



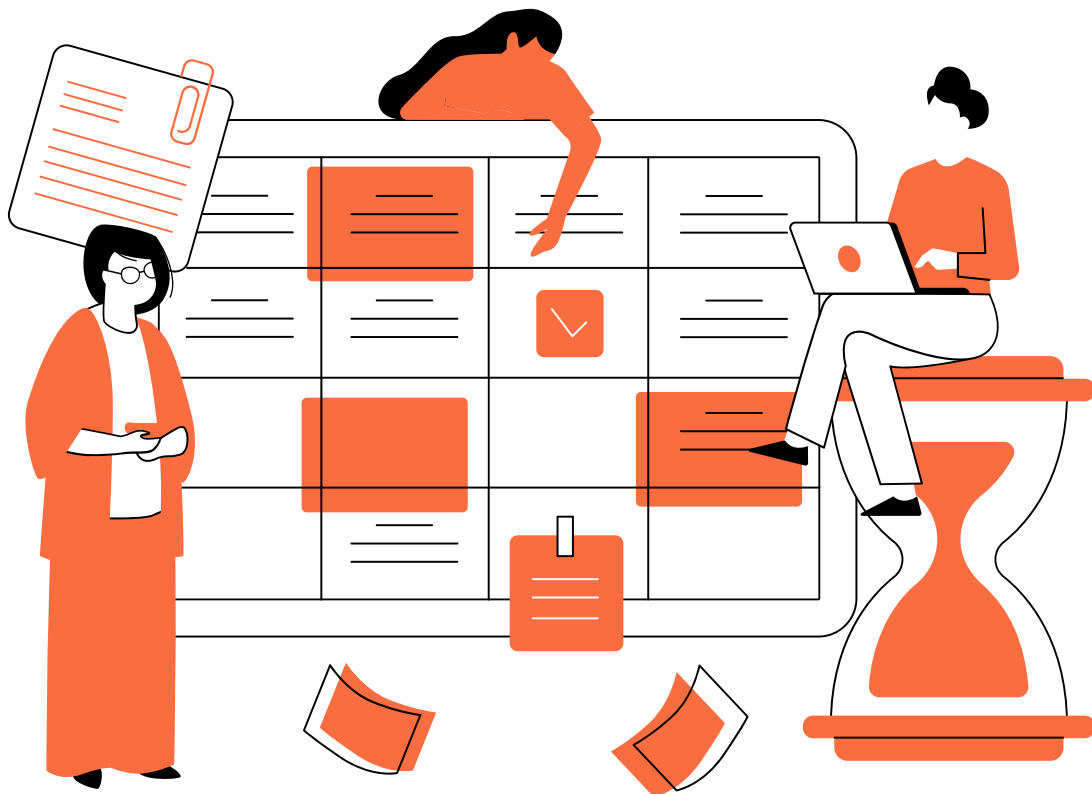
HOW TO DRIVE PRICING STRATEGY

TO ACCELERATE SALES & EBIT GROWTH



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DEAR EXECUTIVES

Knowing the best prices for your products and services is not easy for executives because there's really not that much help or support out there for you. From super-expensive consultant fees and inappropriate pricing software, or misleading advice on the internet, how do you ever find professional pricing guidance and resources that will meet your needs, budget, and help you drive profitability via accelerated and profitable sales growth?

You start by reading this Executive Guide to Product & Services Pricing. In this fact-filled booklet, you'll discover how to avoid common pricing mistakes, and why you really need to destroy your current list price immediately.... well let's not go there!

We wrote this guide to help you better understand price setting, management and support services. Now, with this information, you can make more informed and intelligent pricing decisions that won't risk sales growth.

If you have any questions about pricing or any other commercial matter, please reach out to us.

You're invited to call us on (+61) 02 9000 1115 or email at team@taylorwells.com.au

We've dedicated our business to supporting small and medium sized businesses improve pricing for accelerated sales growth. We'll be happy to help you!

Yours sincerely,

**Taylor Wells Team
Taylor Wells Pty. Ltd.**



HOW TO AVOID COMMON PRICING MISTAKES!!

MISTAKE #1:

COMPETING ON LOWEST PRICE. Most businesses at some point or another often opt to slash prices. This may be to keep or win business or maybe an attempt to drive volumes up. However, this very rarely works out well in the long run. Instead, the lowest price invites your customers to view your products as a commodity and your business as a cheap alternative. Low prices distract your customers from the value you offer. Low prices don't guarantee volume gains and can even do the opposite!

MISTAKE #2:

COST PLUS PRICING. Many businesses that don't have competitive pricing capabilities set prices by averaging their product costs and adding the same simplistic markup percentage on top of all products. This may be an easy way to set pricing for time-poor managers. But it is also a highly inaccurate pricing method and exposes your business to risk. At the end of the day, cost plus does not take into account: what your customers are willing to pay, the impact of volume changes on cost, and competitive price action in the market. This type of pricing means you are losing your hard-earned money down the drain!

MISTAKE #3:

OVERLOOKING YOUR PRICING POWER. Most of your products have a lower and upper price limit. The upper limit is called the price ceiling and the lower limit is the price floor. In many cases, companies only explore the limits of their pricing based on their own experience or view of the market. Also, what the market will bear may not be the actual price ceiling for a product you sell. When you don't explore what your customers value, you are actually capping your revenue potential.

MISTAKE #4:

FOLLOWING YOUR COMPETITORS. Benchmarking your prices against your competitors prices may seem like a good move when you're got no idea what the price of a new product should be! However, price benchmarking simply compares the numbers - it goes no deeper than that! Which means you are forgetting one very important point: Your business and your competitors' businesses are different and so are your cost structures. Be very careful that you are not putting up pricing boundaries that are preventing you from exploring your full pricing power or following a competitor who is going for a strategy you may not want to follow!



6 COSTLY MISCONCEPTIONS ABOUT PRICING!

MISCONCEPTION #1: PRICING IS NOT A PRIORITY NOW; WE NEED TO FOCUS ON GROWING THE BUSINESS. Corporate executives and managers are busy people. They fix more problems by 9 am on a Monday morning than most people do in a week. Often they are so busy that they don't know how much profit the company is actually making/losing each day due to their pricing approach. Some even haven't considered it. But when they find out that their pricing was the problem for substantial customer churn, volume and margin loss, it can be a shock to the system. Don't assume a business is slow because of the economy or competition. Sometimes, the truth is closer to home. But if it is your pricing, then this means you can do something about it!

MISCONCEPTION #2: IF WE ARE MORE EXPENSIVE THAN OUR COMPETITORS OUR CUSTOMERS WON'T BUY FROM US. Your loyal customers don't just buy from you just because of your pricing, they buy from you because they trust your products; they trust you; and they know your offer is for real - i.e., the product won't fail, break on them or arrive late! Your business is the summation of the value you offer to customers. Not a price point. Market that!

MISCONCEPTION #3: PRICING IS TOO HARD. An exam is easy when you know the answers. Likewise, pricing is easy when you have the tools and frameworks and advice to guide you and prevent you from making costly mistakes! If you are struggling, then ask for help and get the support you need!



Could pricing be the reason you are losing customers?

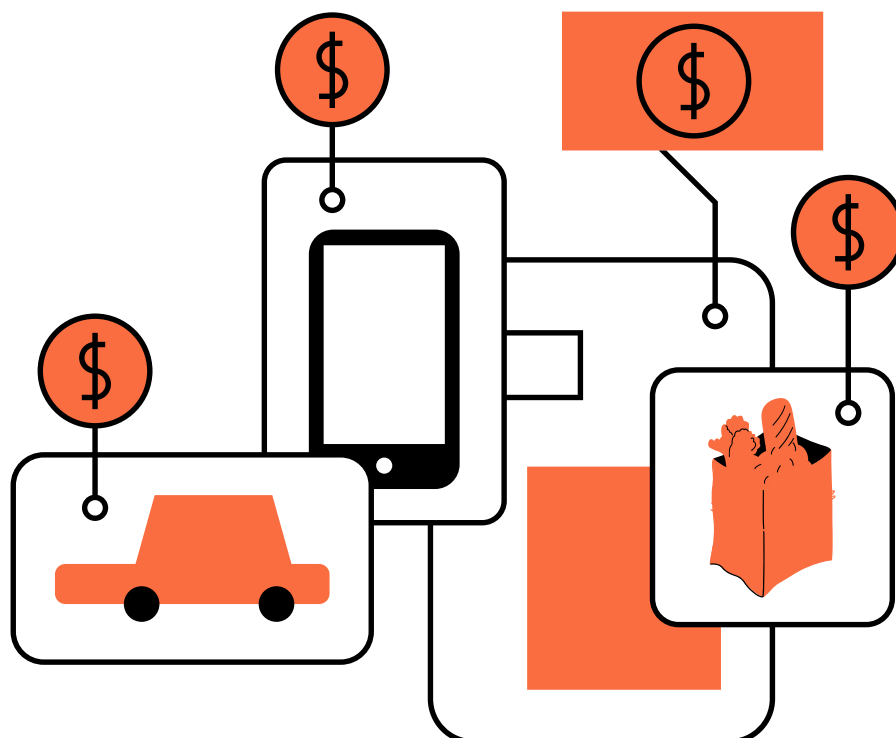
Pricing oversights and mistakes are very common, but sometimes they can be considered a crime.

Even large corporations have fallen victim to allegations of pricing misconduct. For example - Las Vegas Strip hotels have recently been accused of illegally using price to maximise their profits. Lawyers are saying that hotel operators in this area have been using revenue management software to displace competitive data in order to increase the price of rooms for the purpose of boosting their profits without re-balancing supply and demand!

MISCONCEPTION #4: PRICING IS EASY. If you are making more revenue and margin from your pricing without losing volume, then you are blessed with an innate talent for pricing that comes easy to you! However, when most business executives say pricing is easy they actually mean guessing is easy. Sometimes a gut feel estimate on price can be about right, but really this is a poker game. What gives us all confidence is evidence, facts, sales growth and money in the bank. If we guess our prices, we will feel uncertain and stressed about our prices and offer! When customers ask us to justify 'made-up' prices this can be an incredibly stressful conversation! Remove the guesswork from pricing and pricing will get easier!

MISCONCEPTION #5: I CAN JUST CHANGE THE PRICE LATER IF IT'S NOT RIGHT. Sounds plausible; and yes you can. But changing prices once they are out there in the market creates serious trust and price transparency issues with customers. Changing published prices; and publishing a price list with lots of price inconsistencies, broadcasts loud and clear that you've put little thought or rigour into calculating your prices. Customers don't like that and will rightly call you on it!

MISCONCEPTION #6: OUR MAIN FOCUS SHOULD BE ON ATTRACTING MORE CUSTOMERS AND GENERATING MORE REVENUE. When you are losing volume and customers, you need to hold on to and find new customers that's for sure - otherwise, you're facing a profit downgrade situation in no time. But did you know that it is entirely possible to improve the lifetime value of a customer at the start of customer acquisition using the right pricing tools and strategic account management support. Don't wait to compromise on customer profitability. Don't react and substantially increase prices to the point that even your loyal customers leave! just to hit your targets! You can grow the business and be profitable at the same time if you're teams have the right tool kit, guidance and plan to help them!



5 QUESTIONS TO ASK YOURSELF ABOUT PRICING!

Value versus price

We are not going to dress it up – pricing for businesses is one of those necessary evils in life like submitting your tax returns.

The smart decision is to know some simple facts and choose a reputable provider so you avoid any long term issues.

Minimising any impact to your business operations is vital. Thus setting up and maintaining your prices regularly will ensure:

- Peace of mind
- No risk to business continuity
- Avoid the terrible market repercussions of customer churn, legal action or breach of ACCC regulations
- Simplify systems and processes in your office
- No need to buy fancy pricing software or maintain a legacy pricing that is doing more harm than good.

You want what's best and cheapest in the long run. Good quality pricing support when you need it will be the cheapest option in the long run for your business and will save you money. Good support should always ensure – no start up fees, no onboarding fees, no hidden extras, no lengthy negotiations for services, no extra project scoping fees, no consultancy call out fees, and pricing plans that are affordable and stable year after year and designed to help you fix your financial problem properly.

We have covered what to avoid and common misconceptions but what are the questions you should ask a pricing firm before hiring them?

QUESTION #1 Can you provide us with pricing that will meet our needs and budget?

If a firm cannot give you a clear indication after a review of your needs, this is a warning sign. As can a quick quote without establishing your commercial requirements, needs, budget and timelines. As stated above most consulting firms, "pricing experts" and contractors have high daily rates - fees that are equal to or greater than partners in law firms or chartered accountants. many will charge you a fee for scoping out your needs!

QUESTION #2: How do you charge/ invoice us?

Most pricing firms try to charge you a lump consulting fee + performance bonus, others will split it over an agreed time. This can add volatility to your cashflows and can make it difficult to budget for the year ahead.

QUESTION #3: Do I need to sign a long-term contract?

If you do find a firm that will help you, they may ask you to sign a long-term contract – and sometimes a multi-year contract for them to start providing pricing consulting services. Think – is there any real benefit to you to be tied into a long-term agreement when your cashflows are already under pressure?

QUESTION #4: How can you help us improve customer pricing?

This is vital – an accountant is not a pricing expert. An excel wiz is not a pricing expert. They are both two different fields of expertise. Accountancy is focused on cost optimisation, tax, audit, transfer pricing etc. Excel technicians can perform a full range of excel operations to complete a task or model you define. Both are useful skills in pricing, but they are not pricing. Pricing expertise is focused on customer pricing strategies, price setting methodology, commercial price modelling and analysis, customer agreements and rebate modelling, price structure design and development, price systems integration and data and stakeholder management etc. If you get the wrong person or firm to assist you, then you really are risking your profitability and growth plans. The company should be able to describe their areas of expertise and capabilities- and provide case study evidence.

TIPS FROM CEOS & EXPERTS

Here are some CEOs and experts from around the world giving their advice on customer product and services pricing - what to do and what not to do - which you can read below:

1. "The single most important decision in evaluating a business is pricing power... If you've got the power to raise prices without losing business to a competitor, you've got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you've got a terrible business." - **Warren Buffett, American business magnate ["Top 40 Buffet-isms: Inspiration to become a better investor", 2013, Forbes].**
2. "Perhaps the reason price is all your customers care about is because you haven't given them anything else to care about." - **Seth Godin, best selling author and marketing guru [All Marketers Are Liars, 2005].**
3. "You know you're priced right when your customers complain—but buy anyway." - **John Harrison [Pricing News Daily, 2014].**
4. "You can determine the strength of a business over time by the amount of agony they go through in raising prices." - **Warren Buffett. ["Top 40 Buffet-isms: Inspiration to become a better investor", 2013, Forbes].**
5. "Pricing is actually a pretty simple and straightforward thing. Customers will not pay literally a penny more than the true value of the product." - **Ron Johnson, the former chief executive officer of J. C. Penney [New York Times, 2013].**
6. "Product pricing is aligned to the way customers want to acquire their solutions and are delivered via different delivery models including appliances, the cloud, or as on-premise software solutions." - **N.Robert Hammer, Chairman, President, and CEO of CommVault Systems since 1998 [Harvard Business Review, 2012].**
7. "Price is what you pay. Value is what you get." - **Warren Buffet. ["Top ten Warren Buffet Deal Making", Bloomberg, 2012].**
8. "Pricing is the exchange rate you put on all the tangible and intangible aspects of your business. Value for cash." - **Patrick Campbell [Two Reasons Why Pricing is the Most Important Aspect of Your Business. 2012, Price Intelligently].**
9. "With the price of life these days, you've got to get everything for free you can." - **Carl Rogers [Pricing News Daily, 2013].**
10. "What I 'charge' today has nothing to do with yesterday or tomorrow. It has to do with 'now!'" - **David Wayne Wilson [Pricing News Daily, 2014].**

TAYLOR WELLS IS A GLOBAL PRICING & ORGANISATIONAL ADVISORY FIRM

Since 2014, our single focus and mission is to help our clients deliver increased profitability today and ongoing through our end to end approach to pricing transformation initiatives.

We work with leaders and pricing teams to develop pricing strategies, tests and trials to drive profitability. We work with sales directors to isolate the activities that lead to revenue growth and then build the tools, structures and processes to get there faster. We work with HR and marketing leaders to design organisational structures, roles and responsibilities to accelerate business outcomes and embed sustainable EBIT growth. We work with HR to hire the right pricing managers and advise them on how to build, reward, develop and motivate their pricing teams and commercial function. And, we help pricing professionals navigate and advance their careers.

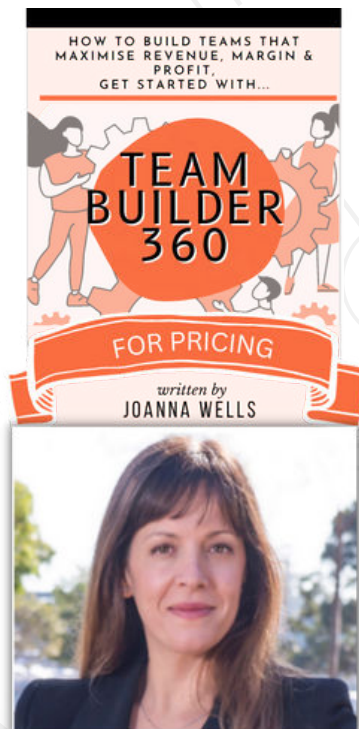
SERVING CLIENTS ACROSS THE GLOBE



THE ROI

THE REAL FINANCIAL BENEFITS

The key differentiator of our offer is that we enable our clients to internalise the pricing expertise so that they can build a sustainable pricing system that generates at least 3% - 10% additional margin each year.



JOANNA WELLS

Director

BA / MA Arts, Msc Science
University of Cambridge

"My passion is building world class pricing organisations using the latest pricing strategy, people and operations. My mission is to maximise and combine the power of strategic pricing, teams and culture to help leaders and teams drive profitable revenue growth."

FOUNDER

MANAGING DIRECTOR

Joanna Wells is the founder and managing director of Taylor Wells Advisory, a pricing and organisational advisory firm that supports Fortune 500, private Equity and ASX Listed companies in pricing & organisational strategy, commercial capability building and talent strategy and recruitment since 2014.

A Cambridge University qualified psychologist with over 12 years' experience in latest pricing and organisational consulting across B2B and B2C markets in Australia, the USA, the UK and Ireland; 25 years experience in industrial psychology & hiring; Joanna's sole focus and specialisation is helping business leaders build world class pricing organisations.

Joanna has worked on > 23 major pricing transformations, studied > 100 firms' pricing strategy and culture, evaluated 7,000 global pricing skills and capability assessments, and interviewed over 4,000 executives and managers around the world to answer complex pricing and commercial problems:

- How can we accelerate the ROI in pricing in < 12 months?
- How can we move the business from cost plus to value based without disrupting teams, customers and operations?
- How can we build high performance pricing organisations?
- What's the best way to integrate a new pricing team and/or system in the business?
- Why do over 70% of price change / improvement initiatives fail?

EVIDENCE

OUR RESEARCH

Our findings show that with the right strategy, set up and pricing team in place, incremental earnings gains can begin to occur in less than 12 weeks. After 3 months, the team can capture at least 1.0 to 3.25 per cent more margin using better price management processes. After 6-12 months, businesses are very often generating between 3 to 10 per cent additional margin each year as they identify more complex and previously unrealised opportunities, efficiencies and risks.

OUR CAPABILITIES

Our unique strategy advisory de-risks pricing strategy development. Our optimised commercial system ensures your teams drive an efficient and effective transformation process. Our scalable design structures and processes; and research and experience that spans over 25 years and over 23 major pricing transformations around the world, ensure your teams learn and embed the right skills, at the right time to drive the right outcomes - no matter how tough the challenge or how challenging the business culture.



PRICING & ORGANISATIONAL STRATEGY

Our focus is to enable leaders and pricing teams to develop and implement best-in-class pricing strategy. Unlike traditional consultancy, we strongly believe that the pricing transformation is powered through your teams from start to finish, not consultants. Our advisory, expertise and optimised systems support and guide teams to reach outcomes faster. Our expertise lies in enabling and supporting teams to be the best they can be using best-class pricing strategies, structures and practices.



COMMERCIAL CAPABILITY BUILDING

Unlike traditional consultants, we specialise in unlocking the value of your teams & culture to drive & capture commercial strategy faster. Our optimised commercial system covers the basic pricing skills. Just like a fitness programme. Then, it builds up from there as teams master new skills, kick key milestones, reach personal and team goals, and achieve shared outcomes.



PRICING TEAM ASSESSMENT & EVALUATION

We are world leaders at identifying and evaluating the pricing talent you need compared to the talent you have to prepare teams for a pricing transformation. Our founder, Joanna Wells, started her undergraduate research in devising multi trait assessments & evaluations to identify high performance leaders and specialist financial teams at the University Of Cambridge, Great Britain, 22 years ago. She further developed her research as a post graduate at Manchester Business School; and continues to invest in research and development at Taylor Wells Advisory. We have now collected millions of data points and valuable insights on high performance pricing strategies, teams, business culture and pricing transformations. Our objectivity and unique research and data is crucial to strategic decision making at the executive and board level. Our clients rely on us to mitigate risk and safely forge a clear path forward.



PRICING RECRUITMENT

Our consultants are all highly qualified executives with backgrounds in pricing, economics, finance, psychology at the post graduate level. Our consultants also hold professional industry certificates in accountancy and industrial psychology and testing and all practice best-in-class value based pricing. We know exactly what great pricing talent looks like, and have worked with world leading pricing functions and executives around the world to find the right pricing professionals for their pricing and revenue management roles and transformational projects.



SCALABILITY

We have created a scalable and optimised commercial system called Value Culture to enable leaders to build and embed commercial strategy development and price-setting capability across all teams in a business.

SELECT TAYLOR WELLS CLIENTS

Taylor Wells has had the pleasure of working with many top companies in a variety of industries.



SELECT TAYLOR WELLS PRESS ARTICLES & NEWSPAPER FEATURES

Taylor Wells has had the pleasure of working with many top newspapers, magazines to educate on business, teams, psychology and pricing related topics.

