

How to improve your B2B Pricing Strategy

The Power of Pricing in B2B



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The Power of Pricing in B2B

Like your fellow B2B marketers, you may find it difficult to identify a suitable pricing strategy; one which correctly reflects the value of your brand while matching your brand strategy...



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B2B marketers often find it difficult to identify pricing strategies for their products and services. This is particularly the case when the pricing strategies of competitors are concealed and when fixed pricing is impractical.

In addition, B2B marketers may have little influence on pricing strategies when Sales Departments play a dominant role. It is thus a challenging task to use pricing as a strategic marketing instrument aimed at increasing revenue and profit.

TNS Power Pricing: the foundation for a profitable pricing strategy

Various techniques can be used to calculate the best price, also from a strategic perspective. However, most of these techniques are only useful in B2C markets and are far from perfect in B2B markets. **However, help is at hand**, TNS has developed a model that can maximise the potential of pricing in your B2B market. You can now reap even greater rewards from your brand by selecting pricing that best suits your pricing strategy.

Recent B2B studies in various industries have shown that our B2B Power Pricing analysis is highly compatible with the B2B landscape, which makes it the ideal basis for a profitable pricing strategy.

Background of TNS Power Pricing: factors that influence the purchasing decision

TNS Power Pricing focuses on two factors that influence the purchasing decision:

the brand, which represents all marketing variables other than price, and **the price**. The brands chosen by particular target groups can be simulated for any combination of price levels for a variety of brands.

Cumulating brand choices across the target group allows one to determine the preference share at various price combinations, including the current market scenario. An estimation for market shares at various price levels can be provided by combining preference shares with information regarding distribution, awareness, existing market shares, purchasing behaviour and usage behaviour.



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The Power of Pricing in B2B

TNS Power Pricing: insights into the Pricing Power of B2B companies by answering three fundamental pricing questions.

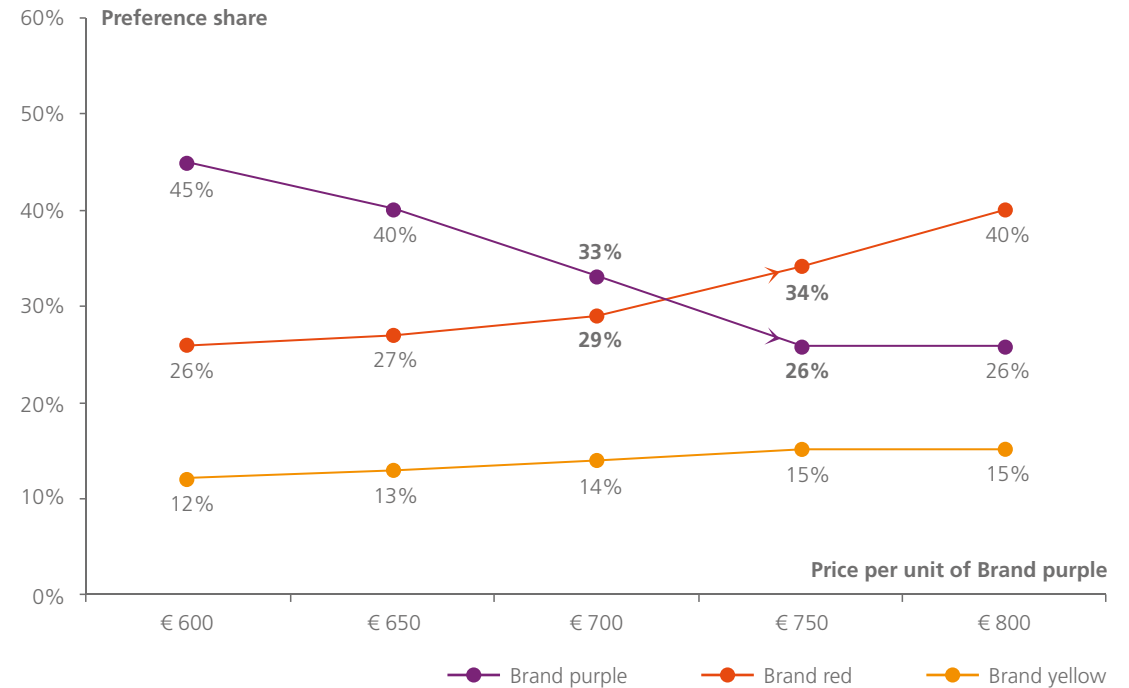
1 Future

How **price sensitive** is your brand? Price sensitivity refers to how strongly decision makers react to price modifications. It offers you an insight into the brand-switching behaviour of your target group within a competitive context.

Future

5%

The preference share of Brand red will increase by 5% if Brand purple increases its price from €700 to €750. This means Brand purple will lose its position as market leader (based on preference share) to brand Red if it increases its price from €700 to €750. The price increase of Brand purple has no influence on the preference share of Brand yellow.



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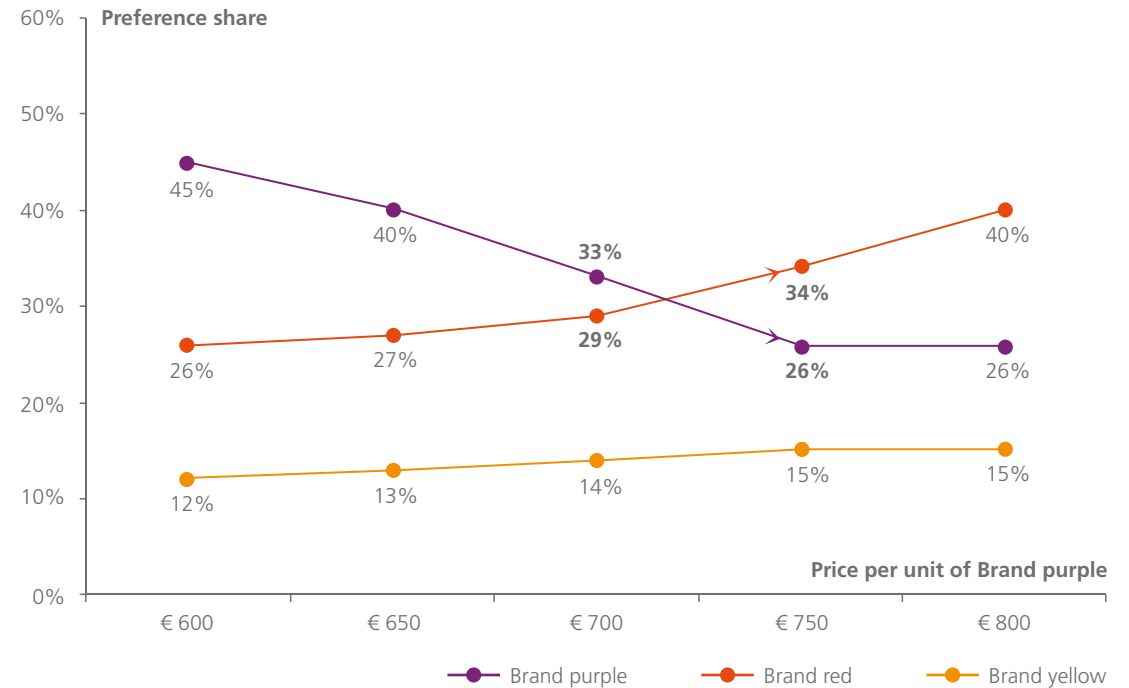


How **price elastic** is your brand? Price elasticity is quantified by the gradient of the demand curve. It offers you an insight into the effect that a price increase or decrease has on the preference share of your brand.



The preference share of Brand purple will decrease by 7% if it increases its price from €700 to €750. The price of Brand purple is inelastic after €750. This means, if the Brand purple wants to make more money per unit by increasing its price to somewhere above €700, it would be best to set the price at €800 instead of €750.

7%



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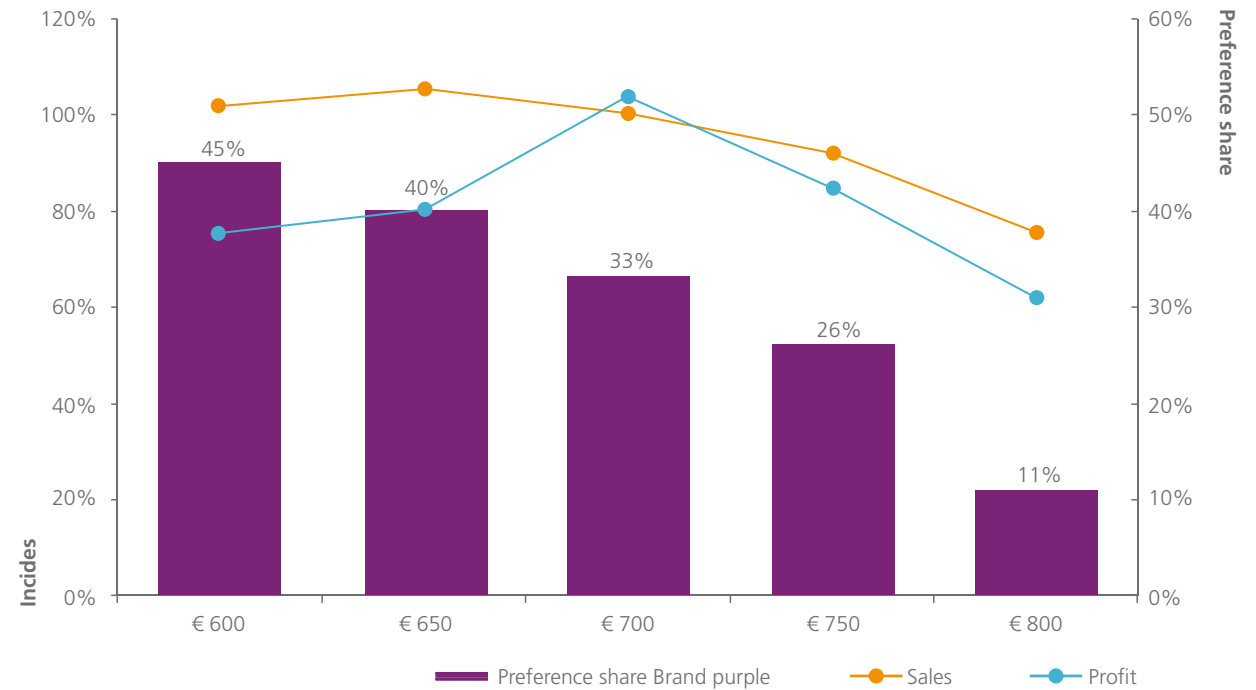


What is the **optimum price** for your products and/or services? Optimum pricing means the price that results in the highest sales and/or profitability. By answering this question, you are offered an insight into the highest sales and/or profitability possible when your prices are set at optimum level.



€700

€700 is the optimum price for Brand purple in order to maximise profits. €650 is the optimum price in order to maximise revenue. If the strategic objective of Brand purple is to maximise profits, it would be best to set the price per unit at €700. Also bearing in mind that Brand purple remains the market leader (based on preference share) at a unit price of €700.



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...by answering three fundamental pricing questions, TNS Power Pricing offers B2B marketers the insight needed to identify the best prices, and to use pricing as a strategic instrument for increasing revenue and profit.



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About TNS

TNS uses long-established expertise and market-leading solutions to advise clients about specific growth strategies concerning new market entry, innovation, brand switching and stakeholder management. With a presence in over 80 countries, TNS has more conversations with the world's consumers than anyone else and understands individual human behaviours and attitudes in every cultural, economic and political region of the world. TNS is part of Kantar, one of the world's largest insight, information and consultancy groups.



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