



A new professional profile: the *Value Pricing Officer*



Executive Summary

During tough economic times many companies react to falling orders and lower margins cutting back on marketing expenses and reducing customer care and service. Our surveys show that when times are tough, customers pay more attention to the way they are treated and to the experience they make in their interaction with various companies. Today, more than ever, the customer remains the main issue when seeking economic opportunities. Customer satisfaction and loyalty should therefore keynote company's long-term strategy: satisfied and loyal customers were, are and will always be the core of the economic and competitive success of any company in the long run. Ultimately, customer choices largely determine the company's value of *cash flow*, the timing and risk profile, thus the company's capital.

Customer orientation represents the model any organization should aim to. The function of Marketing, called to make this orientation effectively operating, should manage the customer-company cycle starting from

the introduction of Customer Satisfaction Listening Systems. Many companies have already implemented these tools, thus monitoring carefully customer satisfaction and filling the gap as far as satisfaction expanding the relation with their customers. Evidence shows that it is easier to maintain a loyal customer than acquiring a new one. Though the importance of customer relationship, the effects of *customer loyalty* on *churn rate* and on total value of a customer (TVC) and *customer lifetime value management* are all proven concepts, most companies have not directly applied them yet.

Further sophistication is provided by understanding that "customers are not equal" and that, if properly managed, price lever can allow to extract extra-value from any customer. An issue poorly managed in companies is, in fact, that of transformation of the available information on satisfaction in tailored pricing strategy for corporate profitability, a fundamental prerogative to ensure customer satisfaction in the long run.

We believe that the balance between the value produced by the company - *value given* - and the value



actually taken from the market in form of economic profit - *value taken* - should become the subject of constant and deep reflection in the company. Our research shows that companies that invest significant resources in extracting value from strategic *pricing* get better long-term results than those that focus primarily on the *give*. Companies have to develop a *pricing process* to achieve a lasting change in their pricing policy. The *pricing process* features all decisions and actions of people inside the company/unit that influence the selling price. To be effective, this process requires the introduction of a specific organizational profile, the *Value Pricing Officer*, whose purpose is to be a point of reference for the different business functions and to facilitate optimal pricing policy.

In this framework, *Customer Value Strategy* provides and overview which includes the value created for customer, the wide relationships developed with the same, optimal *pricing* and enterprise value from shareholder perspective.

This Paper aims at explaining how, though listening of satisfaction and commitment to maximize *customer*

loyalty provide an essential input, they are not sufficient to generate high and sustainable profitability performance.

It is therefore necessary to rethink the *pricing process* in order to identify "pockets of value" for the customer as far as product attributes, service and brand which are currently desired by the customer, but which can be enhanced through better management of price lever without triggering customer dissatisfaction or abandonment.

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