

Design Your Pricing Council to Become a Strategic Weapon

The pricing council has become a standard and common team design providing a space for a thorough review of all pricing activities and developing new pricing strategies. In this article, the author analyzes the purpose behind a pricing council, provides best practices for establishing and maintaining a pricing council, and strategies for making the pricing council a strong, strategic weapon. Author Stephan Liozu, CPP, is President & CEO of Ardex America Inc (www.ardex.com), a CPP Faculty Member and a PPS Board Member. He is also a PhD candidate in Management at Case Western Reserve University and can be reached at slioazu@case.edu.

Most firms involved in managing pricing in a professional and scientific way have a pricing council in place either at the corporate level or at the divisional level. Nothing new there. **The pricing council has become a standard and common team design providing a space for a thorough review of all pricing activities.** While this design has been widely accepted among pricing professionals, I conjecture that the pricing council should be designed and set up to become an organization's strategic competitive weapon.

In essence, how you frame it, who sits in it, how frequently it meets, how long it meets for, where it meets, what the agenda looks like, and how council actions are communicated are some of the questions to be carefully considered and integrated in the overall design. In the

end, the goal is to create a council design and experience that are so unique and invisible that they cannot be imitated by competitors. **Then the pricing council becomes a place to build competitive advantage helping the organization make better pricing decisions and builds long term performance.**

Some of the basic logistical tips that I can share about this unique design are pretty common sense. Here are a few:

1. Have the CEO, a C-suite executive or another top leader sit in every pricing council meeting. This is the best way to elevate the conversation, to get people to participate, and to get quick decisions made.
2. Create a team with sales, marketing, pricing, finance, innovation, management, R&D, operations. The more the merrier. People need to be familiar with the science and art of pricing.
3. Send the pricing dashboard or cockpit in advance so that the first 20 to 30 minutes of the meeting can be spent discussing specific questions, outliers and special cases.
4. Have a consistent agenda with some expected subjects but leave enough time for creative discussions especially when reviewing new product pricing and other strategic subjects.
5. Create a fun branding for the pricing council including logo, Power-Point templates, graphs, dashboard, etc. Tie the brand image to the overall pricing vision.
6. Keep the meeting to under 60 minutes if you can. It is better to have one 60-minute meeting every two weeks than to have a 2-hour meeting once a month where people will lose

focus and interest. This is why the basic dashboard has to be reviewed by participants prior to the meeting. The last thing you want is to spend 60 minutes only on reviewing pricing key performance indicators.

7. Make sure you have a balance of topic relating to cost, competition and customer value. Obviously, you will have a multi-functional team in this council and each council participant will be responding to different information in a unique way.

If you have managed a pricing council before, this is not rocket science. What becomes a bit more tricky is designing a pricing council that generates and promotes a different kind of experience. This forum or platform engages participants to the fullest, breaks down organizational silos, disrupts mechanical pricing

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ing routines and becomes more creative in nature.

1) A platform for candid and open discussions

Pricing is a subject that can generate tensions and conflicts. The council can be the platform to address tough issues, potential tensions, and organizational breakdowns. Having open and candid

discussions in a safe and non-judgmental environment can help create greater alignment in pricing tactics. The role of the top leader sitting in the council is critical to opening the dialog and making sure that people have a chance to vent, share, and give constructive feedback.

2) A platform for continuous improvement in value and pricing management

Value and pricing management can be complex. It is important to create a culture of mindfulness in the pricing council where problems are discussed and solved in teams. So the overall message from the council moderator is to seek continuous improvement in pricing and not to point fingers at anyone for difficult pricing situations or bad decisions. Pricing excellence is a journey and not a destination. Success is reached incrementally and through continuous improvement.

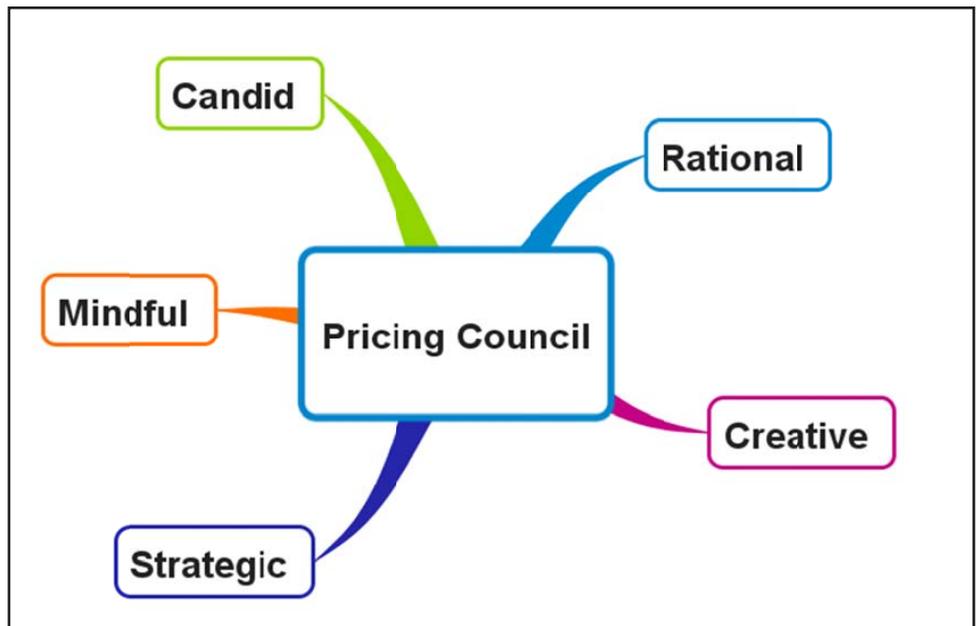
3) A platform to create a higher level of rationality

When teams openly and mindfully discuss new product pricing and when they have access to the scientific data supporting the pricing levels, a greater sense of rationality is created. Sharing and discussing the science behind pricing decisions helps remove subjectivity and judgment.

4) A platform for strategic conversation

A greater portion of the pricing council should be spent on reviewing, discuss-

Figure 1: Pricing Council



ing and challenging the overall pricing strategy. Special attention should be paid to strategic project review, to new product pricing, to value creation and capture activities, and to competitive market dynamics. It is essential to elevate the conversation and to look at the big picture:

- Are we living our pricing vision?
- Are we getting our money's worth for our innovation?
- Are we as differentiated as we think we are?
- Should we revise our market strategy?

5) A platform for creativity and dynamic change

Finally, the pricing council should be a place of creative exploration and experimentation. Pricing innovations should be proposed to further the overall pricing strategy and to match the evolving marketing strategy. **We are facing a very dynamic and competitive global business world. Value and pricing strategies and tactics cannot be static.** They have to change dynamically and sometime at the speed of light.

You may already have a fantastic pricing council design. Congratulations if that is the case. If not, try some of these recommendations and create the platform that it needs to be. Be bold, join the pricing revolution!