MERU Insights: Five Common Pricing Myths

Pricing can be a powerful way to unlock value and drive 'margin expansion'

MERU

Pricing is an **untapped value lever** that is often overlooked or is usually lower in priority. Optimizing pricing can have a **multiplier effect** on the bottom line. The **impact compounds over time**, and often there's **limited one-time costs** to implement. Unlike cost takeout, pricing is **not disruptive** to the organization. A robust pricing strategy can be instrumental in driving **'margin expansion.'**

We often come across the following "myths" that may hamper an organization's ability to adopt a robust pricing strategy.

Myth 1: We are taking advantage of our customers

Pricing, if done right, can be win-win for both the seller and the buyer

Myth 2: Pricing strategy means raising prices

Not always. Sometimes, it may result in a lower price. The key is to charge appropriately to capture customer's willingness-to-pay

Myth 3: A "cost-plus" pricing approach makes sense

This approach often leaves money on the table by not considering customer demand and willingness-to-pay

Myth 4: Benchmarking to competition

Assumes competition uses the "right" price, and ignores reasons why customers may prefer our offerings

Myth 5: Lower price means we can sell more

Yes, but we may not maximize profits and revenue by doing so. We may leave money on the table and not necessarily capture enough volume to offset the price reduction