

Excerpt from ‘Pricing Architects’



by Frederico Zornig

This article is an excerpt from the book “Arquitetos do Pricing” (The Architects of Pricing), which has recently been translated and released in its first English edition. In this book, the author interviews 20 senior pricing professionals in Brazil representing multiple industries and global corporations. Frederico Zornig is a founding partner of Quantiz. He has over 30 years of professional experience with the leading companies in various industries in Brazil, the United States, and Latin America. He can be reached at fzornig@quantiz.com.br. “Pricing Architects” (English version) is [available for free download here](#).

Pricing and Revenue Management have become top priorities for the biggest and best companies in the market. It is curious to think that fifteen years ago, when Quantiz was founded, the CEO of a large company discouraged us from pursuing consulting support for pricing determination, believing that the task was too simple.

While setting a mark-up over cost may suffice for a simplistic internal desired profitability point of view, it is not enough to guarantee the best results in an increasingly competitive, volatile, integrated, and dynamic business environment. The answer to whether this approach alone can provide optimal results is a resounding “no.”

Currently, many companies recognize Pricing and Revenue Management as critical strategic areas for their organizations and have robust structures, personnel, and tools to ensure that these processes work and prices are optimized. In line with current market trends, the book “Pricing Architects” aims to highlight the field of Pricing and Revenue Management by sharing best practices, opportunities, and risks offered by the area.

The book features in-depth interviews with some of the most renowned professionals in the field who are shaping Pricing history in Brazil, hence the use of the word “Architects” in the title.

Of course, selecting twenty pricing pro-

fessionals to be part of this project was a subjective activity, but we brought some objectivity to the selection by requiring interviewees to have a minimum of ten years of experience in the field and hold a managerial title (or a position above that). Even after filtering by these requirements, there were still many other great professionals that were left out of this book because we had to limit the list while still offering readers answers from a variety of different industries and sectors.

The questions that we asked in this book were chosen by me after an exercise we conducted with everyone at Quantiz. I started by making a list and then asked each consultant and manager to think about what they would like to ask the main Pricing/RM executives of each company. With all in hand, I selected the ones I considered most relevant, and they were used as a guide for the interviews.

Pricing and Revenue Management are disciplines that can take on a very holistic dimension, as you will notice in the interviewees’ answers. Through this book, we wanted to bring readers a realistic and current perspective of what is being done in the market in various sectors. We interviewed professionals from the banking sector, retail sector (food and construction), various manufacturing industries (food, pharmaceutical, etc.), hospitality, and the medical/laboratory services sector.

It was an extraordinary privilege to be able to meet and talk for a few hours with each

one of these experienced and talented professionals. I hope you, the reader, will find assertive, intelligent, and articulate answers from people who, like me, are passionate about the Pricing and Revenue Management area. This book brings some conflicting answers, but it is necessary to respect everyone’s opinion, especially in some controversial topics such as whether it is best to focus on the competition or the customer, or to make prices dynamic or not.

Pricing/Revenue Management will continue to be an open field, subject to a lot of innovation and new practices. New business models, increasingly available information, and more demanding consumers and companies will require new approaches from leading companies in their pricing. I hope that this book can serve as a contribution to this evolution. Finally, it was a lot of work for everyone who participated in this initiative, and I would like to express my gratitude for all the support I had throughout this project. Everyone involved in this project was a fantastic professional to work with, and it was a pleasure and an honor to be able to lead this new journey in this market, which resulted in this great work!

Wilson Ricoy
Pricing and Market Intelligence
Manager, Assa Abloy
19 years of experience

Frederico Zornig: Can you tell us about your professional career and how you got into Pricing and/or Revenue Management?

Wilson Ricoy: The company I previously worked for started implementing the Pricing area globally in 2002. I was chosen to be the person responsible for implementing Pricing in the division where I worked, due to my previous experience in financial and commercial areas. In 2008, I was promoted to Pricing Director for Latin America. Currently, I am responsible for the Pricing area at ASSA ABLOY Brasil, managing seven different brands.

Frederico Zornig: In this turbulent moment caused by the pandemic, what is your main challenge? Is sales history still helpful in any decision-making process?

Wilson Ricoy: The main challenge currently is managing several price increases for raw materials (some of them reaching double digits) and the constant devaluation of the Brazilian Real against the US Dollar. These topics affect our profitability significantly, and even assuming a portion of these increases internally, we need to pass these variations on to our customers. It requires constant monitoring of the impacts of raw material price variations on our costs and discussions about how we can pass these impacts on to our prices while maintaining competitiveness. We always analyze our sales history data to understand the eventual effects of seasonality and the behavior of our customers, considering different periods.

Frederico Zornig: How do you envision the Pricing and Revenue Management area in the next five to ten years? How will these changes impact the work you do today?

Wilson Ricoy: I believe that software solutions for Pricing and data analysis tools (such as Power BI, Tableau, etc.) will become more accessible, making life easier for those who still heavily depend on Excel. With these tools, Pricing professionals will be able to focus more on acting strategically to determine prices and develop strategies, serving as navigators to help senior management make more assertive decisions, considering the company's internal needs and the behavior of the markets where they operate. The future of the Pricing professional will involve managing information panels to understand trends and guide the necessary actions for profit-



Wilson Ricoy

ability. However, interpersonal skills will remain essential to interact and collaborate with all areas of the company.

Frederico Zornig (*Question sent by Fábio Vakuda, Senior Consultant at Quantiz*): When recruiting people to work in pricing, what are the main characteristics you look for? And how do you develop these skills in your team?

Wilson Ricoy: That's an excellent question! In my opinion, the profile of a pricing professional has changed significantly over the years. Currently, in addition to having good knowledge of Excel, one must also possess knowledge of tools for processing and analyzing data, such as Tableau, Power BI, etc. This is essential for analyzing data quickly, consistently, and effectively for decision-making. Additionally, interpersonal skills are essential for interacting with all areas of the company at all levels for teamwork and achieving the proposed objectives. I develop my team by providing specific training for their technical skills, and I also coach them to help them develop and improve their soft skills. Regarding academic background, if I am looking for someone with a generalist profile, I prefer people with a background in Business Administration or Economics. If I am looking for an information analyst, I prefer people with a background in Engineering or Statistics.

Frederico Zornig (*Question sent by Marcelo Krybus, Managing Partner at Quantiz*): Do you think your company has a Pricing culture? Comment on the process of building that culture or, if they don't have a pricing culture yet, tell us how you are trying to create it.

Wilson Ricoy: The company I work for has a global Pricing culture, mainly after the hiring of a Global Pricing Director two years ago. There is a constant exchange of information between the company's Pricing professionals, through online training and quarterly meetings, in order to monitor the company's results and define the next steps. Currently, there is constant synergy with the commercial team to exchange information and experiences, after years of antagonism, which shows the importance of information from our area to develop commercial strategies with profitability. Nowadays, Pricing is a very important topic of every results meeting and is strongly discussed in financial, commercial, and marketing team's weekly meetings.

Frederico Zornig (*Question sent by Celso Silva, Senior Consultant at Quantiz*): Talking about mistakes is never easy, but what was the biggest lesson you learned while working with Pricing and Revenue Management?

Wilson Ricoy: In a nutshell, never clash! Empathy with the people and departments we interact with is essential for us to do our jobs properly. In addition, simplifying our speech is essential in order to ensure everyone's understanding and involvement, leaving the mannerisms and keywords of our area to moments when we're speaking with other Pricing professionals. For everyone else, keeping it simple (and speaking in their native language) as much as possible.

Frederico Zornig: What technology do you consider essential for your activities today and why? Is there any tool or solution you would like to use that doesn't exist yet or that you don't have access to? Please comment.

Wilson Ricoy: Currently, we are still very dependent on Excel. We are starting to develop some projects in Power BI to save time and mitigate the possibility of errors, so we can develop more advanced dashboards in order to get visual management of our results. We have started web scraping sell-out prices available on the internet to have a smarter process of quick price research for strategy corrections and decision making. Personally, I would love to work with more advanced Pricing analysis

features, but we still have some way to go.

Frederico Zornig: How do you define success for a Pricing or Revenue Management area within your organization?

Wilson Ricoy: My definition of success for Pricing is to be considered an important part of the business, showcasing how our actions and strategies directly affect the company's results. For many years, we have been seen only as spreadsheet makers and commercial antagonists. I am very happy to know that this has changed radically over the years, and now we can see that a Pricing professional is considered essential for most companies worldwide.

Frederico Zornig: When considering the day-to-day processes of a Pricing/Revenue Management area, which ones do you consider the most important? Please comment.

Wilson Ricoy: I believe that monitoring changes in sales prices in relation to the evolution of the company's contribution margin is one of our most important key performance indicators. Through it, we can evaluate the results of our pricing processes and the execution of our strategies by the commercial team, as well as the refinement of this process along the way, with quick corrective actions to improve results. The Win Rate analysis of the budget and quotation is also very important in improving the fine-tuning of this process, making it more efficient through continuous improvement.

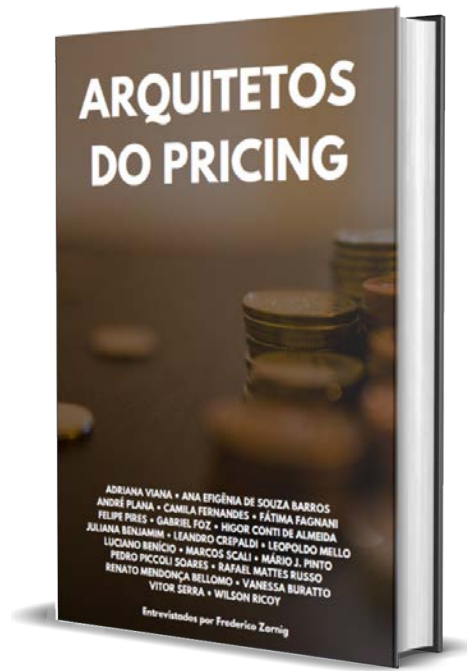
Frederico Zornig (*Question sent by Tiago Martin, Managing Partner at Quantiz*): When thinking about the impact generated by the Pricing/Revenue Management area, could you comment on the main benefits you believe you have brought to your organization?

Wilson Ricoy: The Pricing area has proven to be essential for the company to react more efficiently and effectively to market turmoil, especially considering the unstable scenario that we are currently experiencing. The culture of constantly analyzing Pricing key performance indicators, processes, and strategies has proven to be essential to ensure the company's good results, not only in Brazil but also in

all countries where the company operates.

Frederico Zornig: Since we're on the subject, which indicators do you use to monitor and evaluate your results?

Wilson Ricoy: We use Sales Price Variation (sell-in), response time for quotes and budgets, Win Rate for quotes and budgets, contribution margin variation period vs. period, and their respective impacts.



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Frederico Zornig (*Question sent by Juliana Sampaio, Senior Consultant/Partner at Quantiz*): How do you ensure synergy between areas so that you can actively impact business results?

Wilson Ricoy: One of the main responsibilities of the Pricing professional, in my opinion, is precisely to be the link between the different areas of the company that are essential to provide information for our area. Knowledge of the specific key terms of each area, in addition to a good dose of empathy and interpersonal relationship skills, is essential to establish this synergy.

Frederico Zornig: Is pricing based on the

perceived value the best method? Why?

Wilson Ricoy: In theory, it would be wonderful if we could always price products in the same way. However, there are products where the value is unfortunately not properly perceived by the customer or consumer, which makes companies adopt other pricing strategies.

Frederico Zornig: Do you believe that price anchoring should be an approach used by companies?

Wilson Ricoy: If we are talking about a type of product where the reference price for comparison is very strong, then the answer is yes. However, let's remember that this is more common when we talk about products intended for the final consumer. Price anchoring for B2B, for example, is not a very common strategy.

Frederico Zornig: Is it better to segment the market and capture the maximum from each segment with differentiated prices or follow a strategy with identical prices for all customers in all channels?

Wilson Ricoy: Each channel has a different dynamic, and prices must respect this. The same applies to geographic location, considering the socio-political and economic differences found in a country with continental dimensions like Brazil. The company's commercial policy needs to consider this segmentation (channels/region) to act more assertively and achieve better results.

Frederico Zornig: Should trade policies provide transparency to customers on how they can buy better or do better business with your company? Please comment.

Wilson Ricoy: The greater the transparency for the customer, the greater their trust in you. They will see you as a business partner and not just a seller. The transparency of the commercial policy, in my opinion, generates a win-win feeling, essential for building solid and lasting partnerships, improving customer loyalty.

Frederico Zornig: How do you define “pricing strategy”?

Wilson Ricoy: For me, pricing strategy

is about setting the most appropriate price for a given situation, to capture the value needed to leverage the company's results, while adequately communicating the value of the product or service to customers. This, of course, should be done while maintaining market competitiveness, which is essential for business survival.

Frederico Zornig: Jeff Bezos mentions that knowing your customers is more important than monitoring your competitors. In your opinion, what should the company focus on, the customers or the competition?

Wilson Ricoy: In my opinion, the ideal is to know and follow both. Knowing the customer is fundamental to understanding their pain points and offering the most appropriate solutions to solve their problems. An important point to note is that the more customized the solution is for a customer (or group of customers), the better. However, understanding and following the dynamics of the competition is always essential to understanding market movements and how they are affecting your customers and your company's results.

Frederico Zornig: Elasticity, according to economic theory, refers to the size of the impact that a change in one variable (e.g., price) has on another variable (e.g., demand). We know that different types of elasticity exist, such as cross-price and income elasticity. How important is it, and how do you use the concept of elasticity in your pricing decisions?

Wilson Ricoy: We still use the concept of elasticity in an elementary way in the company, using the Gabor-Granger method. We conduct price research to determine the supply and demand for a specific product. Information from the commercial team, combined with the automated online price collection system, is essential for our analyses.

Frederico Zornig: Dynamic prices and shopping baskets are being used more and more, especially in the e-commerce market. Have you or your company been working with pricing algorithms to apply price changes with these approaches?

Wilson Ricoy: To be honest and transparent, I have never worked with this type of dynamic pricing or algorithms. I don't have

much to contribute to this answer, except to say that this is fundamental when working with prices aimed directly at the final consumer in e-commerce.

Frederico Zornig: What is pricing and/or revenue management to you?

Wilson Ricoy: For me, it means being the guardian of the company's profitability and competitiveness, contributing significantly to its growth.

Frederico Zornig: What is your final message to those reading our conversation?

Wilson Ricoy: We must never forget our purpose, which is to ensure and improve the profitability of companies. I've been at this for a long time and we've evolved a lot from a feeling of incredulity at the beginning to a moment where the importance of Pricing/RGM has proven to be more and more essential over the years. It is a great honor to have participated in this journey from the beginning and to leave a legacy for the new generations, forming successful professionals today. I'm very happy with this! ❖