

- 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**