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# Global Pricing Study 2012

## Short Summary

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# Key insights (1/2)

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## Key insights:

- Profits rise sharply when C-level executives take an active role in pricing
- C-level commitment – and the resulting dedicated pricing organization – gives companies their greatest chances to survive and prosper in today's low-growth climate
- These two factors boost a company's pricing power significantly
- This pricing power advantage makes companies more likely to raise prices, more likely to make those increases stick, and more confident about the profit growth over the next three years
- This pricing power advantage is crucial at a time when over 80% of companies face increased pricing pressure from either customers or competitors
- Those are the key insights from Simon-Kucher & Partners' 2012 Global Pricing Study, an in-depth survey of over 2,700 executives and managers from over 50 countries

## How C-level involvement boosts pricing power and profits:

- **Pricing power:** Companies with active C-level involvement in pricing are 35% more likely to have high pricing power
- **Price increase success:** Companies with active C-level involvement are 18% more likely to push through a successful price increase
- **Price increase impact:** Companies with active C-level involvement are 26% more likely to increase their profit margins as a result of a price increase
- **EBITDA expectations:** Companies with active C-level involvement are 30% more likely to expect a (strong) increase in EBITDA over the next three years

Source: Simon-Kucher & Partners Global Pricing Study 2012

# Key insights (2/2)

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## How having a pricing organization boosts pricing power and profits

- **Price increases:** Companies with a dedicated pricing organization are 13% more likely to increase prices
- **Price increase impact:** Companies with a dedicated pricing organization are 23% more likely to increase their profit margins as a result of a price increase
- **Pricing power:** Companies with a dedicated pricing organization are 24% more likely to have pricing power
- **EBITDA expectations:** Companies with a dedicated pricing organization are 14% more likely to expect a (strong) increase in EBITDA in the next three years

## Leaving the "comfort zone":

### **Some reasons why C-level involvement and pricing organization is so important**

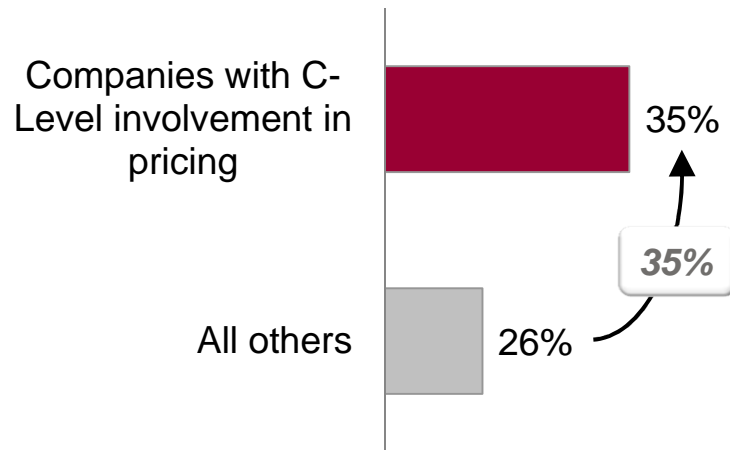
- Many companies have lived for years in a pricing "comfort zone" and tolerated looser pricing practices
- That was possible because economic growth was strong in the past
- Today, growth in Western economies is well below historical levels; over 80% of companies face increased pricing pressure from either competitors or customers
- Going to market with a pricing "comfort zone" is no longer an option
- C-level commitment – especially when combined with a dedicated pricing organization – pushes companies out of their "comfort zone" and gives them their greatest chances to survive and prosper in today's low-growth climate, Simon-Kucher & Partners concludes

Source: Simon-Kucher & Partners Global Pricing Study 2012

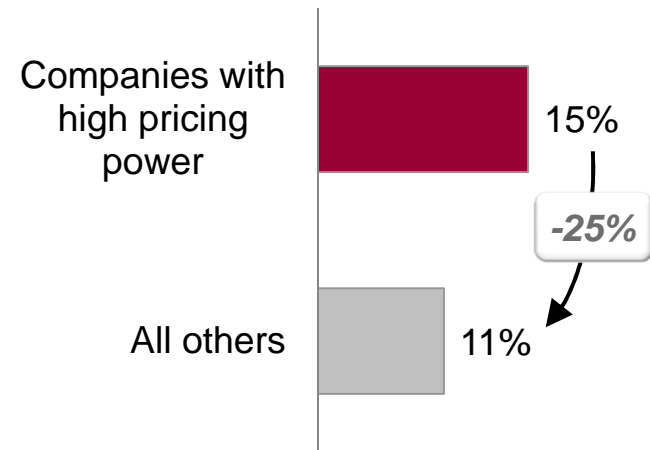
# Profits jump when CEOs take an active role in pricing



## High pricing power



## Average EBITDA margin of last three years



**C-level involvement in pricing significantly increases pricing power, and companies with high pricing power make clearly higher profits than those with low pricing power.**

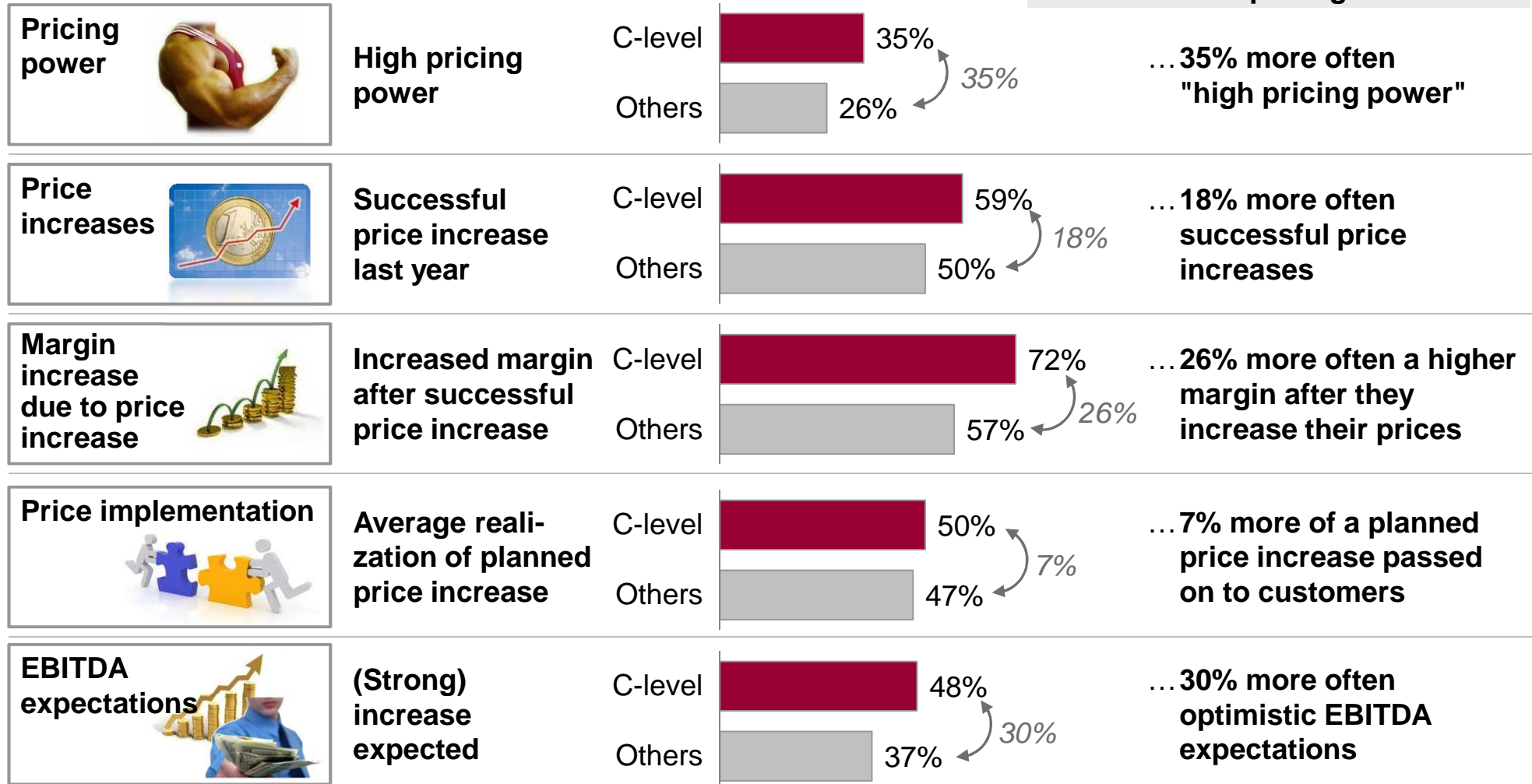
Source: Simon-Kucher & Partners Global Pricing Study 2012

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# How C-level involvement boosts pricing power and profits

Companies with increased C-level involvement in pricing are / have...



Source: Simon-Kucher & Partners Global Pricing Study 2012

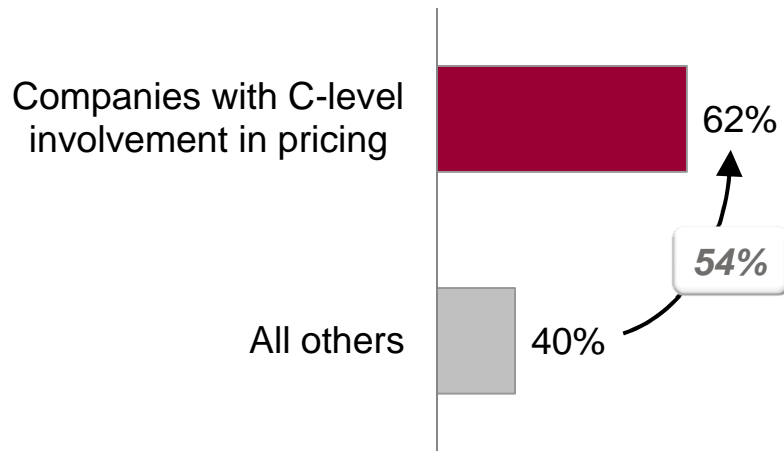
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# Pricing-savvy C-level executives push pricing organization



## Dedicated Pricing Function or Role



**If C-level executives are involved in pricing, the company is much more likely to have a pricing organization**

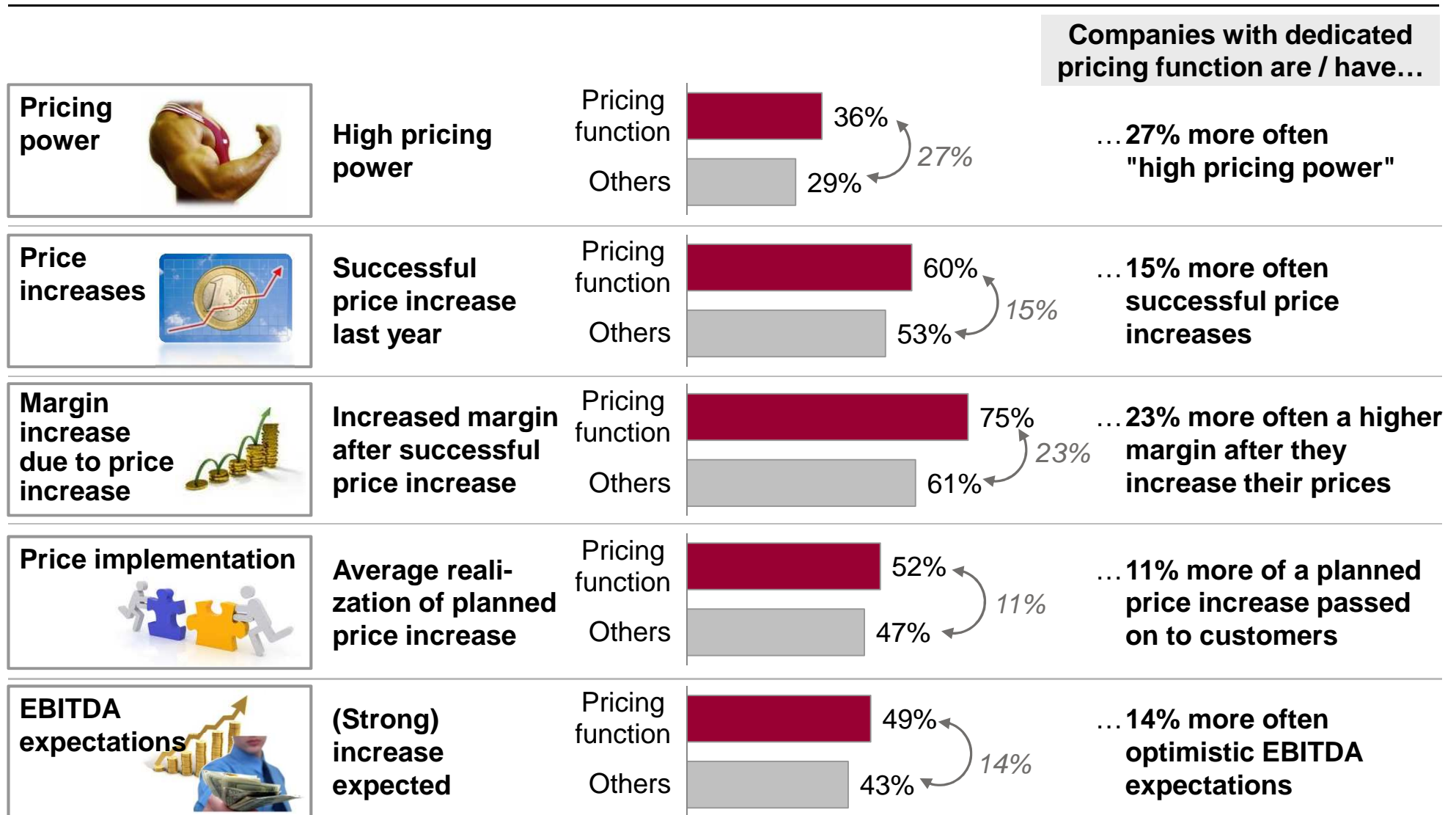
- While it is crucial for a company's profit to have C-level involvement in pricing, **pricing is not only the job of the CEO**
- **A dedicated pricing role or function within the organization needs to do the day-to-day pricing work** that ensures that strategic pricing decisions are implemented
- **Companies where C-level executives are involved in pricing have much more often installed a dedicated pricing organization** than in companies where top management does not have pricing on their agenda

Source: Simon-Kucher & Partners Global Pricing Study 2012

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# How pricing organizations boost pricing power and profits



Source: Simon-Kucher & Partners Global Pricing Study 2012

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# Set-up and methodology of the Global Pricing Study

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## Methodology

- Online survey
- 26 general questions in three parts: Profit Culture and Business Environment, Pricing Power, Pricing Insights and Pricing Process
- General questions partly supplemented by industry-specific questions (5 industries: banking, consumer goods, media, energies & engineering, construction)



## Duration

- September / October 2012



## Participants

- Mainly from Europe, the US and Asia (~23 countries\*)
- From all major industries (24 industries)
- 38% C-level executives
- Simon-Kucher & Partners clients, members of the Professional Pricing Society, alumni of IE Business School (Spain)



## Sample size

- 2,713 valid responses

***The Global Pricing Study has been conducted for the second time in 2012 and will be repeated annually.***

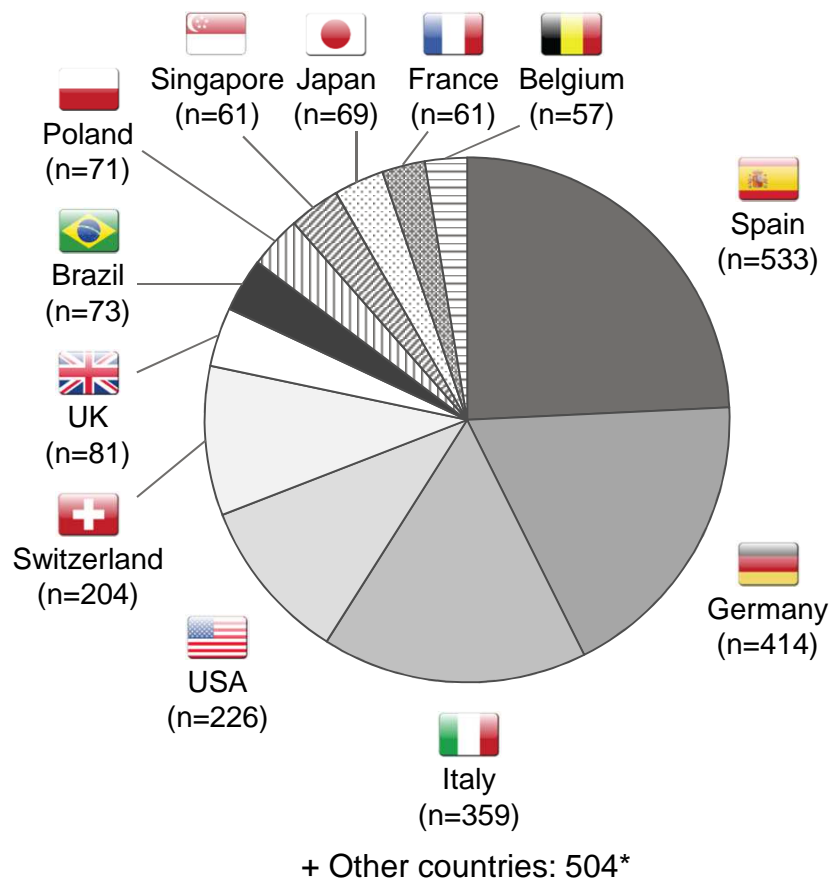
\* Countries with fewer than 10 responses not counted here; overall over 50 countries; Source: Simon-Kucher



# Geographic and industry distribution

## Geographic distribution\*

Total: 2,713 respondents



## Industry distribution

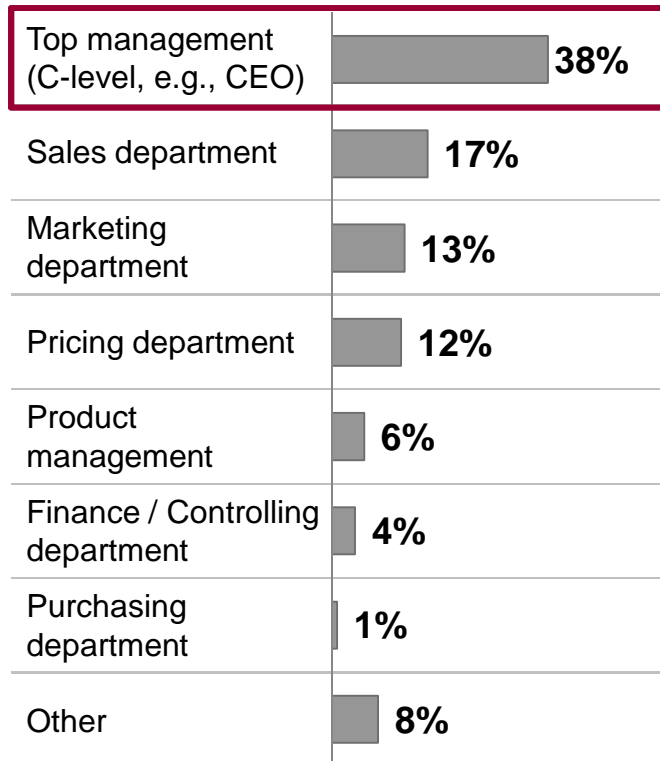
Financial services (banking, insurance, M&A, private equity)	16%
Consumer goods and retail	15%
Industrial goods & machinery	9%
Construction and construction materials	6%
Transport and logistics	6%
Pharmaceuticals, biotech & medical technologies	6%
Chemical products	4%
Automotive manufacturers and suppliers	3%
Energy and utilities	3%
Travel and hospitality	3%
Electronic goods and computers	2%
Media and entertainment	2%
Industrial services	2%
Commodity products	2%
Telecommunications	2%
Other services	10%
Other manufacturer	9%

\* Countries with fewer than 50 respondents are not included in the graph.

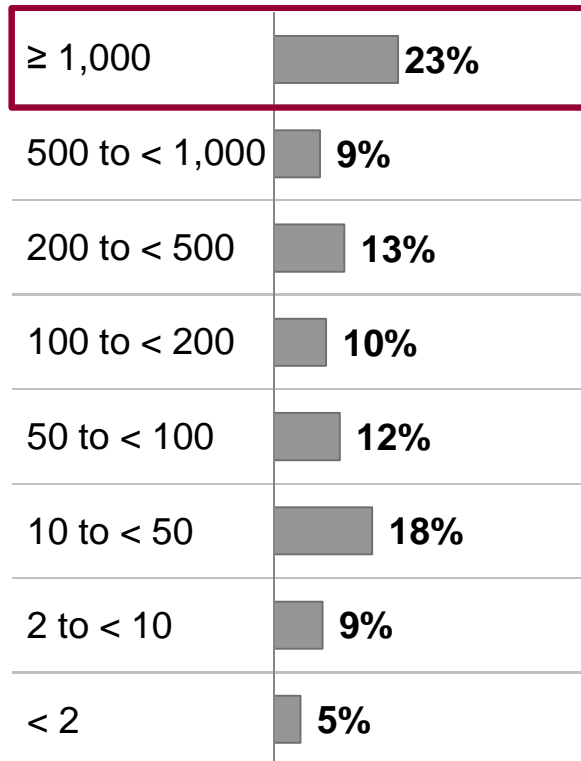
Among these countries are e.g. China, Austria, Denmark, Sweden, the Netherlands, Luxembourg, Malaysia, Portugal, Canada and Turkey. They account for a total of 504 respondents.

# Profile of respondents and their companies

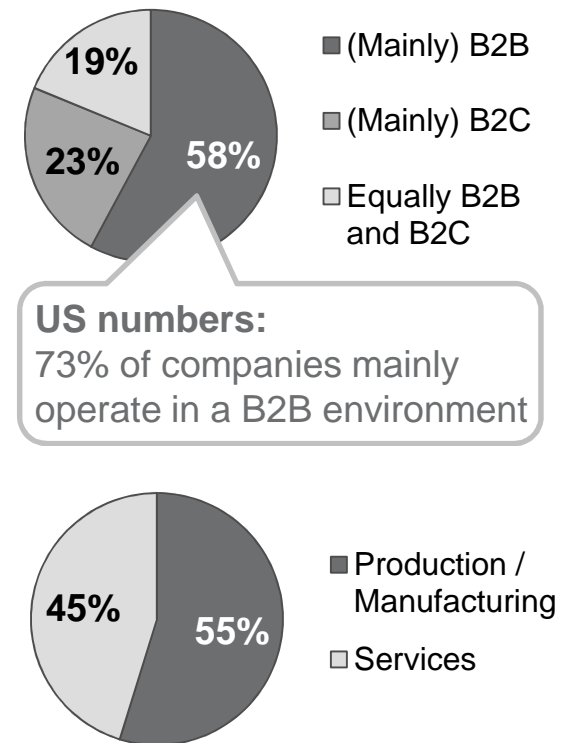
## Position in the company



## Company size in million €\*<sup>\*</sup>



## Distribution by type of activity



\* Only companies included that indicated their annual turnover in Euro  
Source: Simon-Kucher & Partners Global Pricing Study 2012

# Simon-Kucher & Partners

## World market leader in pricing

**BusinessWeek**

*"World leader in giving advice to companies on how to price their products"*

**The Economist**

*"The world's leading pricing consultancy"*

**THE WALL STREET JOURNAL**

*"Pricing strategy specialists"*

**Peter Drucker**

*"In pricing you offer something nobody else does."*

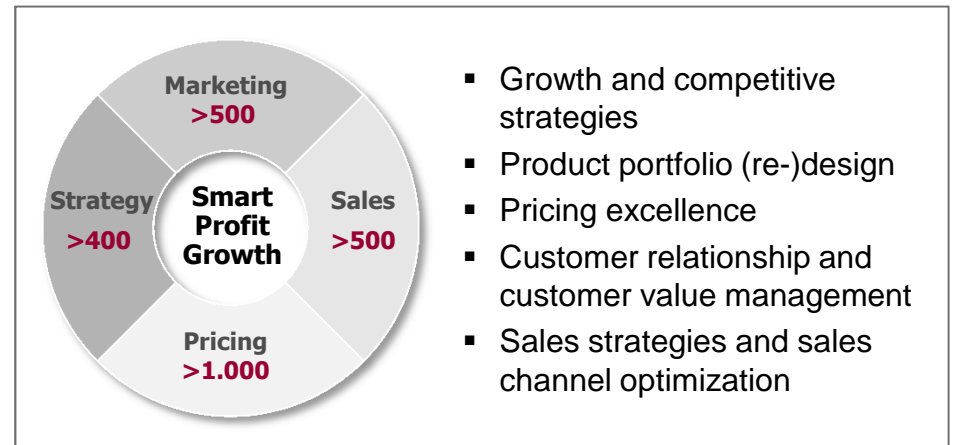
## Competence ranking in Marketing & Sales

Rank	Consultancy	Avg. score*	manager magazin
1	<b>Simon-Kucher &amp; Partners</b>	395	
2	Boston Consulting Group	379	
3	McKinsey & Company	359	
4	Bain & Company	347	
5	Roland Berger	342	

## Global presence



## Scope of consultancy projects



\* Average for 2007 and 2011, maximum 500;

Source: manager magazin August 2007&2011/IMB, survey among German top managers