Vendor Finance Programs | Value Selling Programs
TFP
Financial Sales Tools | Consulting & Workshops

ROI4SALES
A DIVISION OF TFP TECHNOLOGY FINANCE PARTNERS

Setting Price Based on Value

Pricing is not easy. Product and pricing managers lose sleep mulling over a myriad of questions. What will the market bear? How does the competition price? Is the price high enough to cover COGS? What metric should drive the price customers pay? Surprisingly, a less frequently asked question is, "Does the price reflect the solution's value?" We believe value to be realized by the customer should be the foundation of a sound pricing strategy with the others factors used for cross-checking. To this end, TFP and ROI4Sales have established a methodology for developing **value-in-use pricing**.

Market Research → Value Inventory Workshop → Value-In-Use Modeling → Report
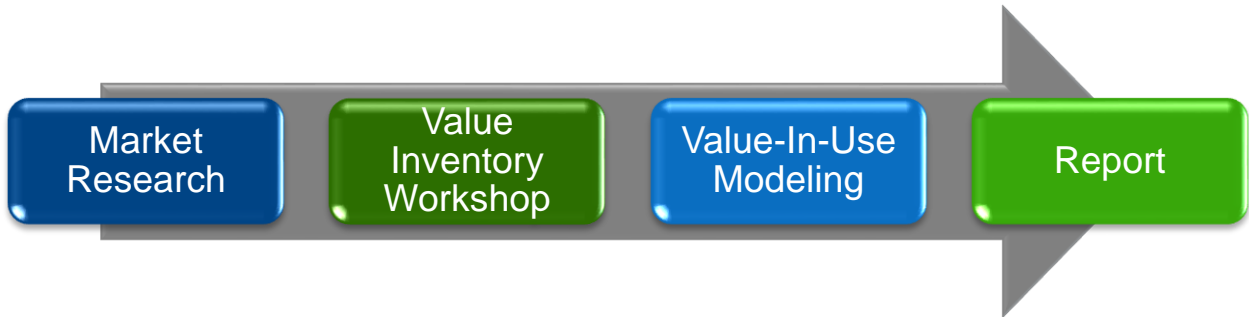
What is value-in-use pricing? Value-in-use pricing defines the value of the product or service in terms of the expected financial impact of the product or solution to the customer.

Why is value-in-use pricing important? When pricing, especially list pricing, is based solely on cost plus or a cursory view of competitive pricing too much is left to chance as one method does not consider outside forces and the other doesn't consider a product or solution's specific strengths. The risk is that sales are lost from pricing that is too high relative to the value that the solution brings, or that deal dollars are left on the table. If pricing is based on value AND if value selling is part of the sales process, then vendors can expect to **sell more** and/or **increase margin** as transactions will be cost justified through value.

Value-in-use pricing development: The process combines:

- Market research on the given vendor solution, verticals addressed and key competition
- Value inventory workshop that details and prioritizes why customers buy in

conjunction with the given solution's differentiating capabilities.

This information is then used to model scenario-based pricing options that include:

- License units
- Delivery mechanisms
- Unit price

A report is then delivered to show the analysis, pricing options and recommendations.

"I was hired to help develop a new business model focused on helping our partners deploy new cloud services based on our licensed products and services. At every step along the way we leaned on TFP to help us innovate. From the usage-based pricing model, through the TCO comparison and business case analysis tools they developed to help our partners and to a P&L analysis that tracked the success of the assumptions in those business cases, TFP became the backbone of our business model innovation."

 - Chris Morley, former VP SaaS/Hosted Strategic Solutions, Genesys Telecommunications