



## Consulting Collaborative Product Pricing “Best Practices” Self-Evaluation

Effective product pricing and pricing administration is a critical ingredient in the success of any manufacturing operation. Without a robust Pricing Management Process that addresses cost and value at a detailed level and provides clear decision making and regular assessment, you can adversely impact both your profit margins and your sales volume. There is no better way to build your bottom line than via more effective pricing. This one page self-evaluation will determine if your company has the tools and processes in place for a successful Pricing Management Process. It is based upon “Best Practices”.

Check only what is fully implemented and practiced at your company. Please be 100% candid.

- We have a system in place that provides cost by product and by customer.
- Product costing primarily incorporates actuals rather than allocations (e.g. for customer or product specific items such as freight, tooling, returns).
- Costing is updated with major factor cost changes or once per year at a minimum.
- We have a good understanding of the service attributes that individual customers or segments value.
- We have a good understanding of the product attributes that individual customers or segments value.
- Pricing is based on good understanding of customer value perception.
- Our pricing system provides for multiple adders and/or deductions (e.g. for quantity, complexity, expedited delivery, etc.).
- We regularly review price realization (not what we say we are charging, but what we actually receive after discounts, etc.) by product and/or customer.
- We have good understanding of how various customers’ procurement people evaluate pricing.
- We have clear guidelines and approval levels regarding any deviation from standard pricing.
- Our sales compensation incentivizes profitability, not just volume.
- We regularly review profitability by customer, product, territory and region.

If only one to six criteria for success are checked, you need to make significant changes to your Pricing Management Process, as you are likely leaving too much “money on the table” or experiencing a poor closing ratio. If seven to ten are checked you may need to fine tune your pricing. If you checked eleven or more you have a good process that should be periodically reviewed for continuous improvement to the Pricing Management Process.