



*Value-Based Pricing & Business
Aspects*

By: Homi R. Mullan



Welcome to the Talk On . . .



**“Value-Based Pricing & Its
Related Business Aspects”**

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Homi Mullan's Background & Related Experiences. . .



1. Technical Marketing & Sales
2. Specialist in Energy & Environment Conservation
3. Technical Writer
4. Trainer
5. And much more

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Homi Mullan's Choice in the formative years . . .



Make a Choice between

1 x 10

Or

10 x 10

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Specialisation Experiences 1963 to 1978 . . . U.K. based



1. Steam, Compressed Air
2. Instrument- Process & Lab
3. Instrument- Electro medical
4. Fabrication – Pipeline
5. Boilers & Oil Burners
6. Pollution Monitor: Water & Air

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Specialisation Experiences 1978 to 1988 . . . U.S.A. based



7. Conductive Polymer Heating 8. Radiation Cross-Link Polymers:

- L.V & H.V Elect. Insulation.
- Corrosion Protection
- Wire & Cables

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Specialisation Learned & Experiences Gained at ...



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The University of CUSTOMERS



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Lessons from the Experiences ...



- A. Have PASSION & BELIEF**
- B. SPECIALISE in the Subject and Market place.**
- C. Keep EXPANDING in Different Fields.**
- D. Beware on Choosing FUTURISTIC Product or Businesses**

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First Experience on Value Based Pricing. Heat Tracing (1979) -ves



	STEAM	AUTO-TRACE
Availability	Indigenous	Imported
Cost	Rs.30/mtr	?
Haz. Area Safety	SAFE	?
Energy Cost	1/4	4X
Usage	Very Wide	New in India

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First Experience on Value Based Pricing. Heat Tracing (1979) +ves



	STEAM	AUTO-TRACE
Efficiency	8 to 15%	90% +
TIC	Existing 1 - 2	1
TOC	7X – 12X	1
Life	10 Yrs	20 – 40 Yrs
Maintenance	10% of TIC/yr	2%
Installation Time	3 – 4X	1

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Auto-Trace Values Sold



DEPARTMENT	VALUES
Project	Time Saving
Process	Reliability
Maintenance	Maintenance Free Easy to Modify
Finance	Net Worth Savings
Management	Assurance

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Value Based Pricing Determined



AUTO-TRACE

Rs.700/mtr

To

Rs.1500/mtr

(Steam Tracing Originally Perceived at Rs.30/mtr)

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Value Plus v/s Cost Plus



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	Value Plus Co.	Cost Plus Co.
Sale	100	100
Cost	20	60
Gross Margin	80	40
OPEX	20	20
Gross Profit	60	20
Interest	15	15
PBDT	45	5



Small Firms



Faster Growing

- Differentiated Product or Service
- Innovativeness
- Service
- Overall Quality

Slower Growing

- Standard Product or Service
- Price
- Credit Facility
- Lower Survival Prospects
- Weaker Growth Prospects

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Differentiation



- To be unique in the Industry along some dimensions that are widely valued by the Customer
- To be unique and different
- When differentiation cannot be sustained, USP becomes less important
- If the premium charged is too high, Customers may decide not to purchase OR it invites competition

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Elements of Differentiation Strategy



- Reinforce differential advantage
- Build brand image
- Build on specialist skills
- Respond aggressively to competitors or new entrants
- Invest in barriers to entry
- Monitor changes in market

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Cost Plus Pricing



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**COST
LEADERSHIP
CANNOT BE
SUSTAINED**



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Niche Strategy



The key to the segmentation is the ability to identify the unique benefits that a product or service offers to potential customers

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Focused Differentiation



- Is to pursue Niche Strategy
- Very attractive for smaller firms
- Risk is that it can be imitated
- Successful companies follow a strategy of Differentiation
- Family company differentiating its products, sells to a small but lucrative market segment

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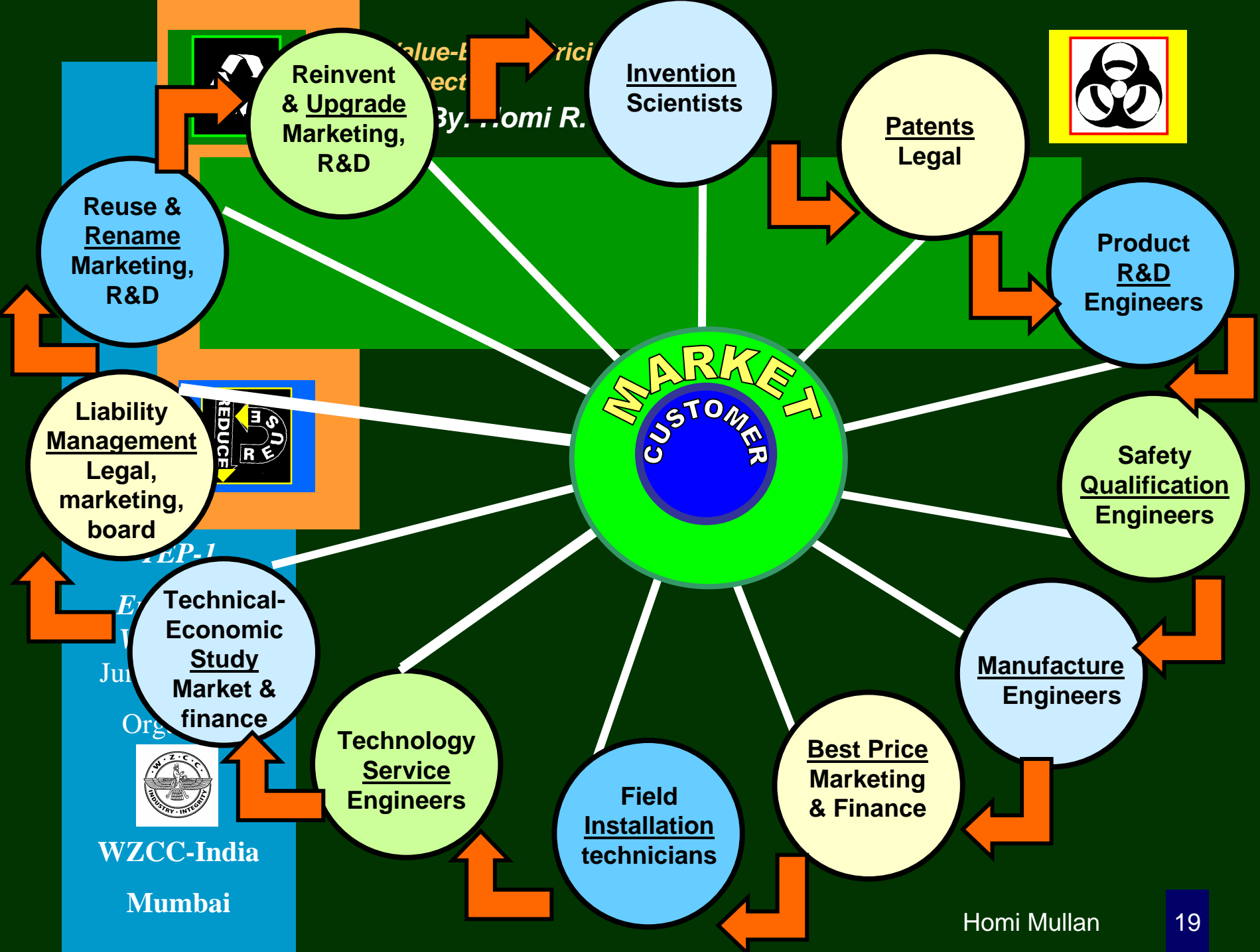
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BOILED FROG SYNDROME



JUMPS IN BOILING WATER

JUMPS OUT INSTANTLY

SITS IN COLD WATER, PUT TO BOIL

SITS UNTIL IT IS BOILED, AND DIES

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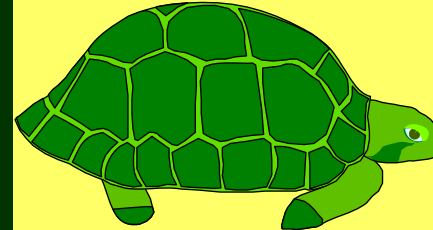
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Thank You



FOR YOUR PATIENT LISTENING



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