

Pricing as a team sport

Achieving excellence through cross-functional collaboration

by Stephan Liozu, Ph.D.



Pricing programs must involve much more than the usual suspects: marketing, sales, innovation, product management, and pricing. Other functions have critical roles to play in developing and implementing effective pricing strategies, as the author explains. Stephan M. Liozu, Ph.D. (sliozu@gmail.com), is Founder of Value Innoruption Advisors, a consulting boutique specializing in industrial pricing, XaaS pricing, and value-based pricing. He is also the co-Founder of Pricing for the Planet, which specializes in pricing for sustainability. Stephan has 30 years of experience in the industrial sector with companies like Owens Corning, Saint-Gobain, Freudenberg, and Thales. He has authored and edited 15 books on value and pricing management. Stephan sits on the Board of Advisors of Professional Pricing Society. He is a Senior Advisor with BCG.

Pricing is often seen as the domain of the sales and marketing departments, yet this narrow view overlooks the broader organizational implications of pricing strategies. To achieve pricing excellence, companies must recognize that pricing is a team sport, requiring collaboration across multiple functions. Pricing is the ultimate team sport. We are not talking doubles tennis or beach volleyball. We are talking sports like rugby or American football! This essay explores the reasons why departments such as Human Resources (HR), Information Technology (IT), Finance, Supply Chain, Quality, Application Engineering, and Manufacturing should actively participate in pricing transformational programs. I call these functions **the unusual suspects!**

By adopting a truly collaborative approach, organizations can develop and execute more effective pricing strategies. A culture of collaboration and alignment boosts competitive advantage, and ultimately improves financial performance.

The Need for Cross-Functional Collaboration in Pricing

Effective pricing strategies are critical for any organization seeking to maximize profitability and sustain long-term growth. However, developing and implementing these strategies is not a task that can be siloed within a single department or within go-to-market functions only. Instead, pricing must be approached as a collaborative effort that draws on the expertise and insights of various functions within the organization. There are adjacencies in pricing that cannot be ignored. For example, the impact on finance and supply chain teams when pricing tactics are transformed must be quickly addressed.

The complexity of modern markets, characterized by rapid technological change, global competition, and shifting customer expectations, necessitates a holistic approach to pricing. This approach ensures that pricing decisions are informed by a comprehensive understanding of the entire value chain, from product development to customer experience. To achieve this level of integration, it is essential that

departments such as HR, IT, Finance, Supply Chain, and Quality are actively involved in the pricing process. The involvement cannot be last minute or when the projects are in rollout mode. These teams must be included from the original blueprinting and design phases. The sooner they are involved, the greater the probability of deployment success. Remember that 70% of projects fail to reach the desired outcome according to scholars.

I want to take the time to go into each of these functions and show how strategic they can be in pricing transformation programs. For each function, I focus on three critical contributions. Again, the goal of this paper is to make sure no one is left behind in the design and execution of these programs. Let us get started.

The Role of Human Resources in Pricing Excellence

Human Resources plays a crucial role in supporting pricing excellence by ensuring that the organization has the right talent, skills, and culture to execute pricing strategies effectively. Here are three reasons why HR should

be involved in pricing programs:

1. Talent Acquisition and Development: HR is responsible for recruiting and developing the permanent or temporary talent needed to drive pricing initiatives. This includes identifying individuals with strong analytical skills, commercial acumen, and an understanding of market dynamics. By aligning talent acquisition and development with the organization's pricing goals, HR can ensure that the company has the capabilities required to compete effectively in the marketplace.

2. Training and Development: Pricing excellence requires continuous learning and adaptation. Training and people development teams can facilitate this by designing and implementing training programs that enhance employees' understanding of pricing strategies, tools, and techniques. These programs can help build a pricing-savvy workforce that is better equipped to make informed pricing decisions and respond to market changes.

3. Performance Management: HR can align performance management systems with pricing objectives by setting

HR. I exposed to her or him the strategic role that HR plays to move the culture and mindset towards value and pricing excellence.

The Role of Information Technology in Pricing Excellence

It goes without saying that Information Technology is critical to the development and execution of effective pricing strategies. IT provides the tools and infrastructure needed to collect, analyze, and act on pricing data. The IT infrastructure is extremely relevant when it comes to reducing complexity and building the technological backbone of the pricing programs. Here are three reasons why IT should be involved in pricing programs:

1. Data Integration and Management:

Pricing decisions are increasingly driven by data. IT plays a vital role in integrating data from various sources, including sales, customer interactions, market research, and supply chain operations. By providing a unified view of this data (in CRM, ERP, marketing automation, etc.), IT enables the organization to make more informed pricing decisions based on a comprehensive understanding of dynamic market conditions.

2. Pricing Analytics and Tools: Advanced pricing strategies require sophisticated analytics tools that can model different pricing scenarios, forecast demand, and assess the impact of pricing decisions. IT is responsible for selecting, implementing, and maintaining these tools, ensuring that they are accessible to the relevant stakeholders and that they provide accurate and actionable insights.

3. Automation and Efficiency: IT can

help streamline pricing processes through automation. This includes automating routine pricing tasks, such as updating price lists, processing discounts, and managing promotions. By reducing manual effort and minimizing the risk of errors, IT can improve the efficiency and accuracy of pricing operations.

Some organizations are blessed with dedicated IT pricing teams. That is the exception rather than the rule. However, when a company operates with a pricing optimization software platform, a pricing billing system, an ERP, and a CRM, the level of pricing specialization that is required can be high.

The Role of Finance in Pricing Excellence

Finance is integral to pricing excellence, as it ensures that pricing decisions align with the organization's financial goals and contribute to overall profitability. Here are three reasons why Finance should be involved in pricing programs:

1. Profitability Analysis: Finance provides the analytical tools and frameworks needed to assess the profitability of different pricing strategies. This includes analyzing cost structures, margin impacts, and the financial implications of various pricing scenarios. By doing so, Finance ensures that pricing decisions support the organization's financial objectives.

2. Cost Management: Effective pricing strategies require a deep understanding of the underlying costs associated with producing and delivering products or services. Finance is responsible for tracking and managing these costs. But also need to support cost-to-serve analysis and customer profitability tracking.

3. Risk Management: Pricing decisions can expose the organization to financial risks, such as price wars, regulatory challenges, or shifts in customer demand. Finance is responsible for identifying and mitigating these risks through careful analysis and scenar-

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clear targets and incentives related to pricing outcomes. This ensures that employees across the organization are motivated to contribute to pricing excellence and that their efforts are recognized and rewarded.

I have also worked with HR teams on internal communications campaigns to support change management efforts. In fact, when starting pricing programs, I often start with a meeting with the Chief People Officer or VP of

io planning. This proactive approach helps protect the organization's financial stability.

I have involved finance teams in all my transformational programs. It is essential to expose them to concepts of customer value and value-based pricing. With their analytical skills and knowledge of tools, they become assets in teamwork and working sessions!

The Role of Supply Chain in Pricing Excellence

The Supply Chain function is frequently forgotten in pricing excellence programs. It is a mistake. This function directly influences the value perceptions, cost structure, lead times, and overall service efficiency of the organization. Here are three reasons why Supply Chain should be involved in pricing programs:

1. Lead Time and Availability: Pricing strategies must consider product availability and lead times, which are managed by the Supply Chain function. Ensuring that products are available when and where customers want them can justify premium pricing and enhance customer satisfaction. Conversely, supply chain disruptions can necessitate price adjustments to manage demand.

2. Supplier Relationships: Strong relationships with suppliers can provide leverage in negotiating better prices for raw materials and components. These cost savings can be passed on to customers through competitive pricing or retained to improve margins. The Supply Chain team plays a key role in managing strategic supplier relationships and securing capacity and quality levels.

3. Inventory Management: Effective inventory management is crucial to balancing supply and demand, avoiding stockouts, and minimizing excess inventory. The Supply Chain team's ability to manage inventory levels directly impacts pricing strategies, particularly in industries with perishable

goods or rapidly changing demand.

Supply chain teams cannot be involved in all pricing initiatives. They can be invited to a quarterly pricing council meeting for example to pay attention to customer KPIs as well as issues in service performance. They play a critical role in customer segmentation programs when service conditions are customized for each segment.

The Role of Quality in Pricing Excellence

Quality management is integral to pricing excellence, as the perceived value of a product or service is closely tied to its quality. Here are three reasons why Quality should be involved in pricing programs:

1. Customer Perception: Quality directly influences customer perception of value. Products and services that consistently meet or exceed quality

They can become an asset in value quantification workshops bringing in the technical and operational voice of customers.

3. Cost of Quality: Poor quality can lead to increased costs due to returns, rework, and warranty claims. These costs must be factored into pricing decisions. By minimizing the cost of quality through effective quality management practices, the organization can set prices that reflect true value while protecting margins.

You will be surprised by the amount of customer and performance data that is available in the quality department. Quality folks know a lot and must be leveraged in pricing programs.

The Role of Manufacturing in Pricing Excellence

I never work on strategic programs without at least involving Plant Managers. First, they usually are high-



standards can command higher prices. The Quality team's role in maintaining and improving product quality is essential to supporting premium pricing strategies.

2. Value Quantification: Professionals in quality management know a lot about the customer business. They also have access to performance data.

ly qualified professionals with deep knowledge about the business. Second, manufacturing is at the heart of product creation, and its operations directly influence cost structures and pricing strategies. Here are three reasons why Manufacturing should be involved in pricing programs:

1. Production Flexibility: The ability to

adjust production and to allocate capacity quickly in response to market demand is crucial for dynamic pricing strategies. Manufacturing's role in enhancing production flexibility, through techniques such as lean manufacturing or just-in-time production, enables the organization to respond to price changes and market conditions effectively.

2. Scalability: Pricing strategies often depend on the organization's ability to scale production up or down. Manufacturing ensures that the organization can meet large orders or prioritize strategic customer orders without compromising quality or incurring excessive costs. This scalability supports volume-based pricing strategies and can help the organization capture market share.

3. Product Quality and Consistency: Consistent product quality is a key determinant of customer satisfaction and perceived value. Manufacturing's role in maintaining high-quality standards ensures that products meet customer expectations, justifying premium pricing and reducing the likelihood of price-related complaints or returns.

Believe it or not, Plant, Engineering, and Manufacturing Excellence Managers get it. They are focused on excellence and continuous improvement. They also love numbers. I often involve them in segmentation projects, value quantification programs, and general training programs.

The Role of Application Engineering in Pricing Excellence

Application Engineering is critical in tailoring products and solutions to meet specific customer needs. This function plays a significant role in creating value that supports premium pricing. Here are five reasons why Application Engineering should be involved in pricing programs:

1. Customization and Differentiation: Application Engineering provides customized solutions that address specific customer requirements, enhancing the perceived value of products. This customization allows the organization to differentiate its offerings and justify higher prices compared to standardized products.

2. Technical Expertise: Application Engineers possess deep technical knowledge that can be leveraged to communicate the value of complex products to customers. Their expertise helps in articulating the unique benefits of a product, which can support value-based pricing strategies. They spend the lion share of their time at customers' locations and on the production line so to speak. They have deep knowledge and insight into the customer process, which can be useful in value quantification workshops.

3. Sales Enablement: Application Engineering supports the sales team by providing technical insights and solutions that help close deals. Their involvement ensures that the pricing reflects the true value delivered to the

customer, particularly in industries where technical specifications play a significant role in purchasing decisions.

Conclusion

Pricing excellence cannot be achieved in isolation; it requires the concerted effort of multiple functions across the organization. Pricing programs must involve much more than the usual suspects: marketing, sales, innovation, product management, and pricing. Other functions have critical roles to play in developing and implementing effective pricing strategies. By leveraging the unique expertise and insights of these functions, organizations can create more holistic and dynamic pricing approaches. You will be amazed by the level of energy and motivation from all teams when they are allowed to participate in strategic value and pricing programs. Participation means listening to their voice, bringing their expertise into the process, and recognizing the value they bring to the pricing process. In today's complex and rapidly changing market environment, treating pricing as a team sport is not just a best practice—it is a necessity. Organizations that embrace this collaborative and aligned approach will be better positioned to navigate the challenges of pricing and to capitalize on the opportunities that arise in the pursuit of pricing excellence.

Pricing is a team sport. To win, you need a playbook and the best talent on the field! ❖