The 4 P’s of Tactical Marketing

Product
Price
Placement
Promotion

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Do you see a problem in this data?

Why would you sell a product at a loss?

How might you address these issues if it was your business?

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Today’s Issues Form the Basis for Pricing Solution Requirements

**Pricing Issues**
- Setting the "best" price
- Poorly controlled discounting or customer service giveaways
- Significant unplanned variability in customer pricing and delivery
- Knowing the true profitability of a customer, a product, or a market segment
- Shifting from cost-plus to value and context-based pricing
- Poor visibility of the various pricing and cost components of a contract
- Sifting through the abundance of available data to optimize pricing decisions
- Reacting to new or fleeting market opportunities
- Developing customer segmentations that allow pricing to match the value perceived by the customer
- Balancing centralized pricing control with empowering the sales force to negotiate an appropriate price
- Aligning incentives to focus on overall business performance and not just total revenue
- Controlling the process complexities associated with negotiated pricing
- Ensuring compliance with the various pricing-related regulatory controls

**Functional Requirements**

**Price Analytics Solutions**
- Waterfall, Scatter, and Price Band Analytics
- Ability to reflect true cost-to-serve, showing the cost associated with all customer services
- Ability to view price/margin performance in various customer, product, geographical segments
- Track contract and promotion performance
- Capabilities to negotiate a customer

**Price Execution Solutions**
- Enforcement of price discounting policies
- Structured customer negotiation, allowing the price to be viewed against approved cost forecasts and all cost-to-serve elements
- Price approval workflow and audit trail of price changes
- Ability to handle price administration/maintenance for thousands of products, thousands of customers, and thousands of price agreements

**Price Optimization Solutions**
- Forecast and predict the optimal price based on competition, demand, price, and manufacturing cost
- Use win/loss data to allow pricing to be more likely to price better and win profitable business in the future

**Pricing Exercise**

<table>
<thead>
<tr>
<th></th>
<th>2005 ($MM)</th>
<th>2005 with 1% price increase ($MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>7994</td>
<td></td>
</tr>
<tr>
<td>COGS</td>
<td>5596</td>
<td></td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>2398</td>
<td></td>
</tr>
<tr>
<td>S&amp;A, R&amp;D, etc</td>
<td>1556</td>
<td></td>
</tr>
<tr>
<td>OPBT</td>
<td>872</td>
<td></td>
</tr>
<tr>
<td>Taxes etc.</td>
<td>234</td>
<td></td>
</tr>
<tr>
<td><strong>OPAT</strong></td>
<td>638</td>
<td></td>
</tr>
</tbody>
</table>
Pricing Issues

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Bioscience Business

- Sells chromatographic media used during drug discovery and manufacture.
- Wants to be selected by pharmaceuticals at discovery stage.
- More than 200,000 labs doing drug research.
- Currently $30MM or 4% of the market, which is growing at 15-25% per year.

1. What kind of channel would you recommend to this company? Why?
2. What attributes of the company were important to you in making your decision?

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