

Capturing Value from Customers: Keys to a Successful Monetization Strategy

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Fee: RMB 29,800

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Pricing is an area of business that senior managers and aspiring entrepreneurs alike seldom talk about with enthusiasm. In fact, although most businesspeople understand that pricing decisions can truly make or break a company's bottom line, they tend to tackle today's demanding markets without the aid of a carefully crafted strategy. As a result, pricing policies are little more than collections of tactics held together by questionable assumptions and crude heuristics that, in many circumstances, put financial and brand health in jeopardy.

Capturing Value from Customers is a pragmatic, action-oriented study of the different—and at times surprising—roles that pricing plays in capturing, communicating, and even increasing a firm's competitive advantage. The objective of the programme is to equip the audience with the necessary skills to design and execute a superior pricing strategy. We will draw lessons from economics, psychology, sociology, and other disciplines to introduce new approaches and useful frameworks for solving the most pressing contemporary pricing problems.

While the emphasis of pricing is obviously on one element of the marketing mix, it is important to keep in mind two considerations. First, pricing decisions are never independent of product, communications, and distribution decisions. A key challenge in the programme, therefore, will be to embed pricing questions in the context of a company's overall market strategy and evaluate its effectiveness in achieving broader managerial goals. Second, pricing is not safe in the hands of marketers alone. To be exact, marketers must have a say in pricing decisions, but their input should be complemented at least with that of sales, finance, and accounting. For this reason, I teach the programme more from the standpoint of general management.

Programme Objectives

This programme will cover the key concepts and management tools related to pricing strategy. It is designed to help middle- and senior-level executives create and implement pricing strategies that make sense to generate the highest profit from their products and services.

Who Should Attend

The programme is aimed at mid- to senior-level professionals across areas of companies in business and consumer markets who approve, design, or implement pricing decisions. It should also appeal to directors of smaller companies and entrepreneurs who are introducing new products and services or believe their current offerings fail to capture a fair share of

the value they create in the marketplace.

Programme Benefits

By the end of the programme, you will have learnt how to:

- Recognise the different roles that price can play in a market
- Address the constraints that shape a comprehensive pricing strategy
- Design a revenue model that complements the broader strategic objectives of the organisation
- Determine the proper role of costs, competitors, and customers in setting the “right” price
- Understand the impact that customer psychology and sociology can have on demand
- Estimate and act on willingness-to-pay information
- Calculate and sell the unique value of a product or service with confidence
- Use price as a language to build customer engagement and commitment
- Respond intelligently to price competition and the forces of commoditisation
- Identify opportunities for price customization that are palatable to customers
- Design smart sales price promotion campaigns that boost sales without eroding brand equity
- Use price as a language to build customer engagement and commitment over time

Programme Coverage

- Price and pricing strategy
- Revenue models
- Pricing models
- The economics of price
- The psychology and sociology of price
- An analysis of fixed profit
- Creating, communicating, and acquiring value
- Improving customer value
- Differentiated pricing
- Price promotions and brands
- Price competition

Programme Content and Structure

Day 1 (morning): Understanding the price decision

The opening session helps the participant appreciate the different effects of price and understand the factors that constrain and guide the development of a successful, practical strategy. The starting point is a short discussion on how pricing decisions are typically handled in organisations and the potential for improvement that is within reach. The classic tables from management consulting firms that calculate the financial impact of a price increase relative to other profit levers is a good stimulus for debate at this moment. The case study on the ticketing challenge faced by the London Organising Committee for the 2012 Olympic and Paralympic Games is then used to tackle the stated objectives and, through a reflection exercise, consider the main gaps between the ideal strategy and the status quo in your company. To conclude, we introduce the “Compass and M.A.P.” framework, a simple structure that summarises the key learning points in the session and, importantly, can be easily adopted to improve the quality of pricing processes in a company.

- The different and surprising roles of price in a market
- The “Compass and M.A.P.” model of pricing strategy

Day 1 (afternoon): Rethinking the revenue model

Perhaps the most strategic aspect of pricing is the decisions that managers take with respect to the revenue model of their business—their company’s policy on how it makes money. In particular, managers need to figure out what features (or entire products) they put a price on and what are seemingly free, which customers are asked to pay and which are not, when and how revenue is collected, and so on. This session explores these tricky decisions and clarifies the serious strategic implications that they carry with respect to customer selection and behaviours, the competitive landscape and intensity, and company and brand positioning. Importantly, the session aims to reduce the complexity that is inherent to revenue model design to a small set of guiding principles. The case study on the integration of two sales forces at Roche Diagnostics in Germany identifies and debates the logic of these tenets in the context of a practical business problem. The case study also helps the participant understand that, over time, revenue models tend to lose their strategic intent due to the incremental changes implemented in good faith along the way to patch up tactical shortcomings. To cap the session, a lecture explains further the guiding principles and presents examples of companies that, proactively or otherwise, have disrupted or re-energised their markets by taking a more radical stance in engineering their revenue model.

- The way we price says a lot about who we are and what we sell
- Asking “what? when? who? how?”
- The two guiding principles to a solid revenue model

Day 2 (morning, part 1): Looking out, looking in—the economics of price

How can a businessperson assess whether the price of a particular product is the right one? This session examines the economic ideas that, at least from a theoretical perspective, inform pricing decisions. The discussion is framed around the “pricing thermometer,” a simple visual tool that introduces the three key factors that result in strong prices. The first part of the session is useful for introducing this tool and understanding the type of costs that matter in pricing and their proper contribution to decision-making. The meaning and role of the two remaining factors, perceived value and economic exchange value, can then be discussed. Finally, we point out how the seemingly conceptual process of building the pricing thermometer in fact has strong practical relevance. It turns out that making sound pricing decisions is in many ways a balancing act combining internal (looking in) and external (looking out) sources of information.

- The way we price says a lot about who we are and what we sell
- The pricing thermometer: marginal cost, willingness to pay, and economic exchange value
- Constant-profit analysis
- Measuring perceived value is a matter of motivation and control (and cost)
- The researcher’s toolbox

Day 2 (morning, part 2): Selling shared value

At the heart of every solid pricing programme are the activities that managers undertake to understand, compute, and communicate the unique and valuable elements that differentiate their offerings from those of competitors. Indeed, there is truth in the saying: “When the value of an offering is clearly understood by both firm and customer, price is seldom a problem.” This session shifts the emphasis from the need to document economic exchange value and the process that gets it done to the problems that arise when the manager goes out and tries to sell value in a market—in particular when that market is populated by procurement professionals that are rewarded handsomely for their cutthroat negotiation skills. The objective is to build consensus on the tasks that managers should pursue in order to exploit their competitive advantage. Framing this goal is the five-step framework.

- Understanding the seller’s role: knowing value, speaking value, and rewarding value
- Understanding the buyer’s role: wanting value, seeing value, and paying for value
- Price as a form of communication

- Five ways to improve your value discussion with customers

Day 2 (afternoon): Managing price competition

No pricing programme is complete without a discussion of competition. Is there anything a manager can do, within the constraints established by the law of course, to encourage rivals to behave? How can costly price wars be stopped, or better still avoided in the first place? What does it take for a company to become the price leader in a market? These are relevant questions in many of today's markets, and an important step toward finding satisfactory answers is realising that price competition is the result of three separate forces. Certainly, part of the blame for price competition is likely to rest with the seemingly irrational actions of the rival. In this case, the manager's task is to try and influence that company's behaviour. But aside from this obvious frame of reference, price competition is also fuelled by the natural tendency of customers to lose interest in differentiation as markets mature, and by the manager's own biased perspective of events. The process of habituation that accompanies a product's life cycle can be slowed down or even reversed with specific counteractions. The psychological biases of managers, however, are hard to treat because they tend to occur below the level of consciousness. This session makes the three facets of price competition evident with a discussion of "The Upstart's Assault" case study. It also introduces several ideas on how to address each element.

- Ending the blame game: price wars are caused by competitors, customers, and you
- The prisoners' dilemma revisited
- Strategies to avoid, or at least delay, the forces of commoditisation
- Price leadership

Day 3 (morning): Motivating the purchase

It is often said that price promotion is the business equivalent of a potent drug: many firms give it a try in response to pressure from their peers, the immediate bump in sales that clearly results from the price concession feels almost as good as the drop in sales feels bad once the discount is retracted, and as time goes by the deals get deeper and more frequent in order to grab the attention of a customer who is increasingly accustomed to (and bored with) receiving deals. The fact that these behaviours on both sides of the market are by and large predictable begs a couple of questions: Are managers doing things right? Is there a healthier way to entice customers with price promotion, or should all firms with enough self-control and discipline abandon the tactic altogether? This session aims to provide answers to these common practical questions. First, a thorough discussion of the "Time for a Unified Campaign?" case study helps the participant understand that price promotion can have a strong strategic purpose separate from its traditional tactical role. Second, the lecture outlines a series of criteria that managers can use to distinguish between a "smart" and a "dumb" price promotion. Taken as a group, these criteria comprise a checklist useful to audit a company's current performance with respect to the design of promotional campaigns.

- Can sales promotion be strategic?
- Smart discounting: what does it look like? 10 criteria to decide

Day 3 (afternoon): One customer, one price

From a pricing standpoint, it is safe to say that not all customers are created equal. This is because, in all likelihood, some groups of customers find more value in a given product than do others. A smart manager accepts this reality and quickly realises that using one price point across the entire market is bound to be wasteful: in some instances this price point underestimates the worth of the product and therefore leaves a good chunk of money in the customers' pockets rather than the company's bank account, while in other instances it ends up overestimating worth and therefore prevents sales that

would make financial sense at some lower (discounted) level. The final session of the programme is dedicated to the complicated but important topic of price discrimination. In particular, the session builds on the counterintuitive idea that replacing the conventional take-it-or-leave-it approach to pricing with a more participative method, one that effectively delegates some—but seldom all—influence over price setting to customers not only makes a business more efficient at turning hard-earned competitive advantage into revenue, but also introduces unexpected benefits in the form of signaling (about a firm's intentions and product quality) and customer empowerment. The challenge for managers is first to understand why customer input is critical and feel at ease with losing some control over prices, and second to choose wisely among the different pricing models available today that vary on the extent to which pricing is outsourced. The session provides a simple framework to assist this choice and many examples, some highly creative, of these models

- Mapping price discrimination through the customer participation hierarchy
- Four important questions to decide the best possible pricing mechanism

Faculty



Marco Bertini

- Associate Professor of Marketing Management at ESADE, Barcelona.

Admissions Procedures

Applicants can apply for the programme in either of the following two ways:

- **Online application:** Please visit the CEIBS Executive Education website <http://en.ceibs.edu/execed>, click “Applicant Services Centre”, then select and apply for the programme you want to take. Online applicants are entitled to 1,000-yuan discount in programme tuition.
- **Call the CEIBS:** You are also welcomed to call the CEIBS Customer Service Team for an E-Application Form, then fill in the form and send it to the CEIBS Customer Service Team by email.

Applications are requested at least 30 days before the programme start date. Applications are reviewed as they arrive and admissions are subject to the final confirmation of CEIBS. Any applications received after that date will be considered on the basis of space availability. For more information, please contact our Customer Service Team in Shanghai, Beijing or Shenzhen.

Cancellations

Any cancellation made 30 days or more prior to the programme start date is eligible for a full refund of programme fees paid. However, the expenses arising therefrom shall be for the account of the applicant or his/her employer. Any cancellation made less than 30 days prior to the programme start date shall be subject to a fee of 20 percent of the total programme fee. After the programme starts, no fees shall be refunded for participants who withdraw from the programme for any reason.

Notification

To ensure the continuity of your learning, you are required to make proper arrangements according to the course schedule after receiving your letter of enrollment. We will neither make up lessons for you nor confer you with the certificate of completion if you are absent from the course for personal reasons. CEIBS reserves the right to amend information on this programme including price, discount, date, location, faculty, daily schedule and other details.

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