



PRICING
SOLUTIONS

MANUFACTURING & IOT

Launching a Breakthrough IoT Product with a Customer-Centric Pricing Strategy

Often, businesses in mature industries face a complex challenge of not knowing how to commercialize IoT technology that is no longer just a “product”. In response to The Internet of Things (IoT) revolution, many companies have started to establish or enhance their IoT data features.

One such company, a \$30B multinational conglomerate, created a new cutting-edge IoT solution for management control, maintenance, security and efficiency in commercial buildings. Prior to launch, the client wanted to develop a customer-focused pricing model that would enable informed decision making in future product development planning and marketing initiatives.

The company partnered with Pricing Solutions to help build a multi-level pricing framework which would encourage customers across different markets (USA, Canada, Europe) to start adopting and investing in the IoT product within less time.

USA, Canada, Europe

Project Markets

Over 70%

of the Potential Customers Were Open to the IoT offering

The Challenge

Pricing innovation is a difficult task and pricing a complex IoT solution can be even more challenging. For this reason, it is crucial to consider investing the time and effort to develop some pricing insights at the early stages of the product development. In this case, the client needed to develop a value-based pricing strategy that would predict the adoption rate and financial performance of the new technology—no easy feat.

In order to gain a strategic direction, the client wanted to know:

- What economic value do customers perceive?
- What would be the impact of different sales and delivery models?
- How will revenue be affected by different price levels?

To answer these questions, the Pricing Solutions team needed to conduct in-depth pricing research that would incorporate input from both existing client’s customers as well as their internal product development and management team.

Building a Solution That Fits

The Pricing Solutions team established a 3-step solution to help inform the client’s strategy and fulfill their objectives.

1. Conducting Internal Interviews

Pricing Solutions conducted qualitative internal interviews with the product management team to capture the team’s hypothesis, market insights and value perceptions of the IoT product. Discovering the client’s perception and vision first was integral to help us understand the structural issues and systems challenges that might impact the pricing and sales model strategy in the future.

2. Gaining Customer Insights

The Pricing Solutions team conducted 20 qualitative in-depth interviews with existing customers to measure the customer’s value perception and the key value drivers (features & benefits) that might affect the customers’ adoption rate. In addition, we designed a quantitative survey tool that captured the level of price sensitivity and price structure preferences of over 100 customers across different industry verticals.

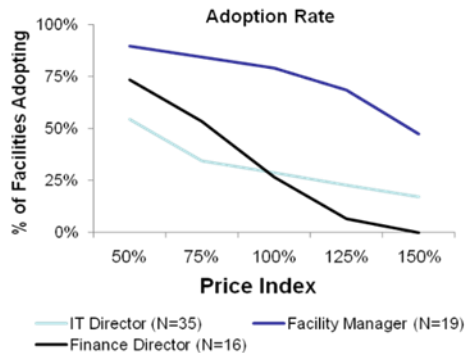
3. Pricing Strategy Analysis & Modelling

Based on internal interviews and customer feedback, the Pricing Solutions team was able to develop a Price Volume Optimizer simulation model that provided a recommendation on the most preferred pricing model and optimal price levels to the client.

The Result?

The customer survey revealed that over 70% of the potential customers were open to the adoption of the IoT offering. In addition, the simulation model predicted that about 80% of these potential customers would adopt the IoT product over the next 4-6 years.

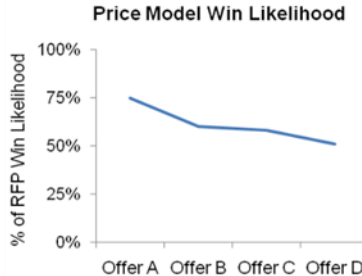
By the end of the project, the Pricing Solutions team delivered to the client an offer & pricing framework that created pricing and sales delivery solutions for low, medium & high complexity customers (i.e. different building & building use types). The new price structure enabled broad adoption of the IoT technology across the customer base and the evolution towards a new business value proposition.



What's the Pricing Solutions Difference?

At Pricing Solutions, we help clients to develop tailored solutions to pricing their IoT-enabled products. With strong research capabilities, we assist businesses in understanding customer's value perception and key value drivers of the IoT offer.

By defining customer value segments, we help companies to develop an effective value-based pricing strategy that meets the client's revenue goals prior to the product launch. To hear more about our experience with pricing the Internet-of-Things contact us today.



Above: Measuring customer purchasing behavior & price model preferences

Our Firm

Our mission is to dramatically improve clients' profitability and market share through improved pricing. Pricing Solutions' four core services include Pricing Strategy, Pricing Analytics, Pricing Research and Pricing Training. Known for our World Class Pricing™ methodology, we have grown to become one of the world's leading pricing consultancies with offices in North America, Europe, Asia Pacific and Latin America. Our global team of researchers, consultants and partners are recognized thought-leaders.

We deliver customized cross-functional solutions, helping our clients achieve a typical payback of 10:1 on their investment.

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