

Pricing Model - Template V. 2.1



Company Name: <Enter company name.>

Product Name: <Enter product name.>

- Date: <Enter date.>
- Contact: <Enter your name.>
- Department: <Enter department name.>
- Location: <Enter location.>
- Email: <Enter email address.>
- Telephone: <Enter telephone number.>

Document Revision History:

Date	Revision	Revised By	Approved By
<Enter date.>	<Revision #.>	<Enter your name.>	<Enter name.>

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1. Introduction

1.1. Document Objective

The purpose of this document is to provide a pricing model for the <Product Name>.

<Comment: Price is the specification of what a seller wants in exchange for granting right of ownership or use to a product.>

Knowledge prerequisites to building a pricing model are:

- *Body of Knowledge - competitor, customers, complimentary.*
- *Knowledge of Costs - cost of goods, cost of selling, overhead cost; (fixed, variable).*

The pricing model is comprised of three distinct parts that effectively act as sequential stages in the pricing process:

- *Pricing Scheme*
- *Pricing Formula*
- *Price Mix*

See the PMTK Pricing Model diagram.>

2. Pricing Scheme

2.1. Section Objective

Determine the pricing scheme which outlines the overall pricing approach.

<Comment: The pricing scheme encompasses the principles for pricing the specific product. The pricing scheme is comprised of three distinct parts that effectively act as sequential stages in the pricing process:>

- *Objectives*
- *Strategies*
- *Tactics>*

2.2. Objectives

<Describe the pricing model's objectives. Explain why the particular objective or objectives are sought.>

<Comment: Common pricing model objectives are:

- *Profit (Income)*
- *Units (Share)*
- *Revenue (Sales)*
- *Signal (Marketing)>*

2.3. Strategies

<Describe the strategy used in the pricing model. Explain why the particular strategy was selected.>

<Comment: Common pricing model strategies are:

- *Cost-Plus (Markup)*

- *Going-Rate (Competition)*
- *Market-will-Bear (Monopoly)*
- *Market-Value (Value)>*

2.4. **Tactics**

<Describe the tactics used in the pricing model. Explain why the particular tactics was selected.>

<Comment: Pricing model tactics are dependant on the particular life cycle stage the product being priced is, relevant to the product life cycle model. See the "Extending Product Life Cycle Stages" article found at the Blackblot website resource page.>

Common pricing model tactics are:

- Introduction
 - *Skimming (High Price)*
 - *Penetration (Low Price)*
- Growth
 - *Diversification (Product Line)*
 - *Captive Product*
 - *Discrimination*
- Maturity and Decline
 - *Initiatives*
 - *Discounts*
 - *Bundling*
 - *Reactions*
 - *Anything>*

3. Pricing Formula

3.1. **Section Objective**

Determine the elements of a pricing formula used to calculate the price. The pricing formula allows the application of pricing changes to specific markets or competitive regions.

<Comment: The pricing formula is comprised of three distinct sections:

- *Variables*
- *Modifiers*
- *Schedules>*

3.2. **Variables**

<Describe the pricing variables used in the pricing model. Pricing variables allow the application of pricing changes to specific markets or competitive regions. Select the variables applicable to your market and product.>

<Comment: Pricing variables are usually characteristics of the product on which different price additions can be placed. Pricing variables can also be viewed as being deliverable-based or quantum-based. The following are commonly used pricing variables:>

- General Pricing Variables
 - *Scale - Number of users.*
 - *Schedule - Pace at which the project is to be completed.*
 - *Implementation challenges - Any unique implementation issues.*
 - *Transactions - Number of transactions (commerce applications).*
- Technological Pricing Variables
 - *Security Issues - Companies have different levels of security needs and different preferences when it comes to security.*
 - *Remote Management - Charges can be presented if a company demands additional or complex management layers.*
 - *Reserved Capacity - Some clients will need granted service levels in terms of performance, response times. The charge for this service is usually fixed and dependent on service level.>*

3.3. Modifiers

<Describe the pricing modifiers used in the pricing model.>

<Comment: Pricing modifiers come in the form of discounts.>

- *Volume - This is the most common of discount types. The more is purchased, the bigger the discount the customer may get.*
- *Preferred - In this situation the enterprise would fall under the category of a preferred customer and subject to that affiliation, would receive a global discount on all list prices.*
- *Pre-Booked Amounts - In this situation the customer forecasts a certain level of growth or a defined amount in the number of transactions or users. Based on that, the customer would negotiate a better price per that unit of measure. Naturally, provisions for under or over use will be defined as well.>*

3.4. Schedules

<Describe the pricing schedules used in the pricing model.>

<Comment: Pricing schedules may be applied on their own or in combination. It is common to see a Recurring Subscription and Usage Subscription schedules being combined (cell phone). Commonly used pricing schedules are:>

- *One-Time Fee- This pricing schedule is based on a one time fixed charge that enables constant use of the product (computer software).*
- *Subscription Fee - This pricing schedule is based on a one time fixed charge that enables limited time use of the product (country club membership).*
- *Recurring Subscription - This pricing schedule is based on a fixed charge that enables limited time use of the product, but is renewed periodically at regular intervals (cable television).*
- *Usage Subscription - This pricing schedule is based on a fee that is charged per unit of measure that is tallied at regular intervals (automotive fuel).>*

4. Price Mix

4.1. Section Objective

Determine the price mix presented to the customer.

4.2. **Price Mix**

<Describe the price mix used in the pricing model.>

<Comment: Price mix is the set of information and conditions the customer is presented with when making a purchase. Common parts of a price mix are:

- *MSRP - Manufacturer's suggested retail price. Also known as list price.*
- *Allowances - Purchase restrictions, usually regarding quantities.*
- *License - Legal ownership and use rights (has cost implications).*
- *Payment Forms - Includes forms as: cash, credit card, check, wire transfer.*
- *Payment Terms - Includes conditions as: currency type, letter of credit and purchase prerequisites.*
- *Credit Terms - Credit terms extended to the customer.>*

5. <Product Name> Pricing Model

5.1. **Section Objective**

Describe the pricing model structure that will be applied to <Product Name>.

5.2. <Product Name> Pricing Model

<Describe the actual pricing model that will be applied to the product. This is in effect a summary and aggregate of the preceding sections.>

<Comment: The price a customer will ultimately pay should reflect the value and functionality that was given to the customer and not the resources invested in the product.>

5.3. **Pricing Model Clarity**

<Define and list principals used to promote clarity within the pricing model. For example: tiers, uniform pricing, minimal number of categories.>

<Comment: Customers always expect to be presented with an easy to understand price models. Intricate price models may serve the vendor well as they cover many revenue options but tend to create disengagement at the customer's end.>

6. Market/Customer Data

6.1. **Section Objective**

Describe the market and customer data used in support of creating the pricing model.

6.2. **Market/Customer Data**

<Describe and list market and customer data that was used. When relevant, detail how the data directly supports decision made regarding the pricing model.>

6.3. **Competitor's Pricing**

<Describe and list any relevant pricing information (rates, models) used by the competition.>

7. Pricing Model Assumptions

7.1. Section Objective

Describe assumptions made in support of creating the pricing model.

7.2. Pricing Model Assumptions

<Describe and list any assumptions whatsoever, made in support of creating the pricing model.>

8. Supporting Data

8.1. Section Objective

The section provides data in support of claims, assertions, assumptions, and statements made throughout this document.

8.2. Assumptions

<Describe any assumptions made when writing this document.>

8.3. Research Information

<If relevant, describe and list the type and scope of research conducted in the course of writing this document.>

8.4. Product Diagram/Architecture

<If relevant, describe the product's architecture and modules accompanied by a schematic diagram.>

9. PMTK Pricing Model Diagram

