

**PRICE MANAGEMENT: STRATEGY, ANALYSIS, DECISION,  
IMPLEMENTATION**

*By Hermann Simon & Martin Fassnacht | Comprehensive Book Summary*

**PRETIUM = PRICE = VALUE**

The Latin word "pretium" means both price and value—the core equation of price management.

**★ CORE THESIS**

**Price is the strongest profit driver.** A 5% price increase can yield a 50% profit increase under typical conditions. Yet most companies neglect professional price management, focusing instead on costs and volume. The book presents a systematic 4-phase process:

STRATEGY

ANALYSIS

DECISION

IMPLEMENT

**S 1. STRATEGY PHASE**

**Price Positioning:** Companies must consciously choose their market segment. The book identifies 5 price positions:

LUXURY

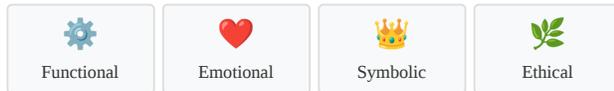
PREMIUM

MEDIUM

LOW

ULTRA-LOW

**Value Components:** Price reflects perceived value, comprising:



**Key Insight:** What matters is not market share but *how* it's achieved. Market share through aggressive pricing without cost advantage destroys value.

**A 2. ANALYSIS PHASE**

**Three Pillars of Price Analysis:**

- **Value-to-Customer:** Determines willingness-to-pay (WTP)
- **Costs:** Sets the price floor (variable costs short-term, fully loaded long-term)
- **Competition:** Influences through cross-price elasticity

**Price Elasticity (ε):**  $\epsilon = \% \Delta Q / \% \Delta P$ . Elastic ( $|\epsilon| > 1$ ) means demand is sensitive to price; Inelastic ( $|\epsilon| < 1$ ) means less sensitive.

**Research Methods:** Conjoint measurement, Van Westendorp, Gabor-Granger, price experiments, market data analysis.

**D 3. DECISION PHASE**

**Pricing Models:**

Model	Description
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**I 4. IMPLEMENTATION PHASE**

**Organization:** Price management spans CEO, sales, marketing, finance. Clear roles and decision authority are essential.

**CEO Role:** When top management is involved, companies achieve 35% more pricing power, 18% better success on price increases, and 30% higher EBITDA improvement.

**Sales Force:** Must be aligned with value selling, not discount selling. Incentives should reward margin, not just revenue.

**Price Controlling Dashboard KPIs:**

- Price realization (actual vs. list price)
- Discount levels and approval rates
- Margin trends and profit contribution
- Competitive price positioning

**5% Price ↑ = 50% Profit ↑**  
PRICE IS THE MOST POWERFUL PROFIT LEVER

**! COMMON PRICING MISTAKES**

- Using cost-plus exclusively, ignoring customer value
- Pursuing market share at the expense of profit margins
- Allowing sales force to undermine pricing with excessive discounting
- Lack of CEO involvement in pricing decisions
- Failing to quantify price-response functions
- Ignoring psychological pricing factors (anchoring, thresholds)
- Poor price communication and value articulation

**✓ SUCCESS FACTORS**

- **Top Management Commitment:** CEO sets pricing framework
- **Process Orientation:** 71% of successful companies view pricing as a systematic process, not one-time optimization
- **Value Communication:** Articulate value before discussing price

Cost-Plus	Markup on costs (simple but ignores value)
Value-Based	Price reflects customer's perceived value
Dynamic	Real-time adjustment to demand/supply
Freemium	Free basic + paid premium version
Subscription	Recurring revenue model

**Bundling Strategies:** Pure (only together), Mixed (separate or bundle), Unbundling (components sold separately).

- **Price Discipline:** Consistent enforcement builds market credibility
- **Data-Driven Decisions:** Quantify elasticity and WTP
- **Competency Building:** Train sales on value selling

## → FINAL TAKEAWAYS

"Pricing power is the most important factor in determining enterprise value." — Warren Buffett

Price management is a competency that differentiates high-performing companies. The sequence **Strategy → Analysis → Decision → Implementation** provides a comprehensive framework. Companies that professionalize their price management achieve sustained competitive advantage and superior shareholder value.