Introduction

“The cynic,” Oscar Wilde wrote, “knows the price of everything and the value of nothing.” If Wilde was on to something, then a vein of cynicism clearly runs through today’s most favored pricing strategies, which overwhelmingly fail to connect value with price.

Consider the two pricing approaches that companies favor most. The first is cost-based pricing, which centers on answering the question, “What price covers our costs with an acceptable margin?” Although financially prudent, this approach is fundamentally flawed because allocating fixed costs depends on sales volumes that are intrinsically linked to prices. The second approach, competitive pricing, seeks to answer the question, “What will the market bear?” Based on market fairness, prices for product or service features are set based on similar offerings in the marketplace. The flaw in this approach is its potential to encourage the notion that products are commodities and expose the entire industry to the lowest-cost supplier and to price wars.

While both approaches have their obvious flaws, their greatest weakness is one that Wilde would spot immediately: They overlook the value of value. Neither approach takes into account the value that a new product or service brings to the customer, nor do they provide insights into new ways of delivering a product or service.

Determining value and coming up with new ways to deliver it can be achieved with value-based pricing. Through value-based pricing, companies build a deeper understanding of their customers’ business drivers, align their goals with their customers’ goals, and share in each others’ fortunes in a way that isn’t possible with more traditional pricing schemes.

This paper discusses A.T. Kearney’s approach to value-based pricing. We begin by outlining the basic steps: how to determine what is valuable, what is not, and the obstacles you may encounter. We talk about gaining a clear understanding of your customer’s economic performance, and how to quantify the full value that a new offering can create. We discuss ways to “sell” value to your customers and, finally, how to ensure that the value is split equitably between you and your customers.

In the end, the dominant success factor of value-based pricing is its ability to provide superior, differentiated products and services—offerings that truly outrank competitors’.
DETERMINING VALUE
On the surface, value is a subjective concept at best and impossibly vague at worst. The process of determining and articulating it is the largest hurdle in creating a pricing strategy. Consider the challenges. If the seller cannot fully identify the value that its product or service brings to its customers, the set price will inevitably be off mark. If the customer is not familiar with the offering or its value, and is not given a clear and compelling case for its return on investment, a sale is unlikely.

There are also inherent structural obstacles to pricing value. These obstacles are often illustrated in the request for proposal (RFP) process. Anyone who has filled out an RFP knows that it favors easily quantified aspects of an offering, and tends to ignore those that are more difficult to measure. It ends with a slightly blurred image of the offering that overlooks key benefits simply because they fail to fit into a cookie-cutter model. RFPs are often not structured to include the value of an offering.

There is a way to overcome these pricing obstacles. It requires an unwavering focus on three key principles, which together form the basis for an effective value-based pricing strategy.

First, value must be defined from the buyer’s point of view, not the seller’s. Many companies make the mistake of over-emphasizing the features of their products, when they should focus instead on the hard and soft benefits that the customer perceives. A vacuum cleaner with an extended hose feature is not the prize, it is what the customer can do with the feature—in this case, reach into the corners of a ceiling to clear out cobwebs. Additionally, rather than selling a stand-alone product, offer the buyer additional services and flexible financial solutions (see sidebar: Finding the “Total” Value in Solutions). Enhanced products not only create more customer value, they can also be tailored to meet the needs of specific customer segments.

Second, the value of the offering must be clearly superior to that of alternatives. Otherwise, the price will end up being set either by your least sophisticated or your most aggressive competitor. Either way, the competitor will probably not focus on customer value and therefore will under-price the offering, effectively destroying the market. The implication is that if a company cannot meaningfully differentiate its product or service, it is unlikely to be able to put a price on its value.

Finally, all sources of value must be uncovered and communicated to customers on their terms. In the business-to-business markets, this requires an explicit understanding of your customers’ business models and strategic aspirations, as well as the economics of their business processes. Only then can you effectively estimate, quantify and communicate how a product or service is going to benefit a specific customer.

When combined, these three principles serve as the foundation for A.T. Kearney’s value-based pricing strategy.

A VALUE-BASED PRICING STRATEGY
A.T. Kearney’s value-based pricing strategy looks beyond costs or competitors’ prices to focus on the potential value the product or service will have for customers. It answers the fundamental question: “What is our product’s value to the customer, and how can we communicate that value as part of the price?” This strategy identifies the maximum that customers are willing to pay for the benefits they receive, or perceive, from products and services, and what portion of the value they will cede to the supplier.
The basic steps are straightforward: understand the customer’s economics, quantify the full value that a new offering can create for the customer, communicate that value and, finally, set prices that split the value created between the customer and the provider.

Carrying out the value-based strategy, however, can be more complex—primarily because it requires defining, measuring and agreeing on the product’s sources of value. In getting to a value-based price, suppliers must answer difficult questions:

- Some sources of value are more difficult to quantify than others: Will the customer agree with our definition of the sources of value?
- What is a fair split of the overall value between us and the customer, and what is the maximum price a customer is willing to pay?
- The definition of value can differ significantly between individual customers and customer segments: How should the pricing strategy account for and address these differences?
- Which pricing structure best supports the principle that customers pay only for the incremental value the product or service creates?
- Which pricing structure enables us to share the upside potential of the offering while gaining the greatest monetary value?

**THE FOUR-STEP APPROACH**

A.T. Kearney’s four-step methodology answers these questions while providing an effective and comprehensive value-based pricing strategy (see figure 1 on page 4). An example of how to price a new product is highlighted in the sidebar on page 5: “If the Price Sticks.” It is the story of how a specialty chemicals company used value-based pricing to determine a price for its new glue product.

An example of how to price a new “solution” is highlighted throughout the paper. We also draw on the experience of one client, a high-tech company in the midst of pricing its newest solution—an automated call center. Because the solution features advanced speech recognition, meaning that it uses normal conversation to identify and resolve complex customer requests, it is far better than any existing call center on the market. The call-center solution has other benefits as well: It provides a natural customer interface, can recognize callers’ “intentions,” and it can automate more calls. It is also self-funding—it pays for itself in cost reductions and efficiency improvements. This has been a particularly appealing selling point given the tight market conditions.

The challenge for the high-tech company: How to price the solution?

1. **Find the Value Ceiling**

The first step in gauging value is to determine the absolute maximum—the ceiling price—that can be charged. What is the most your customer will pay for the product or solution? Finding the ceiling requires a three-pronged approach: Create an economic model of every potential customer’s business, determine the impact of the offering on the customer’s total cost of ownership, and develop a business case to support the price.

**Create an economic model.** Creating an economic model of your customers’ businesses begins with defining key metrics. This means identifying and quantifying all potential sources of value, from cost savings and incremental revenue increases to improved customer satisfaction.

Creating an economic model requires a significant amount of research, cooperation from...
customers and the willingness to make a few assumptions. But the result is well worth the effort, not only in terms of arriving at the best price, but also in that the customer becomes convinced that you truly understand its business. For example, in creating its economic model for its automated call center, the high-tech company learned that roughly 85 percent of typical call-center costs are directly related to agent-handled workload. The company used this information to support the economic rationale for an automated solution.

Determine the bottom-line impact. The second step in finding a ceiling price involves determining how each feature of the solution will affect the customer’s bottom line. In other words, determine how the solution links to the customer’s key performance metrics. The high-tech company did this by forming a team whose job was to interview managers from call centers across a wide range of industries. Team members asked call-center managers about the metrics that drive economic performance of their call centers, and then used the answers to pinpoint which metrics would improve with the automated system.

The company could even go a step further and link the key performance metrics of the call

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**Figure 1: Steps for developing value-based pricing strategy**

<table>
<thead>
<tr>
<th>1. FIND THE VALUE CEILING</th>
<th>2. CREATE CUSTOMER SEGMENTS</th>
<th>3. DETERMINE EQUITABLE SPLIT</th>
<th>4. DEVELOP PRICING STRUCTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Determine the most your customer will pay for a product or service using a three-step approach:</td>
<td>• Use research to develop customer segments and prioritize them according to different criteria (such as economic impact, time to realize benefits)</td>
<td>• Identify an acceptable return on investment for the customer</td>
<td>• Use a variety of pricing mechanisms rather than just one</td>
</tr>
<tr>
<td>1. Create economic model of customer’s business</td>
<td>• Tailor the offering to meet the specific needs of the customer segment</td>
<td>• Identify the next-best alternative</td>
<td>• Ensure that payments are linked to performance and customers pay for incremental value</td>
</tr>
<tr>
<td>2. Determine bottom-line impact</td>
<td></td>
<td>• Protect the core value of the offering</td>
<td>• Consider other key points: keep the structure simple, track performance, align with market and brand, share the rewards, and establish controls to maintain integrity of the offering</td>
</tr>
<tr>
<td>3. Outline business case for customer</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: A.T. Kearney
Although A.T. Kearney’s value-based pricing strategy is useful for pricing solutions and other complex offerings, it is equally appropriate for straightforward products as well. And few products are more straightforward than—quite literally—glue.

In the late 1990s, a specialty chemicals company developed a new adhesive for industrial packaging, able to seal cases and cartons for everything from breakfast cereals to computers. Although the new adhesive cost slightly more to produce than the one it was slated to replace, executives believed that it could ultimately increase the company’s market share and profit margins. To meet these goals, the company set out to understand the true value of its new product and price it accordingly.

The company first compared the adhesive to its predecessor and competitive products, and then interviewed target customers about their views on the product’s value. Armed with both the lab data and customer-use information, the team pinpointed and quantified the product’s benefits, including:

**Higher yield.** It is stronger than the industry standard, so companies need a smaller amount to give their packages the same strength.

**Less maintenance and downtime.** The adhesive is cleaner than competing products, so companies will be able to reduce their spending on replacement parts and maintenance, as well as experience less production line downtime.

**Better appearance.** The fact that the new adhesive is clearer than similar products is not an important issue for many companies. However, companies that use the adhesive for affixing labels to clear bottles will likely appreciate the improved look.

**Higher reliability.** Because the adhesive is stronger than the industry average, fewer packages will fail. Companies will receive fewer claims for damaged merchandise.

In the final step, the team set the price, focusing on the concrete value achieved for the customer (see figure below). The result was a market price approximately 40 percent higher than the cost-based price. More important, it also had a significant premium—nearly 30 percent—over the highest priced competing products. Over the next four years, the company gradually increased the price even further and the adhesive has since become the single most profitable product in the company’s portfolio.

<table>
<thead>
<tr>
<th>Size equals relative value</th>
<th>Illustrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Illustrative</td>
</tr>
<tr>
<td>Lower overhead costs</td>
<td>Higher reliability</td>
</tr>
<tr>
<td>Better appearance</td>
<td>Higher yield</td>
</tr>
<tr>
<td>Less maintenance and downtime</td>
<td></td>
</tr>
</tbody>
</table>
Figure 2: Value can be tied to performance

**Illustrative**

**Areas of Value Creation in a Call Center**
- Reduced operating costs
- Increased revenues
- Reduced working capital
- Improved customer satisfaction
- Ability to expand

**Intangible Benefits**
- Ability to offer new services to new customers

**Quantifiable Benefits**
- Overall benefits and value

**Key Performance Metrics**
- Agent handling time
- Number of calls completed automatically
- Average call length
- Average time for automated call
- Number of inbound calls that could lead to sales opportunities
- Number of outbound calls
- Conversion rate of outbound calls into sales
- Average revenue per sale
- Number of collection calls
- First call resolution rate

*Source: A.T. Kearney*
center with the key performance metrics of the person who oversees the call center—thus tying company benefits directly to individuals’ rewards. Figure 2 illustrates how value created in certain areas can be tied to performance measures.

**Develop a business case.** The last step is to work with the customer to develop a business case that illustrates the value creation potential. For example, in wooing a potential customer in the healthcare industry, the high-tech company determined that it could reduce 40 to 46 percent of the healthcare company’s call-center operations costs—an impressive cost savings that makes for a compelling business case (see figure 3).

The business case should include a sensitivity analysis to highlight the assumptions that pose the greatest risk to the pricing model and those that promise the most significant benefits to the customer. Also, it is important to note that not all customers will be willing to recognize and accept every source of value in the business case; customers are more apt to accept value that is easily measurable and quickly realized (see figure 4 on page 9).

**2. CREATE CUSTOMER SEGMENTS**
The potential for value creation varies from customer to customer, and on a larger scale, from

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**Figure 3: Potential savings from new call center system**

<table>
<thead>
<tr>
<th>Category</th>
<th>Pre offering</th>
<th>Post offering</th>
<th>Illustrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call agent</td>
<td>$1.2</td>
<td>$1.0</td>
<td>$1.1</td>
</tr>
<tr>
<td>Technology infrastructure</td>
<td>$0.3</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Telecom</td>
<td>$6.2</td>
<td>$5.7</td>
<td>$5.0</td>
</tr>
<tr>
<td>Management</td>
<td>$2.4</td>
<td></td>
<td>$5.0</td>
</tr>
<tr>
<td>Facilities</td>
<td>$1.5</td>
<td>$1.0</td>
<td></td>
</tr>
<tr>
<td>IT operations</td>
<td>$1.2</td>
<td>$0.5</td>
<td>$1.2</td>
</tr>
<tr>
<td>Recruiting and training</td>
<td>$0.6</td>
<td>$0.3</td>
<td>$0.3</td>
</tr>
<tr>
<td>Equipment</td>
<td>$0.3</td>
<td>$1.2</td>
<td>$1.2</td>
</tr>
</tbody>
</table>

Overall reduction in operational costs is US$15-17 million or 40-46%

Source: A.T. Kearney
Value-based pricing answers the fundamental question: “What is our product’s value to the customer, and how can we communicate that value as part of the price?”
customer segment to customer segment. As a result, a solid value-based pricing strategy should reflect these differences by allowing for tailored offerings and prices.

This can be accomplished by creating various customer segments and then prioritizing them according to different criteria. For example, a customer segment might be prioritized by the economic impact a product or service will have on the customer. Or a segment might be prioritized according to how fast benefits will be realized—timing that may depend on whether or not the customer needs to first fix other things, such as systems. Through segmentation, you also obtain a better understanding of what features (of the enhanced product or service) should be adjusted to meet the needs of various groups. A tailored offering increases the value created for each customer segment, which increases the customer’s willingness to pay a higher price.

Customer segmentation must focus heavily on differences in buying patterns. This ensures that customers from one segment do not purchase a lower price solution offered to another. One of the best examples of this concept is illustrated by how airlines price their tickets. In segmenting their customer base, airlines soon realized that

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**Figure 4: Savings on operating cost versus next-best alternative**

<table>
<thead>
<tr>
<th></th>
<th>Basic services</th>
<th>General fulfillment</th>
<th>Complex fulfillment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total operating cost:</strong> $220 million (US$ millions)</td>
<td>$33.6</td>
<td>$10.8</td>
<td>$5.1</td>
<td>$49.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional savings with new offering</td>
<td>$49.4</td>
<td>$10.7</td>
<td>$12.3</td>
<td>$72.5</td>
</tr>
<tr>
<td>Savings with next-best alternative</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: A.T. Kearney
the fundamental difference between business travelers and vacation travelers was the lead time they required in purchasing their tickets. The airlines used this key difference to establish a pricing barrier between the two groups. Business travelers generally don’t purchase lower-priced advance tickets because their buying pattern is to buy tickets on short notice.

In segmenting customers for its call-center solution, the high-tech company used a similar approach, creating five distinct customer segments. It grouped target customers according to their technological sophistication, current level of call automation, pressing need for incremental automation, time to realize value, and propensity to purchase bundled versus best-of-breed solutions. The high-tech company obtained a clear view of which call-center solution would meet the needs of which customer segment, and estimated the benefits each segment could expect.

Clearly, leading companies will use the analysis to understand characteristics that not only identify segments, but that also drive different buying patterns.

3. **DETERMINE AN EQUITABLE SPLIT**

With the value ceiling and economic benefits determined, the next step is to determine how to split the value between you and your customers. Essentially, the portion of value that you retain becomes the price of the offering. For example, a U.S.-based software company sets prices for its supply chain software so that customers achieve 120 to 150 percent return on invested capital (ROI) in the first two years. An engineering service firm guarantees its customers predetermined performance results and retains 15 percent of the created value.

There are three key considerations in finding the best value split. First, the company must identify an acceptable ROI for the customer. Most customers have relatively well-defined ROI rules that govern their purchasing and investment decisions for items requiring capital.

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**Finding the “Total” Value in Solutions**

Value-based pricing is useful for many new products and services, but it is particularly appropriate for the increasingly popular offerings known as solutions. The term “solutions” is typically used as a catch-all to describe bundled products and services. However, a solution is more than that. It goes beyond bundling to take on the total cost of ownership and to improve performance for the customer.

A properly defined solution should:

- Address the customer’s total cost of ownership and allow the customer to obtain optimal performance from its overall business process.
- Focus on the desired customer outcome rather than on functional characteristics of the product or service. For example, if the goal is to improve yield in a manufacturing process, the solution must address all of the variables that affect yield from raw materials and equipment to maintenance and the quality of people who perform the process. A good solution provider aligns these many variables and then guarantees the outcome—assuming and managing all risks related to providing the outcome.
- Be structured in such a way that the vendor assumes and manages the risk related to guaranteeing performance. Typically this leads to a tiered pricing structure, with both usage fees and performance-based fees.
A new market, a distinctive product, customers who do not fully understand the potential impact of a service: All could benefit from a new pricing approach.
investments. The rules usually span a number of criteria such as a defined payback period, a positive net present value, or a specific ROI goal. Knowing the customer’s criteria is essential for determining what the customer would consider an acceptable range for a value split, and consequently, an acceptable price range. To obtain this information, you must first establish trust, which is not something that is accomplished overnight, and you must be able to handle sensitive information with care and a guarantee of confidentiality.

Another consideration in finding a fair value split is to identify the next-best competitive alternative. This involves finding out a competitor’s price for a similar offering, and then estimating the potential for value creation. This information is used to assess the payback period, net present value and return on investment that the competitor’s product can potentially deliver for the customer.

For example, when the high-tech company assessed its key competitors’ offerings (quantifying their potential for creating value) it found that its automated call-center solution would create roughly 50 percent more value for customers, and that competitive alternatives would only allow customers to achieve 35 percent ROI. The company used the information to establish its own value split, going a step above competitors: offering its customers a one-year payback and 35 to 45 percent ROI.

Finally, in determining an equitable value split it is also important to protect the core value of your offering. Inevitably, the price of a product or service will decline over time, creating pressure on margins. For that reason, it is critical to identify and protect those elements that generate the most value for the customer and that are distinct from competitive offerings. One strategy to protect core value is to outsource non-core processes to alliance partners. Another strategy is to adopt non-price discounting. Rather than simply cutting the price of an offering for a particular customer segment, eliminate some non-core features and then reduce the price. This shifts an entire customer segment to a “lighter” version of the offering.

4. DEVELOP A PRICING STRUCTURE
The last step is creating a value-based pricing structure (see sidebar: How High Is High? Follow the Pricing Staircase). This requires applying two general rules: payments should be linked to performance, and the customer pays for the incremental value of the offering.

The trick is to use a variety of pricing mechanisms, because some benefits are more easily measured and credible than others. We can consider the benefits by using the call-center example. The traditional structure for pricing a call-center service is an up-front fee for installation and development that is typically 10 percent of a customer’s cost savings. For a large call center, in which the cost savings could approach US$50 million, the customer would pay an up-front fee of US$5 million.

In contrast, a variety of pricing mechanisms will garner larger payments. In pricing its automated call center, the high-tech company designed a three-pronged pricing structure: It charges a somewhat smaller up-front fee than the industry norm, a monthly usage fee based on number of calls, and a gain-sharing quarterly fee based on the number of incremental automated calls. The up-front fee will vary depending on the complexity of the service offering. The monthly usage fee is broken down by length of
How High Is High? Follow the Pricing Staircase

Perhaps the biggest question in setting the price of a new product or service is “how high?” One way to find the answer is to climb the pricing staircase, which includes four separate flights, each comprising its own set of questions (see figure).

The first flight is cost-based pricing. Although cost should never be the sole factor in setting a price, it does play a role. And this role may vary in importance depending on the industry. In a commodity business, for example, failing to understand an industry cost curve can be traumatic. Questions to ask at this point include:

- What is the cost penalty for complex or low volume SKUs?
- How can we take advantage of incremental capacity?
- How should we amortize development cost?
- How do we incorporate continuous cost improvements in forward pricing tactics?

Climbing up a level is competitor-reference pricing. Questions to ask at this stage include:

- How visible is the competitor price?
- How similar is the product service?
- What are the switching costs?
- How is our product positioned?
- What is the brand premium?

The third flight is value-based pricing, which assesses the willingness of the customer to pay.

- What is the next best alternative?
- How does our product or service affect cost of ownership?
- How should the value generated be split between customer and provider?
- What are the customer’s decision criteria for investment and who are the decision makers?

The final flight is enhanced product pricing or bundled pricing. This is the point at which the customer is sold on the solution because it improves its operations or chances for market success. The typical solution can include providing a parts “kit” or complementary products to simplify the supply chain or services, or financing that can help guarantee customer success. Sample questions to ask include:

- Can we bundle other products with the offering?
- What services can be helpful?
- Are there ways to turn the product or service into a financial solution?
- Do we have a cost of capital advantage?

Climbing the entire staircase can be rigorous but rewarding: Progressing through each flight can reveal a range of price opportunities and ideas that might otherwise be missed.

Follow the pricing staircase

The objective in pricing is to search for sustainable price ceilings

Factors to consider…

- Determine fixed and variable costs
- Pinpoint bottlenecks and constraints
- Analyze inventory, quick response and forecast error rates
- Develop desired margin and discount policies
- Determine life cycle position
- Assess competitor products and services
- Evaluate switching costs
- Create economic model of customer’s business
- Determine bottom-line impact
- Outline business case for customer
- Add features or services
- Offer bundled solutions
- Determine what customers value
- Assess performance and reliability improvement

Source: A.T. Kearney
call, complexity of service offering and call volume. And the charges for incremental calls reflect the average length of the call plus the cost of agent-handling time.

The result: rather than earning the 10 percent of customers’ cost savings, the high-tech company has the potential to earn roughly 35 percent of customers’ cost savings.

**Points to Ponder**
When developing a pricing structure, it is important to keep the following points in mind:

**Simplicity.** Everyone in your company needs to be able to understand the pricing structure and to communicate it effectively to customers and stakeholders. In addition, the pricing structure must be practical enough that it is relatively easy to implement. Therefore, soft benefits will generally be captured in a fixed pricing mechanism, while hard benefits can be captured in a variable pricing mechanism.

**Certainty.** The sources of value, especially when linked to a variable pricing mechanism, must be easy to track and measure. The metrics must be clearly understood, and the data source, calculation method and baseline need to be agreed upon in advance.

**Alignment.** The pricing structure should reinforce the market and brand positioning of the offering. By its nature, value-based pricing aligns best with a premium positioning in the market, but the pricing structure can be used to further differentiate an offering. For example, if a company’s solution is similar to that of a competitor’s on four out of five main features, but it is clearly differentiated on the fifth, the pricing mechanism should directly tie into and emphasize that unique feature.

**Potential.** The pricing structure should enable you to take advantage of both the current and future value of the service and to share the upside potential in value creation with customers. In other words, if the solution performs better than expected (more calls get automated) and the customer receives more value (cost savings), you should get a share of the extra value created. In an automated call center, such rewards can be achieved by including a “per automated call” fee in the pricing structure.

**Integrity.** Establish appropriate controls to maintain the integrity of the pricing structure. This is accomplished by having the entire sales team aboard early, training everyone in how the pricing structure works, and giving them the necessary tools or analytical resources to carry it out. Further, because sales teams are usually too quick to offer price concessions to close a deal, strict guidelines and approval processes must be established to ensure that value is not given away. There has to be a walk-away point for every deal, one that is clearly established upfront and fully articulated to the sales team. Also, the sales force’s compensation structure should support the new value-based pricing objectives—a focus on margins and customer profitability will ensure compliance.
Conclusion

A new market, a distinctive offering, customers who do not fully understand the potential impact of a product or service. The prescription for these situations may well be to adopt value-based pricing, focusing not on the features of the offering but on the quantified value it can bring to buyers.

Value-based pricing requires a significant change in the way most companies go to market. It requires rethinking everything from customer segmentation, to product marketing, to sales and account management in order to support a new and unique market positioning. Core processes must be realigned and new processes established, with deeper analytical capabilities embedded throughout the organization, especially in the sales force.

The only questions now: Are you up to the challenge? Is your senior management ready to champion such a comprehensive shift in market strategy? Are you willing to engage your customers in new ways? Is your organization ready to embrace new capabilities?

In the end, it almost always comes down to a question of cynicism: Would Oscar Wilde call you a cynic, or are you ready to capture the value of value?
A.T. Kearney is an innovative, corporate-focused management consulting firm known for high quality, tangible results and its working-partner style. The firm was established in 1926 to provide management advice concerning issues on the CEO’s agenda. Today, we serve the largest global clients in all major industries. A.T. Kearney’s offices are located in 58 cities in more than 35 countries in Europe, Asia Pacific, the Americas and Africa. A.T. Kearney is the management consulting subsidiary of EDS, the leading global services company.

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