Press Release

|  |  |
| --- | --- |
| *Date* | **Embargoed until: 00:01 hrs, 26 November 2013** |
| *Contact* | Andrew Smith, media relations, PwC  Tel: 020 7213 1216, Mobile: 07841 491180  e-mail: [andrew.x.smith@uk.pwc.com](mailto:andrew.x.smith@uk.pwc.com) |
| *Pages* | 2 |

**Companies under pressure over price**

Shaky consumer confidence, stiff competition and increased transparency offered by the internet are forcing organisations to reappraise how they price their goods and services, says a new report from PwC, “The power of pricing”.

The survey of over 500 companies worldwide highlights some significant and also surprising trends in how companies set prices.

More than 40% of respondents consider pricing to be the most effective way of growing profitability. However, only 26% believe increased prices will drive profits over the next three years while a significant minority (17%) believe that profits will decline along with their prices.

David Lancefield, partner, PwC, says:

“Pricing is one of the main levers you can pull to make an impact on your bottom line. It’s especially important to get it right in a world in which investors and customers are more demanding than ever. Yet only 5% of respondents feature in the top quartile of all aspects of pricingperformance.”

The results also show that as many as 60% of respondents adopt the most basic approaches to setting prices including matching competitors’ prices or applying a fixed mark up to costs. More sophisticated approaches such as pricing based on customer willingness to pay are less common.

Nazanin Naini, senior consultant, PwC, says:

“The greatest challenge for companies is to understand where they generate real value and to reflect this in their pricing. Many companies claim to be customer centric, yet understanding what customers really value is one of the most commonly stated challenges, with only 13% of our survey respondents telling us they have deep insight into their customers’ willingness to pay. ”

“Furthermore, we often see companies taking a scatter gun or uniform approach rather than, for example, setting prices in a way that rewards loyalty and customers generating high profitability, as opposed to those most costly to the business.”

Companies often underestimate the importance of having the necessary people and systems to support an effective pricing strategy. Nearly half of the survey respondents don’t have a pricing team to make fully considered recommendations on pricing. As a result businesses often give their sales force discretion to discount from list prices, making profit targets less achievable.

David Lancefield, partner, PwC, said:

“Our research suggests that the infrastructure to support smart pricing decisions is not fit for purpose. Almost half the respondents struggle to develop an IT infrastructure that supports pricing, whilst 37% struggle with governance and decision-making.”

“A poor pricing strategy can result in a loss of customers and a backlash from important stakeholders. When it’s done well, it’s the most powerful and effective way to achieve profitable growth.”

**About PwC**

PwC helps organisations and individuals create the value they’re looking for. We’re a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

© 2013 PwC. All rights reserved

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.