

# In Uncertain Times, Lean Into the Power of Pricing

by: Nathan L. Phipps

Just as the pandemic is (HOPEFULLY) winding down, a new crop of business challenges has arrived. These challenges include the war in Ukraine, inflation, and the possibility of wider global conflict. Now is not the time to ignore your pricing. If anything, challenging business conditions are one of the most important times to review your pricing performance and pricing strategy, as the author explains. Nathan L. Phipps is a Senior Consultant at Wiglaf Pricing. His areas of focus include pricing transformations, marketing analysis, conjoint analysis, and commercial policy. He can be reached at [nphipps@wiglafpricing.com](mailto:nphipps@wiglafpricing.com).



Things seem pretty uncertain right now. I mean, things have been uncertain during these last 2 years of our global pandemic, and highly uncertain at that. We have had to answer questions that were not on our collective radar in 2019, and we have not always had high confidence in our answers.

And the potential questions have been endless, morphing over time and cutting across our personal and professional lives: How dangerous is this virus? Am I going to lose my job? What tradeoff between safety and socialization is right for me with my health history and vaccination status? After the pandemic, will my industry begin to thrive again? Is it safe to go back to the office? How many more variants of concern will we see?

Many of these questions are not binary in nature. Yes/no does not capture all the possibilities. It could be more useful to think about answering in terms of probabilities. What is the chance that any of the possible outcomes will occur?

And any student of human behavior is aware that humans generally 1) do not think well in terms of probabilities and 2) crave certainty and resolution. In fact, it can be said that humans fear

both probabilities and uncertainty. Being in a state in which nothing is settled, nothing is certain, and where some part of your brain is constantly crunching the numbers to optimize self-preservation is a recipe for burnout. The stress has been collectively grinding us all down. How can we rest when our bodies are acutely aware that we still do not have the safety of certainty?

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So, we were already at an elevated uncertainty baseline. But things feel like they have gotten even more uncertain.

True, the coronavirus does seem to be letting up in many places in the world, with both cases and deaths falling in more places than they are rising. It seems that the entire world is holding its collective breath that we can finally pass from the pandemic stage to the endemic stage. We are not out of the woods yet, but there are abundant signs of optimism.

However, just as the pandemic is (HOPEFULLY) winding down, a new crop of business challenges has arrived. These challenges include the war in Ukraine, inflation, and the possibility of wider global conflict.

## New business challenges

Let's start with the big one: the war in Ukraine is causing uncertainty to ripple across the globe. I do wish to mainly focus my article on how businesses (and pricing professionals) should respond in the face of uncertainty. But first, I feel compelled to acknowledge the human cost of the ongoing war.

Russia's invasion of Ukraine has been a ghastly tragedy. Innocent Ukrainian citizens are being killed every day. Ukrainian civilians fleeing Russian bombs have created the greatest refugee crisis in Europe since the end of World War II. Before I move on to any other effects of the war, I want to underscore the fact that the war's effect on the people of Ukraine is by far the most heartbreaking. Casualty numbers are not just numbers: they are flesh and blood people.

Secondarily to the human cost, the war in Ukraine is also causing problems with global

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supply chains. Russia is a resource producer, and Moscow recently announced plans to ban commodity exports (an explicit list of commodities impacted has not yet been released).

Prices have risen substantially for oil, natural gas, and raw inputs (like grains and metals). Anxiety about global supply caused the price of U.S. crude to shoot up to above \$130 per barrel. After all, Russia is the world's third-largest oil supplier and the biggest exporter of natural gas. Before the invasion, Europe imported 40% of its natural gas from Russia. Russia is also a major producer of nickel, an important component of electric car batteries. The London Metal Exchange decided to suspend trading of nickel earlier this week after the price nearly doubled in a single day.

In the Ukraine, ports have been bombed and some crops will likely not be planted or harvested. And the crops that are harvested will probably have lower yields due to difficulties acquiring and applying fertilizers and pesticides. This is a major loss because Ukraine is known as Europe's breadbasket. Middle Eastern and Mediterranean countries are already bracing for a shortage of wheat. Europe and China are preparing for a shortage of corn.

Higher food prices around the world will be unavoidable. And some analysts believe that higher commodity prices are not going away, and that has the potential to choke off economic growth. Europe could face a recession soon, depending on how badly commodity flows are impacted in the next few months.

And inflation was already a boogeyman on the scene before Russia invaded Ukraine.

Remember that pandemic thing that I mentioned a few paragraphs ago? Well, you may also recall that supply chain snarls have been a fact of life for most of the pandemic.

Companies struggled with supply shortages (due to viral outbreaks in factories around the world that slowed or stopped production) while many consumers were shifting purchases from services to goods that could be shipped directly to their home. As the economy improved, demand began to pick up even more, which only exacerbated the pre-existing pandemic supply shortages.

This latest round of inflation has the potential to be more fuel on an already burning bonfire.

Finally, there is also the nonzero possibility that the war could escalate further, with additional countries joining the fray. Distant memories of Cold War posturing have manifested in our current reality. Fears of chemical and nuclear weapons have returned. These are not possibilities that I am going to dwell on, but the possibilities have certainly spooked traders (and people in general).

The sum result of all this chaos is easily observable on Wall Street. The stock market has been whipsawing up and down, as investors try to keep up with a flurry of new headlines every day. It seems as though we are becoming more and more uncertain of what tomorrow will look like.

### **What should pricing professionals do?**

All of this uncertainty can be intimidating. But we can ease

some of the pressure by focusing on some pricing basics.

In the midst of the maelstrom, business leaders should lean into the power of pricing. And pricing professionals should be there to support them.

Now is not the time to ignore your pricing. If anything, challenging business conditions are one of the most important times to review your pricing performance and pricing strategy.

Now is not the time to abandon your pricing discipline. Dig deep. Trust your analysis. Overcome the usual objections.

Will this be easy? NO.

Will this take pricing discipline? YES.

Do you have rising input costs? Now is the time to let your customer know that your prices will be rising accordingly.

There are numerous recent examples of companies successfully raising their pricing in response to rising costs without sacrificing their profitability. In fact, some companies have seen profits rise. Tim Smith has written about several in recent months, including Tyson and Samsung.

Remember that you are a pricing evangelist. There are many companies that still do not fully grasp the power of pricing to transform their profitability. Enlighten them.

Also, remember that you are a pricing cheerleader. Celebrate the wins. Keep your team engaged and morale high. Offer praise and positive reinforcement for good pricing behavior.

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**Always look for opportunities to support your company**

And don't wait for someone to hunt you down for your expertise. Be pro-active. Be a team player. Brainstorm how you can be helpful. If a price increase is what is on everyone's minds, then make that your focus.

Is your sales team comfortable with the price increase? Have you spoken with them about negotiation tactics? Have you given the team an opportunity to practice communicating sales

increases, perhaps as part of a team-building workshop? Have you provided them with materials to communicate the value to your customers? Have you verified that your target market truly values the things you want to communicate? Have you investigated other services or support that the customer values which you currently provide at no cost?

Few things seem to stress a sales team out as much as communicating a price increase. (Note that I did not say "ask for" a price increase. I invite you

to realize that if you are secure in the value of your offering, then your focus should be on communicating to the customer what the price for that value is.)

Yes, it may feel like the sky is falling in some moments. But I encourage you to focus on what you can impact in your personal sphere of influence. And know that staying focused on pricing (and keeping your team and company focused on pricing) is one way to ensure that you do not become another victim of uncertainty.

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