



The Strategy and Tactics of Pricing: A Guide to Growing More Profitably

About the book

For almost three decades, *The Strategy and Tactics of Pricing* has served as the leading authority on strategic pricing.

Co-authors Thomas Nagle and Georg Müller are two of Deloitte's thought leaders on the topic of pricing and revenue management, leveraging decades of experience in advising high-profile businesses on how to drive organic growth profitably through strategic revenue management. In the latest edition, they reiterate the need for seamless integration of strategic know-how, technology, and organizational design within a pricing strategy.

By drawing upon their expertise and the knowledge across several of Deloitte's practices, the authors have redefined the standard of how to achieve pricing success through the following:

- **Strategy:** Delivering profitable growth via offer design, better value communications, and revenue model design
- **Technology:** Building the tools needed to inform good pricing decisions
- **Organization:** Designing the capabilities to operationalize the go-to-market strategy

Executive summary

The Strategy and Tactics of Pricing explains how to manage markets strategically and grow more profitably. Rather than calculating prices to cover costs or achieve sales goals,

readers will learn to make strategic pricing decisions that proactively manage customer perceptions of value, motivate purchasing decisions, and shift demand curves.

This edition features a new discussion on harnessing concepts from behavioral economics as well as a more streamlined "value cascade" structure to the topics. Readers will also benefit from:

- Major revisions to almost half of the chapters, including an expanded discussion of big data analytics and a revised chapter on "Specialized Strategies," which addresses timely technical issues like foreign exchange risks, reactions to market slumps, and managing transfer prices between independent profit centers.
- A completely rewritten chapter on "Creating a Strategic Pricing Capability," which shows readers how to implement the principles of value-based, strategic pricing successfully in their organizations.
- In-chapter textboxes, updated to provide walk-through examples of current pricing challenges, revenue models enabled by an increasingly digital economy, and advances in buyer decision-making, explained through classic principles that still apply today.
- Chapter summaries and visual aids, which help readers grasp the theoretical frameworks and actionable principles of pricing analysis.

"The principles of business profitability stressed in *The Strategy and Tactics of Pricing* make it an absolute must read for all business professionals who care about creating value and profitability for their organization. I have personally practiced the knowledge gained from *The Strategy and Tactics of Pricing*, operating in hyper-competitive business environments, with great success."

— Lynn Guinn, Global Strategic Pricing Leader, Cargill

"For over three decades, this book has been the most influential and highly regarded reference for pricing professionals. New sections on today's most pressing business topics make it an indispensable tool to improve your company's performance."

— Kevin Mitchell, President, The Professional Pricing Society, Inc.

Chapter summaries

Chapter 1: Strategic Pricing

The need for innovative pricing strategies has never been greater. Pricing strategy involves more than picking a number to charge—it involves creating “good value” that can be produced and sold profitably.

Chapter 2: Value Creation

Many firms fail to capture their fair share of value delivered because they do not understand how their products and services create benefits for customers. Strategic pricing begins with understanding and estimating “economic value,” or value relative to that of the next best alternative.

Chapter 3: Value Communication

A common myth among marketers is that customers know the value of the products and services they buy. In fact, it is common for customers to undervalue products and services for which they lack prior experience.

Chapter 4: Price Structure

Except for highly competitive commodities, charging the same price on every transaction is rarely the best way to generate revenues. A far more profitable strategy requires creating a structure of prices that aligns with the

differences in economic value and cost to serve across customers or applications.

Chapter 5: Price Policy

Expectations drive buyer behavior and nowhere more so than their expectations around pricing. If customers come to expect that some change in their purchasing behavior will enable them to get the same product or service at an even better price, a regular price that they perceived as a good value becomes no longer acceptable.

Chapter 6: Price Level

In most companies, the reality is that the task of price setting is a complicated process in which conflicting, function-specific objectives come into play. An effective pricing decision should involve a blending of, not a compromise between, internal financial constraints and external market conditions.

Chapter 7: Price Competition

Price competition is a “game,” as defined by game theorists, because the ultimate outcome resulting from any move that you make depends upon how your competitors react to it. Fortunately, there are competitive strategies that can increase, or at least maintain, the value of markets despite price competition.

Chapter 8: Measurement

Companies dedicate significant resources to determine the impact of price on demand. Quantitative estimates of customer price sensitivity and willingness to pay can substantially improve both price setting and price segmentation.

Chapter 9: Financial Analysis of Pricing Decisions

An effective pricing strategy requires taking account of, and making tradeoffs between, internal financial and external market constraints.

Chapter 10: Pricing for Special Situations

Some infrequent, yet common, strategic pricing challenges can damage profitability unless recognized and managed appropriately.

Chapter 11: Building a Pricing Capability

To realize the benefits of strategic pricing, most organizations need to build capabilities that result in better, value-based decision making and more consistent execution.

Chapter 12: Ethics and the Law

When making pricing decisions, the successful strategist must consider not only what is profitable, but also what will be perceived as ethical and legal by customers and regulators.

About the authors



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Tom founded the Strategic Pricing Group in 1987, soon after the publication of the first edition of *The Strategy and Tactics of Pricing*.

He has been a professor at the University of Chicago and Boston University and has long served on the executive program faculty at the University of Chicago and the Management Centre Europe.

A frequent public speaker on pricing and widely quoted in the press, Tom has served as keynote speaker at Professional Pricing Society, The Executive Board, and other executive conferences.



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A leader of Deloitte's Pricing and Profitability Management Practice, Georg helps firms develop and implement top-line margin improvement strategies across a wide range of sectors. Specific projects have included new product introductions, managing price wars, designing new and disruptive revenue models, and leading change management efforts.

In addition to his work at Deloitte, Georg leads the executive development program for strategic pricing at the University of Chicago.

Order the book

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Learn more

Pricing and profitability management is one of many strategic considerations businesses face today. To learn more about how Monitor Deloitte can help, visit www.deloitte.com/us/pricing-profitability-management.

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