

## Value Based Pricing Process for Unique Service Projects

Developing a pricing process with a set product and regular customer expectations is a challenging feat on its own. Creating an effective pricing model for completely unique projects perpetually is both time-consuming and frustrating.

With multi-million pound projects in agriculture, engineering, and education, this Pricing Solutions client had to be flexible in their offering to suit the needs of their customers. While the agility in projects made them an industry leader, their pricing process was currently at cost-plus and based more on luck than by an equally agile pricing model. The client was winning their share of business, but in an industry where every penny matters, they needed assurance that their pricing was consistent and reflected the value they produced.

Using their expertise in tender pricing models, Pricing Solutions was able to quickly understand the client's pricing process and develop a pricing model that the client could implement to set better prices consistently.

## Creating an Effective Pricing Model

### The Challenge

The client typically bid on projects funded by national governments and needed to have very competitive pricing to be considered. As each contract was tailored and specific, they needed a streamlined approach to setting prices on an ongoing basis while maintaining a value based approach. With each project being so unique and a lack of established market rate, setting prices on the value they deliver was extremely difficult.

### Building a Solution That Fits

The first stage of the project was designing a pricing process that could be leveraged as project requirements changed. Pricing Solutions collaborated in a series of workshops with experienced commercial tender managers to develop a process with the client. The final process incorporated a number of factors including:

- **Project Costing:** Calculating the materials and labour necessary for the actual project and how much each would cost
- **Factoring in Risk:** Typically project costs included an element of unforeseen costs. Historically, they had been inconsistent in what percentage of the price they included

for risk and what was intentional margin.

We suggested then that, following Prince2 project management principles, a risk budget be calculated and included in the cost and could be written off as planned expenditure.

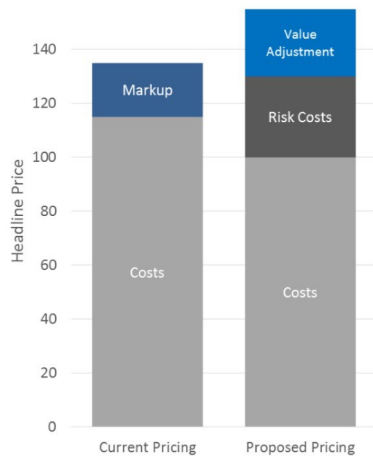
- **Estimating Competitor Prices:** While the client had a deep understanding of their competitors, they struggled to quantify this knowledge into something that could be used to inform their final pricing. By analyzing previous projects and conducting a row by row cost assessment, we provided a structured process to developing an accurate competitor price estimate.
- **Setting the Final Tender Price:** Combining the learnings from the analysis, we used perceived value mapping to evaluate each of the competitor's benefits vs their estimated prices. Based on which companies were competitive in this assessment, a clear range in which to set the price was established. This process now becomes a cycle the client can use for future projects to make themselves as competitive as possible.



The second phase of the project included an implementation component. The team built the process they developed into a tool that the sales team could use for consistency throughout the company.

The expert commercial tender managers that we collaborated with brought invaluable insight into how the customer made decisions and ensured the process for the client would work going forward.

At the end of the project, Pricing Solutions and the commercial tender managers co-delivered a one-day training workshop to the entire tender team, launching the new process and establishing it as normal business practice going forward.



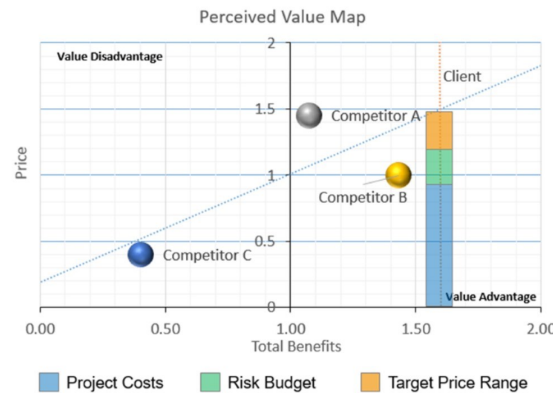
### The Result?

As a result of the project, the client has a pricing process that they are able to execute immediately and can be effectively applied to projects on an ongoing basis.

Additionally, the sales team has received training to implement with confidence and consistency, which we expect will increase their project win rate.

### What's the Pricing Solutions Difference?

Pricing Solutions created a tailored solution for the client, allowing them to increase their average project margin and project win rate. The client was able to implement this tailored process immediately after the tools were delivered because of the training workshop delivered to their team, meaning they didn't just have the tools, but they could use them effectively as well.



Above: compares the two tender pricing models (left); visualization of where the client would sit on the value map under

## 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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