

1 **Value Pricing
as a Business Model**

Presented by

Ronald J. Baker, Founder VeraSage Institute

2 **The Value Firm**

Purpose > Strategy > Value Marketing >

Value Selling > Value Pricing

3 **The Four Ps of Marketing**

4 **McKinsey: 1% Improvement**

5 **How Are Hourly Rates Determined?**

Overhead + D.N.I.

Expected Hours

= AHR

6 **The Role of Pricing in Product/Service Development**

Cost-Plus Pricing

Product > Cost > Price > Value > Customers

7 **Build It and They Will Come**

- Technologically sophisticated
- High performance
- Sporty, sexy
- Introduced in 1953
- Cost-Plus priced at \$3,490

8 **A Different Approach**

- What would you like in a sports car?
- What would that be worth to you?
- Can we build it, sell it at this price, and make an acceptable profit?
- Introduced in April 1964
- Price-led costing
- Priced at \$2,368
- Profit = \$1.1 Billion in two years

- 9 **The Role of Pricing in Product/Service Development**
 Cost-Based Pricing
 Product > Cost > Price > Value > Customers
- Value-Based Pricing
 Customers > Value > Price > Cost > Product
- 10 **Value creation and capture**
- 11 **Fixed Price Agreements and Change Orders**
- 12 **Baker's Law**
Bad customers drive out good customers
- 13 **The Adaptive Capacity Model**
- 14 **Grading Your Pricers**
 Acceptable
- Mediocre
- Wimps
- 15 **Who's in Charge of Value in Your Firm?**
- 16 **Firms that Value Price...**
- Have a clear purpose, strategy and vision
 - Have turned pricing into a core competency
 - Have excellent project management skills
 - Understand they sell intellectual capital, not time
 - Only work with clients who value them
 - Routinely fire low-value clients
 - Maintain minimum prices
 - Price EVERYTHING up-front and use Change Orders
 - Don't treat all clients equally
 - Have replaced timesheets with KPIs, PM, AARs, BARs
 - Have appointed a pricing cartel and/or a CVO
- 17 **Questions and Answers**