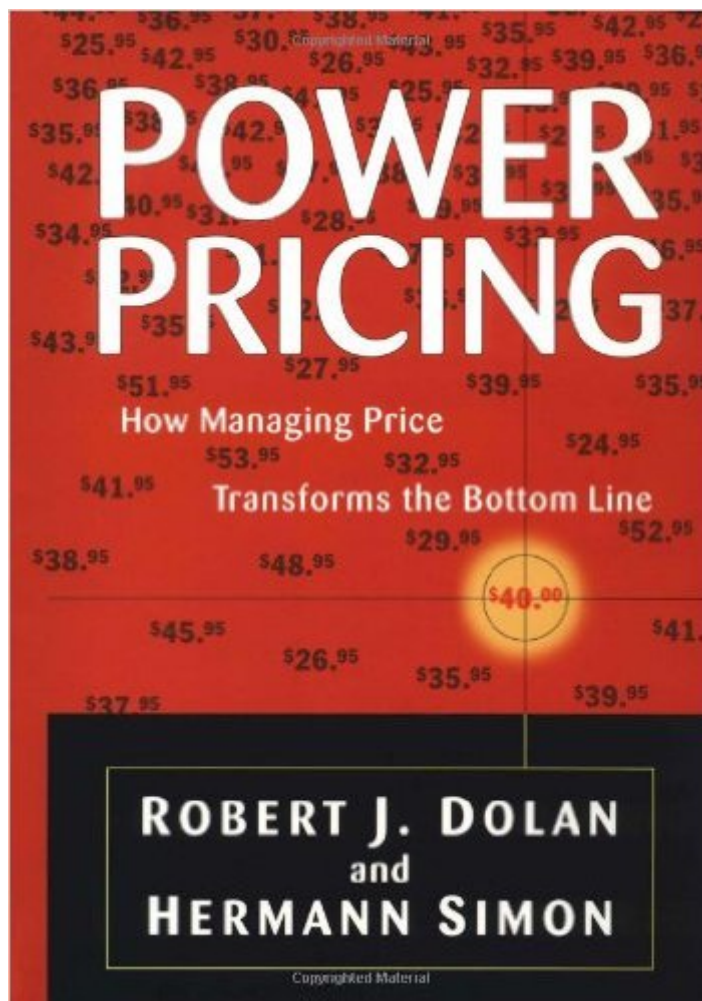


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Power Pricing: How Managing Price Transforms The Bottom Line



Synopsis

In this long-awaited book, the world's two leading price experts Robert J. Dolan and Hermann Simon take managers beyond conventional thinking to show how their breakthrough system of "power pricing" will improve the bottom line by an order of magnitude. In today's hypercompetitive global marketplace, a company's pricing policy can make or break the bottom line. Yet a surprising number of firms attempt to increase profits without the aid of a carefully and creatively designed pricing strategy. They destroy popular but not necessarily financially savvy ideas on pricing, such as relying on a standard markup on cost rule. They expose as passive the "strategy" of letting the market or a competitor "set the price." But the key is in what they provide: the tools by which the pedestrian pricer can become a "power pricer" who achieves quantum leaps in financial performance by aggressively implementing sophisticated pricing strategies. Dolan and Simon combine their international expertise and know-how to reveal the latest breakthroughs in pricing tactics. Drawing on their firsthand experience with firms throughout the world, they make available for the first time the logic behind the actual practices of "power pricers" engaged in fierce global competition. Market segmentation, promotional pricing, competitive strategic pricing, international pricing, nonlinear pricing, interrelated product line pricing, and time-customized pricing are just a few of the crucial concepts which the authors explore and explain when and how to implement. The authors' approach to creating "power pricers" is twofold. They specify the practices of the strategic pricers among the world's most successful firms and then lay out a four-dimensional system to attain this level of pricing sophistication and resulting profit improvement. Dolan and Simon draw their portrait of the power pricer in four critical dimensions: viewpoint on pricing, fact file support pricing, tools and scope of analysis, and determination and implementation. The authors argue that firms must view pricing as a key and highly manageable element in the profit equation, worthy of attention equal to that accorded to sales volume and costs. Companies must have data at their finger tips which are more accurate, timely, relevant, and disaggregated than their competitors'. Using these data to create a systematic analysis of customers and competitors, companies will be able to create and assess pricing scenarios to achieve long-term profitability. This targeted, quadrupled approach to transforming the bottom line by managing price leaves no strategy or option unturned. Power Pricing is a highly detailed yet practically focused book which will become required reading for business leaders; general managers; marketing, product, and brand managers; accountants, financial managers, and marketing students, world-wide.

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Customer Reviews

We all know that pricing is important, how important? Do we know that a 1% price improvement could boost net income by over 25%? How much thought do we put into setting our prices? What tools do we use when we set prices? For most of us, the answers are "too little and too few". If you're responsible for pricing strategy in a mid-size company but don't consider yourself a pricing specialist, you'll find *Power Pricing* useful. It covers a lot of ground in a nontrivial way. *Power Pricing* starts where it should with an economic analysis of price, costs, and profits. I hesitate to use the word "economic" because it too often means "boring", "incomprehensible", or both. The book is neither, and the economics of pricing is half of what you need to know in order to be a smart pricer. The other half is understanding how customers respond to prices. The book covers several methods of determining price sensitivity, including conjoint analysis, a technique used by sophisticated companies but rarely understood by those of us who are not technical experts. The book's brief overview is understandable even if you have no technical background. The first part of the book ends with an interesting chapter on pricing and competitive strategy. It's full of examples which clearly illustrate pricing principles. The second part of the book introduces specific pricing concepts and techniques. Most of the concepts will be familiar, but the book covers some of them at a higher level of sophistication than most of us are accustomed to using.

Why does there exist such a variety of pricing schemes for different products and why do we see different prices for the same product, depending on who buys it when, where, and how? This is a

branch of microeconomics called price discrimination. Price discrimination questions are among the most directly observable ones for students, particularly those who are unlikely to study more economics or business. I therefore focus on these questions in teaching managerial economics in an organizational management graduate program. Dolan's and Simon's book is therefore of some interest to me. These two management consultants have written an extremely practical and non-academic book which explores the actual practice of business pricing with greater sophistication than found in most standard applied microeconomics texts or many business marketing texts. The main markets for this book, I suspect, are students, having graduated but still dissatisfied with the overly theoretical approach in their microeconomics classes, and business managers, especially in medium to large companies, for whom pricing is a very dynamic and strategic issue. I doubt this book is used as a main teaching text, nor would I recommend it. Its basic concepts are hardly novel and are found in any microeconomics or marketing text. The presentation of the basic concept of price elasticity is somewhat long and tedious (it is usually done in less than a page in a standard microeconomics text). However, the application of this concept - and illustrations of how businesses can use it practically - makes for a very rich discussion. What is useful in their book is the variety of examples of actual business settings where practical pricing decisions have to be made which can apply several different concepts.

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