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How to set up & integrate A PRICING TEAM

*Leadership Guide To Best-in-Class Team Building For the
First 90 days*



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wells

Build a world class pricing team
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Intro

Dear CEO

Setting up a pricing team and then integrating them successfully in the business isn't easy, especially with no precedent to guide you on how it's done.

What's clear though; 25 years after the first 'official' pricing team was established in Australia, is that: tinkering with 'lines and boxes' in an organisational chart, producing 'gut feel' team structures and roles, hiring pricing leaders based on CV experience, simply doesn't work.

If you don't set up and integrate your pricing team properly in the first 90 days, you'll end up with a functional silo that's forever struggling to unlock it's potential to drive profitability in the business.

So, what is the best way to set up and integrate a pricing team for success?

You start by reading this Leadership Guide. In this fact-filled booklet, you'll discover how to avoid bad team planning decisions, obstacles to best-in-class pricing team practices, and why project managers can often make your problems worse.

We wrote this guide to help you improve your pricing using better strategies, people, and operations. Now, with this information, you can build a sustainable pricing capability that drives profitability and excellence.

If you have any questions about setting up a pricing team, training and development or you're recruiting a new pricing role, feel free to reach out to us.

You're invited to call us at (+61) 02 91994523 or email us at team@taylorwells.com.au. We've dedicated our business to educating on pricing and talent strategy, we'll be happy to help you.

Yours sincerely,

Joanna Wells

Director Taylor Wells Pty. Ltd.





About Taylor Wells Pty Ltd.

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

We partner with Giants of Industry, 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 team building programme.

Our track record in pricing team excellence has helped our clients forge up to 11% earnings growth in 12-18 months.

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

Avoid These 4 Mistakes When You're Making Important Pricing & People Decisions!

#1: AVOID TURNING YOUR NEW TEAM INTO THE PRICING POLICE

A pricing team's first task in the business should not be implementing a 'control and command' price governance process for other teams to follow. This just turns them into the pricing police. Teams either resist them, avoid them, or grudgingly comply with them.

#2: AVOID THE TOP DOWN Vs. BOTTOM-UP TRAP

A pricing strategy and model developed in isolation of the pricing team's input (or entirely by consultants) removes the new pricing from the continuous improvement and pricing process. It also sets the new team up as an administrative function – or a reporting adage to finance - not as experts in pricing.

#3: AVOID A BACK TO FRONT PROJECT PLAN

Most projects focus on what the consultants are doing, rather than on what the business is doing to improve their pricing skills and capabilities. A new pricing team is often an afterthought rather than a focus. There's often little to no handover planned between the consultants and the new pricing team. The new pricing team spends the next 18 months playing catch up and filling in gaps.

#4: AVOID BUYING PRICE OPTIMISATION SOFTWARE IN HASTE

It's a myth that price software fixes bad pricing; it doesn't, it automates it. We have seen several software implementations resulting in substantial cost blowouts and zero margin gains because the pricing team was not involved in the buying & implementation process.

6 Common Misconceptions About Pricing Teams

MISCONCEPTION #1: “Consultants can kick off things for us.”

This is what consultants would like you to believe, but it's not exactly true. You also have the option of a pricing team building your pricing system and capability. There's some great pricing expertise out there if you know where and what to look for. Consultants are incentivised to say that they are the only solution to your pricing problem, but they are not. A pricing team can offer the same if not more value than consultants and build a sustainable pricing system too.

MISCONCEPTION #2: ‘Let's just hire 1 pricing manager to manage our pricing.’

If you're a \$100M - \$200M business, then hiring 1 pricing manager (PM) might be ok. But, if your revenues are higher than this or you've got old IT systems and lots of price complexity, then there's no way 1 PM can safely manage that amount of revenue on their own. Even a verified pricing expert of 25 years needs the support of a good team. Dotted line support here and there from business analysts that don't have the requisite pricing skills won't suffice either.

MISCONCEPTION #3: ‘Finding a pricing manager can't be that hard; let's try it ourselves.’

After years of working within the constraints of a traditional recruitment model, quality of hire metrics for pricing roles have got worse, not better - even with the support of an internal recruitment capability. Gartner research shows that only 30% of the managers appointed to new roles expressed a high intent to stay longer than 18 months after the first three months in the role. Korn Ferry research shows that half of all new executives quit or are fired within the first 18 months.



Get the Right Team On Problem... & The Wrong Ones Off...

A well-executed team building programme specifically developed for pricing teams beats generic project management & HR recruiting because 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.



“When I joined the commercial function, I quickly saw that we didn't have the right people or pricing skills to get the job done. I had to make some tough decisions quickly”

- Head of Pricing, B2C Retail.

MISCONCEPTION #4: “A senior executive from this industry will be the best person to lead our new pricing team.”

Many executives believe that title, pay grade, experience and position on the organisational chart are the best measures of a great pricing leader. In pricing, however, this is not the case. Our research indicates that 80% of all job applicants assessed for price leadership roles with leadership positions are completely unsuitable for the job even though their CV looks great and what they say about themselves is very convincing.

MISCONCEPTION #5: ”Get the pricing team to do commercial reporting to free up capacity in finance.”

Pricing teams frequently complain that they do not have time or headspace to do real pricing work. Much of their time is spent on financial and administrative tasks rather than pricing. Only 34% of pricing leaders we surveyed said their teams focused on pricing work that truly mattered from a pricing-for-profit perspective, such as creating a value-based strategy to meet the needs of their customers, refining price architecture to avoid margin erosion, and developing segmentation analytics to optimise prices. And, only 31% of pricing managers said their analysts allocated the right amounts of time on ‘thinking’ through their analysis, checking for mistakes, and evaluating the options available from the data.

MISCONCEPTION #6: ‘The pricing team should assume centralised control ASAP.’

A command and control model of pricing is a very painful change management approach for the business and your new pricing team. Even though the strict rules sound like they should work, often they lead to a culture of compliance rather than commitment. Inflexible rules and restriction create a massive strife between pricing and sales which is difficult to prepare and price decision making and implementations get very slow.



“It’s important for leaders to diffuse pricing issues to people who are actually in a position to make a difference. Pricing experts know what to do – they don’t need to look up to leaders for answers”

*- Pricing Manager, B2B
Confidential*

“Integrating a pricing team within the business touches every part of the organisation, including strategy, people and operations.”

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 on 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 here are other questions you should have answered before you set up a pricing team:

Question #1: What does a pricing team do?

A typical team charter can be summarised as follows:

Strategy – value management, strategy framework, customer loyalty & agreements

People – decision support, price policy, stakeholder engagement

Operations – price analysis, systems & tools, price architecture

QUESTION #2: What does a typical pricing team structure look like?

Rule of thumb, for every \$100M revenue under management, you'll need 1 pricing analyst. If you have good IT and data systems in place already, the number of analysts you'll need decreases. For an \$800M business with limited IT and data analytics support, then, you'd be looking at hiring: 1 senior pricing manager, 1 senior pricing analyst, 2 pricing analysts and 1 junior analyst.

QUESTION #3: What's the best way to integrate a pricing team and drive results?

Building a centre of excellence for pricing is the best model to manage pricing without laying down the law. A centre of excellence enables the pricing team to oversight pricing while promoting cross-functional collaboration and engagement. Pricing expertise is distributed across the organisations - not just with external consultants or a pricing team.

QUESTION #3: How can we avoid common pitfalls?

There are quite a few things to do to integrate a pricing team within your business, but the top 3 tips are:

1. Don't get fixated on all the problems and issues of today. Proof of concept first, architecture, process and governance later.
2. Take time to diagnose your current pricing situation before you bring in a team. Squeezing a new pricing team into current structures because it's easier this way doesn't get the result you want.
3. Define roles and competencies carefully before you draft in talent for the team. Then screen and test talent like crazy until you find the right person to fill each role.

QUESTION #4: What does success look like?

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 and their positioning and role in the business. After this, they deliver on average c.4% profit each year by optimising the pricing system.

8 Top Tips from a distinguished CEO



US Donald Washkewicz, CEO of Parker Hannifin from 2001 to 2015, was one of the first CEOs in B2B industrial to set up and integrate a pricing department successfully in the business to create and implement a multi-billion dollar value based strategy. Here's how he did it:

#1 Insight:

After touring 225 sites facilities in the business, Mr Washkewicz came to an unnerving conclusion that Parker, the \$9.4B revenue big industrial-parts maker, had a crazy pricing system.

He saw people boosting productivity, landing new accounts, and making shrewd acquisitions, even in the face of a deepening manufacturing recession. Yet the company never seemed to improve one key measure -- the return on invested capital.

#2 Old Strategy:

"I was actually losing sleep," recalls Mr Washkewicz...Parker had stuck itself in a profit-margin rut."

No matter how much a product improved, the company often ended up charging the same premium it would for a more standard item. And, if the company found a way to make a product less expensively, it ultimately cut the product's price as well.

#3 Culture:

Many existing managers at Parker liked cost-plus pricing because it was straightforward and gave their sales teams a broad authority to negotiate deals. Parker, like many manufacturers, had quite a conservative culture that treasured continuity.

"It became a cookbook approach," describes Mr Washkewicz. "Company managers at Parker would calculate how much it cost to make and deliver each product and add a flat percentage on top, usually aiming for about 35%." That was it. Parker lost profit with every decision - and every day.

#4 New strategy:

"We had to stop thinking like a widget maker and start thinking like a retailer, determining prices by what a customer was willing to pay rather than what a product costs to make." said Mr Washkewicz.

So he decided to revamp Parker's whole business strategy and approach. He mandated that every business adopt "lean" manufacturing to streamline production and overhauled the way Parker purchased materials from its suppliers.

He then invested in building a new pricing department to help him create and implement a value-based pricing strategy, new price architecture and analytics. He brought in a senior pricing executive to work alongside a host of outside consultants to drive short and mid-term outcomes.

#5 Team Integration:

Parker's pricing department now has 115 divisions globally - each with at least one of its pricing managers and analysts. But, changing Parker's pricing was a complex undertaking for the department.

The company has tens of thousands of different types of products, often custom-engineered. Roughly half of its offerings are specifically made for a single customer. The pricing complexity resulting from this meant that the pricing executive would need to be smart and highly skilled at pricing to figure out a more flexible price architecture.

The pricing executive had to be a price ambassador for change too because there was a lot of pushback on the new pricing system from stakeholders in the business.

Everyday people would object to the new pricing system and say it wouldn't work. Most of the objections were the same. But, if anyone came up with an argument that was not on the list, the CEO and pricing executive would hear them out. Since setting up the initial team, Parker has continued to invest in a pricing centre of excellence to ensure alignment across regions and distribution of skills and knowledge.



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.