# DETAILED TABLE OF CONTENTS

## Chapter 1 Strategic Pricing 1
- Coordinating the Drivers of Profitability 2
- Leveraging Profit into Sustainable Growth 2
- Cost-Plus Pricing 4
- Customer-Driven Pricing 5
- Share-Driven Pricing 6
- The Role of "Optimizing" in Strategic Pricing 7
- What Is Strategic Pricing? 9
- Value Creation 12
- Value Communication 15
- Price Structure 17
- Pricing Policy 18
- Price Setting 19
- Price Competition 20
- Creating a Strategic Pricing Capability 21
  - Summary 23 • Notes 23

## Chapter 2 Economic Value 26
- The Guiding Force of Pricing Strategy 27
- The Role of Value in Pricing 27
- How to Estimate Economic Value 30
  - Competitive Reference Prices 31
  - Estimating Monetary Value 33
  - Monetary Value Estimation: An Illustration 36
  - Estimating Psychological Value 41
  - Psychological Value Estimation: An Illustration 42
  - The High Cost of Shortcuts 45
- Value-Based Market Segmentation 47
  - Step 1: Determine Basic Segmentation Criteria 49
  - Step 2: Identify Discriminating Value Drivers 50
  - Step 3: Determine Your Operational Constraints and Advantages 50
  - Step 4: Create Primary and Secondary Segments 50
  - Step 5: Create Detailed Segment Descriptions 53
  - Step 6: Develop Segment Metrics and Fences 53
  - Summary 54 • Notes 54
Chapter 3  Price and Value Communication  56
  Strategies to Influence Willingness-to-Pay
  Value Communication  58
  Adapting the Message for Product Characteristics  58
    Low-Involvement, Psychological Benefits  60
    Low-Involvement, Economic Benefits  60
    High Involvement, Psychological Benefits  61
    High Involvement, Economic Benefits  61
  Strategies for Conveying Value  62
    Competitive-Reference Effect  65
    Switching-Cost Effect  66
    Difficult-Comparison Effect  66
    End-Benefit Effect  67
    Price-Quality Effect  68
    Expenditure Effect  70
    Shared-Cost Effect  70
    Transaction Value Effect  71
    Fairness Effect  72
  Multiple Participants in the Buying Process  73
    Summary  74  •  Notes  75

Chapter 4  Price Structure  76
  Tactics for Pricing Differently Across
  Customer Segments
  Challenges That Can Undermine Segmented
    Pricing  79
  Offer Configurations  80
    Optimizing the Structure of Offer Bundles  81
    Designing Segment-Specific Bundles  83
    Unbundling Strategically  84
  Price Metrics  85
    Creating Good Price Metrics  86
    Performance-Based Metrics  89
    Tie-Ins as Metrics  92
  Price Fences  95
    Buyer Identification Fences  95
    Purchase Location Fences  97
    Time-of-Purchase Fences  98
    Purchase Quantity Fences  99
  Peak Pricing and Yield Management  101
    Summary  104  •  Notes  104
Chapter 5  Pricing Policy  106
Influencing Customer Expectations and Purchase Behaviors
Pricing Policies and Price Expectations  107
The Emergence of Strategic Sourcing  108
Policies for Price Negotiation  110
Policies for Responding to Price Objections  114
  The Problem with Reactive, Ad Hoc Price Negotiation  114
  The Benefits of Proactive, Policy-Based Price Negotiation  116
Policies for Different Buyer Types  118
Policies for Dealing with Power Buyers  123
Policies for Successfully Managing Price Increases  125
Policies for Leading an Industry-Wide Increase  126
Policies for Transitioning from Flexible to Policy-Based Pricing  127
Policies for Pricing in an Economic Downturn  128
Policies for Promotional Pricing  130
  Summary  131 • Notes  131

Chapter 6  Price Level  133
Setting Prices that Capture a Share of the Value Created
The Price-Setting Process  134
  Step 1: Define the Viable Price Range  135
  Step 2: Make Strategic Choices  137
  Step 3: Assess Breakeven Sales Changes  142
  Step 4: Gauge Price Elasticity  145
  Step 5: Account for Psychological Factors  147
Communicating New Prices to the Market  149
  Summary  151 • Notes  151

Chapter 7  Price Competition  152
Managing Conflict Thoughtfully
Understanding the Pricing Game  153
Competing to Grow Profitably  154
Reacting to Competition: Think Before You Act  159
Managing Competitive Information  165
Collect and Evaluate Competitive Information  166
  Selectively Communicate Information  168
When Should You Compete on Price?  170
  Summary  171 • Notes  172
Chapter 8  Measurement of Price Sensitivity  173
Research Techniques to Supplement Judgment
Types of Measurement Procedures  174
  Uncontrolled Studies of Actual Purchases  175
  Historical Sales Data  175
  Panel Data  176
  Store-Level Transaction Data  178
  Analyzing Historical Data  179
Experimentally Controlled Studies of Actual Purchases  181
  In-Store Purchase Experiments  181
  Laboratory Purchase Experiments  182
Uncontrolled Studies of Preferences and Intentions  185
  Direct Questioning  186
  Buy-Response Surveys  186
  Attribute Rating  186
  In-Depth Interviews  189
Experimentally Controlled Studies of Preferences and Intentions  191
  Simulated Purchase Experiments  191
  Trade-Off (Conjoint) Analysis  192
Using Measurement Techniques Appropriately  197
  Using Judgment for Better Measurement  198
Using Online and Mobile Techniques  200
Outside Sources of Data  200
Selecting the Appropriate Measurement Technique  201
Summary  202  •  Notes  204

Chapter 9  Financial Analysis  207
Analyzing Costs and Profits for Pricing
Evaluating the Financial Implications of Price Alternatives  207
Why Incremental Costs?  208
Why Focus on Avoidable Costs?  212
Understanding the Financial Implications of Alternative Price Levels  213
  Evaluating the Potential Profitability of a Price Change  214
Breakeven Sales Incorporating a Change in Variable Costs  218
Breakeven Sales Analysis for Reactive Pricing  219
Mapping a Range of Potential Financial Outcomes  221
Breakeven Sales Curves  223
Chapter 10  Specialized Strategies  240
Adapting Pricing to Accommodate Common Challenges
Adapting Pricing Strategy over Category
  Life Cycle  240
  Pricing an Innovation  241
  Price Reductions in Growth  244
Pricing the Established Product in Maturity  245
Managing Export Prices in Foreign Currencies  248
Foreign Market Sales Strategy  248
Competitive Impact of Exchange Rate Shifts  250
Four Generic Strategies for Managing Exchange Rate Price Adjustments  250
Managing Pricing When Markets Slump  253
Creating Economically Efficient Transfer Prices  255
  Summary  259  •  Notes  260

Chapter 11  Creating Strategic Pricing Capability  262
Assembling Talent, Processes, and Data to Build Competitive Advantage
Essential Elements of the Pricing Organization  268
Creating Alignment on Pricing Objectives  270
Matching the Extent of Pricing Centralization with Organizational Needs  271
Decision Rights Specify Pricing Roles and Responsibilities  273
Pricing Processes to Ensure Successful Strategy Implementation  274
Performance Measures and Incentives: Aligning Sales Incentives with Strategy  276
Systems to Support the Pricing Function  279
Data Needed to Inform the Pricing Function  279
Common Protocols for Creating Relevant Insights  279
Customer Analytics to Guide Management Choices  280
Analysis of Win-Loss Data  280
Since the financial crisis, companies have had to be more agile and adapt to the competitive landscape while ensuring ethical practices. This chapter serves as a simple introduction to the legal and ethical landscape surrounding pricing.

**Chapter 12: Ethics and the Law**

*Understanding the Constraints on Pricing*
- Ethical Constraints on Pricing 293
- The Legal Framework for Pricing 296
  - The Effect of Sarbanes-Oxley on Pricing Practices 297
- Price Fixing or Price Encouragement 298
  - Horizontal Price Fixing 299
- Resale Price Fixing or Encouragement 299
  - Vertical Price Fixing 299
- Direct Dealing Programs 301
- Resale Price Encouragement 301
- Price and Promotional Discrimination 302
  - Price Discrimination 303
  - Defenses to Price Discrimination 304
  - Promotional Discrimination 305
- Competitive Injury, Defenses, and Indirect Purchasers 306

*Using Non-Price Variables to Support Pricing Goals*
- Vertical Non-Price Restrictions 306
- Non-Price Incentives 308

*Other Pricing Issues*
- Predatory Pricing 308
- Price Signaling 309

**Summary** 309 • **Notes** 310