

The 11 Competences of the Effective Pricing Professional

by: Alexandre Costa

In this article, the author explores 11 skills that, through his experience in pricing, he has deemed as critical for achieving success in your pricing career. Author Alexandre Costa is a Certified Pricing Professional (CPP) with extensive experience in project management of strategic pricing, revenue management, and market intelligence. He has worked in important industries like consumer goods (food), pet food, fertilizers, and automotive, and he has worked for national and multinational companies. Costa also created Attitude Pricing®, a website for sharing his own insights on pricing and Revenue Growth Management (RGM).



Concept

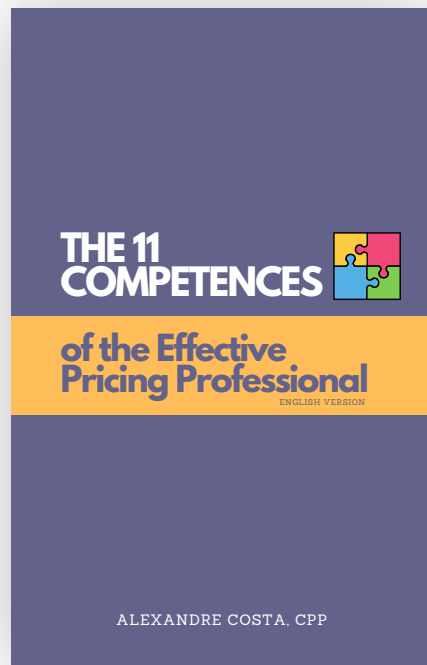
I developed this concept based on my perspective of which skills pricing professionals need to develop in order to achieve their best results. At the end of each competency, I state whether the competency is a “Hard Skill” or a “Soft Skill” and, in the final thoughts, I conclude which of these two skill sets is most important for an effective pricing professional.

Motivation

My motivation for compiling these skills came from my experience at the beginning of my career. At that time, I was convinced that a strong academic background would be enough to pursue a brilliant career. However, through my experiences, I realized that how I related to other professionals, how I managed conflict situations, and how I collaborated with peers was what defined the good results that I got from my experiences in pricing and Revenue Growth Management (RGM) in the companies I worked for.

1. Pricing Team Management: “Motivation and Development of Pricing Professionals.”

The pricing professional must promote in his or her team an attitude of commitment to the



company’s sales objectives. He or she must facilitate activities related to price management without creating bureaucracies that hinder the generation of revenue and profits by the sales teams. We must have flexible and agile approaches (with responsibilities) in pricing communications (price tables and commercial policies) and build rapport and trust between the commercial and pricing teams. Ruptures between these two areas can cause multiple problems, such as situations in which sales would rather lose a deal than try to break unnecessary bureaucracies.

Conclusion: Soft Skills

2. Constant Focus on Process Improvement: “Optimization and Automation.”

As companies grow, they create different price lists and commercial policies. Thus, we often find companies operating with many price lists, complex commercial policies, and a high dependence on the use of Microsoft Excel. While Excel is a great tool, it demands a lot of manual work, which can lead to errors and losses to the company. We also find employees performing manual and repetitive tasks that could be automated, but the fear of becoming idle is often greater than the wish to become a proactive and strategic pricing professional.

The pricing professional needs to find opportunities for the optimization and automation of pricing activities that do not add value to the processes and/or delay the delivery of price information, or that might cause the loss of any sales deals consequently impacting the company’s revenues and profits.

Conclusion: Hard Skills

3. Interpersonal Relationship: “Peer Support and Knowledge Sharing.”

Pricing is a multifunctional area and needs to collect and

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share data and information from several internal areas that impact the price setting in an organization. Because of this, the interaction between the various internal departments is constant. As such, the pricing professional also needs to have an attitude of knowledge sharing, effective communication, empathy for peers, and a sense of responsibility to the internal areas that interact directly with the pricing department every day.

However, it is important to point out that, despite having empathy for other departments and promoting partnership, pricing professionals often have minimal knowledge of matters of other areas like tax, costs, finance, and logistics. When there is a more complex demand for expertise in these specific subjects, specialists from these peer areas are the ones who should engage and guide the pricing team on such matters. Pricers should focus on their specialty: setting pricing strategy and assessing the price results.

Conclusion: Soft Skills

4. Change/Conflict Management: “Stakeholders Management.”

In the past, pricing was an activity of other areas, such as controllership, sales administration, or finance. However, the need to specialize in pricing strategies, generate greater profitability, and avoid biases and conflicting interests between prices and sales makes companies invest in an independent pricing function to manage prices.

Therefore, the implementation of a pricing culture is a challenging process. Changing a company’s culture, one previously completely focused on volume and revenue,

to a culture based on value and profitable sales, requires a change in attitude throughout the organization. Pricing professionals need to have a lot of ability to control and manage changes from the point of view of other people within an organization; that is, “Change Management.”

It is common to find change resistance and/or non-engagement in these transformation processes. Therefore, the pricing function must have full support and a lot of alignment with the company’s CEO and other executives within the organization to avoid a lack of adherence or non-adoption of pricing processes.

Conclusion: Soft Skills

5. Emotional Control – “Control your Emotions, or your Emotions will Control your Career.”

In my pricing career, I experienced situations where emotional control provided me with important professional achievements and advances. However, a lack of emotional control at other specific moments brought me discomfort, loss of focus, and significant professional setbacks.

That said, it won’t matter how well you relate to some “professionals.” It won’t always matter how much you dedicate yourself to delivering the best for the project and/or companies you are working for. Even when you are trying to do what is right, improving processes, and creating an environment where everyone pursues the same goal, there will certainly be a few people who will not empathize with you. They will not accept the changes you are proposing, even if they are changes for the better. They will not collaborate, or worse, they

might even boycott the creation of a pricing culture. At this moment, if you don’t dominate your emotions, you will lose your reason and a lot of people will lose this game, including you, your company, and the other employees who believed in your work. Control yourself.

Conclusion: Soft Skills

6. Project Management Practices: “Tasks Control and Constraints Management.”

A project encompasses every activity of innovation or improvement of a product, service, process, and/or procedure. Therefore, a project addresses an area or a need that is not yet part of the company’s functional areas. The project will be formed and driven by constraints, including scope, time, and costs, and it will also have a start and end date.

During my career, I saw process improvement initiatives and product launches fail or be poorly implemented due to a lack of minimum project management.

It is important to adapt the theory to the reality of the company, avoiding block processes and creating flow with a minimum of control and price governance. Pricing professionals that apply minimal project management techniques bring project benefits to the company, such as:

- Clarity on constraints to achieving the stated project goals
- Knowledge of the stakeholders impacted by the project
- Control of activities to dimension resource allocation
- Discipline to avoid unnecessary tasks, rework, or activity that compromises the scope

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- A record of “lessons learned” to avoid making the same mistakes in future projects.

Conclusion: Hard Skills

7. Sales Business Partner: “Engagement with Sales Objectives.”

Prices are the monetary representations of the value that customers attribute to a company’s products/services. The sales area is responsible for converting sales, and the pricing area is responsible for capturing the value perceived by customers and aligning, as closely as possible, this value to the price that generates greater sales volume and profits. Therefore, here is my most controversial statement: “Pricing is about enhanced sales.”

Pricing professionals must engage with sales targets. And that doesn’t mean they have to be philanthropic to the requests of customers and sales teams. We need to be responsible partners in the sustainability and profitability of sales operations, making price decisions in an impartial way, resolving conflicts, and staying aligned with the best interests of the company.

However, there will always be tough sales negotiations with some customers, especially with larger customers, and some uncommon or very competitive scenarios. Therefore, I state the following:

“The market is brutally nervous and the competition is out there eager to take your place. If your competitor is the market leader, it will act fiercely to maintain its position. The game is decided in the details. Sometimes you must negotiate in a conscious and transparent way a strategic ‘lose-win’ with your client.

When customers have a ‘sense of advantage,’ they increase their value perception and willingness to pay regarding your company and brand. There will be times when we may fail or even when we will need to raise prices. When the customers feel this sense of advantage, in these situations they will more easily accept changing conditions or price increases, thus balancing the relationship at a win-win approach between both parts of the business. This only happens when pricing and sales are, in fact, aligned as true sales business partners.”

But, you say, there are customers who only want to win! Well, that’s why pricing will need to have accurate data on the volume and margin results of all customers so that it can assess the customers’ value and determine whether they are worth keeping.

Conclusion: Soft Skills

8. Assertive and Timely Communication. “70% of projects Fail Due to a Lack of Communication.”

First, I’d like to strengthen the meaning of the words “assertive” and “timely”:

- Assertiveness is the ability to clearly inform someone about something, be it positive or negative, without bias and/or dubiousness. That is, the interlocutor will have no doubt about the action or non-action that he or she will have to take after receiving the information by the speaker.
- Timeliness means that something is done at the most appropriate opportunity. Timely communication happens when critical information is shared to relevant parties as soon as it arrives, thereby enabling relevant parties to make the right decision regarding whether

or not to take action and the appropriate time for that action. Timely communication allows companies to take advantage of opportunities and avoid risks.

Today, we have access to the most forms of communication that have ever existed in the business world, such as WhatsApp, Microsoft Teams, Zoom, and Google Meets, to name a few. However, even with all of these outlets, it is still common to see companies that fail due to a lack of communication.

Conclusion: Soft Skills

9. Selling Value: “Know the Customers’ Value Perception and their WTP.”

Recently, we all have heard companies make statements like this:

- “We are a customer-centric company,” or
- “Our company is customer-oriented, so we put our customers at the center of decisions.”

However, we need to make sure that these statements are not just nice company catchphrases. Companies that scale in pricing and the market are those that “walk the talk” about being customer centric.

When it comes to pricing, is your customer at the center of your company’s pricing decisions?

I have had several experiences, some recent, where companies still set prices completely based on cost + margin or through competitors’ price indexes. In some instances, that’s OK, but many times these price strategies do not fit with the companies’ speeches

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about customer centric pricing decisions. Most often, companies and managers make decisions from assumptions based strictly on costs and competitors prices alone.

Most companies still do not make pricing decisions based on the customer's value perception and willingness to pay as they fear losing volumes, revenues, and profits by raising prices, or even having to reduce prices based on market and/or customer information.

Companies that make their pricing decisions based on customers are companies that spend the same energy that they put into controlling their costs into understanding what their customers value in their products/ services.

Conclusion: Hard Skills

10. Pricing KPIs: "And the Real Pricing Indicator"

KPIs (Key Performance Indicators) are visualizations of key information in graphs and/or panels used for strategic decision-making. KPIs are used both to correct situations that are far from the companies' objectives as well as to repeat situations that fulfill or exceed expectations. In pricing, the main indicators are revenue (invoicing) and volume (weight/quantity), though with an important addition of statistical analysis and visualization of the profitability of the company's business (margins).

KPIs are visualizations of the main and essential aspects of the business. KPIs are analyzed regularly so that more assertive decisions can be made to achieve results and meet the company's objectives.

Key pricing indicators can include analysis of the price cascade, price band, discount dispersion, adherence to commercial policy, price deviation indexes from the competition, deviation indexes by regions, latter pricing (packaging), product tiers (Good/Better/Best), and of course, the EBITDA margin in various granularities. By the way, it's normal to see companies assessing contribution margin only in percentage (%), which is an important benchmark, though pricing professionals must know that the true pricing indicator is the absolute margin in dollars.

To conclude, keep dashboards simple, seek to achieve "quick wins" through visualizations, and do not wait for cutting-edge technology tools to stop profits "leaking."

Conclusion: Hard Skills

11. "Pricing is not a Project. Pricing is a Culture."

More than competence, this topic is about attitude.

Pricing might start as a project, as I mentioned in topic 6, to leverage the area and align expectations. However, pricing has no end within organizations. The pricing area should become more robust and continue its climb to become an independent, solid, and relevant area for company strategies and results.

Pricing must become a key functional area in the collaboration with other areas and be the focal point of integration of the internal areas that touch the companies' sales operations, moving towards the main objectives of increasing the perception of value and the customers'

WTP, and consequently achieving the success of companies with profitable and sustainable outcomes.

Conclusion: Soft Skills

Final Thoughts

Let's check the score result between Hard Skills and Soft Skills.

We clearly identified that among the 11 key pricing skills, 7 are behavioral skills ("Soft Skills"), and 4 are technical skills ("Hard Skills"). Thus, we can see that, in addition to a good technical knowledge, pricing professionals need to have high interpersonal skills.

Good "Hard Skills" (knowledge and technical skills) are important for a pricing professional's career. The better the "Hard Skills," the greater the opportunities to participate in relevant projects and the higher the level of deliveries in their area of expertise.

However, high "Soft Skills" (personality characteristics, behaviors, and interpersonal skills), added to good "Hard Skills" form a set of skills that will, in fact, make the professional achieve the best results in projects and areas of pricing. Therefore, "Soft Skills" are as important as "Hard Skills," and as we reach pricing management positions, "Soft Skills" become even more important.

It is important to say that "Soft Skills" and "Hard Skills" are not mutually exclusive skills. That is, having a high ability to relate well with people does not replace the importance of having good technical knowledge, and vice versa.