing survival and success.



Joanna Wells

Director
BA / MA Psychology
University of Cambridge

“My passion is building world class pricing teams because **they can generate 5X- 10X more profit than any other team** when they are set up correctly.

My mission is to maximise and combine the power of pricing and HR to help leaders drive profitable revenue growth without the usual pain of change.”

Joanna Wells is the founder and director of Taylor Wells Advisory, a specialist pricing firm that advises Fortune 500, private Equity and ASX Listed companies in organisation design, talent strategy, capability building and specialist recruitment for the revenue, pricing and commercial management functions within a business.

A Cambridge University qualified psychologist with over 10 years' consulting experience and several years' experience practicing advanced pricing and revenue management across B2B and B2C markets in Australia, Joanna's sole focus and specialisation is helping business leaders build world class pricing and commercial management teams and functions.

ACHIEVE HIGH PERFORMANCE TEAMS & CULTURE

Over the past 10 years', Joanna has studied talent and performance in the specialised field of pricing, commercial management and analytics to address and answer the following questions:

- How can we build high performance teams and culture without disrupting business as usual operations?
- How can we hire the absolute best pricing team for our business?
- Why are some teams better at getting results than others?
- Why do we often find ourselves spending so much on our teams, but see little benefit?
- How can we build a high-performance team in a relatively short time frame to drive more complex business outcomes?

Our experience and research show that building high performance teams and culture does not have to be onerous, disruptive or unsettling for the rest of the business.

How you set up and recruit your teams are key determinants of how fast you can accelerate earnings growth. With the right team and strategy implementation in place, incremental earnings gains can begin to occur in less than 12 weeks. After 6-12 months, the team is often able to find additional earnings gains as they identify more complex and previously unrealised opportunities, efficiencies and risks.

FIND THE RIGHT PEOPLE FOR PRICING & REVENUE MANAGEMENT ROLES

Taylor Wells is a talent advisory firm that has developed a next generation search, evaluation and capability programme in the field of pricing, finance, commercial and analytics. Our business was started after identifying weaknesses in the traditional agency recruitment model.

Our purpose is to support business leaders and our HR partners to eliminate the risk of bad hires and underperforming teams. Our workshops and programmes ensure pricing or commercial management teams are highly competent and deeply engaged with the strategic objectives of the business to achieve greater levels of margin and earnings growth. We have developed our own digital assessment platform, proprietary longitudinal research and people analytics to identify, evaluate and benchmark talent quickly and objectively. We have a high calibre consulting team and extensive partnerships and networks to ensure you get the best support and outcomes.

