Strategic Pricing:

Driving an Effective Trade Terms Framework

Total Negotiation Group

We transform our client's commercial outcomes through capability development and consultancy support

Introduction

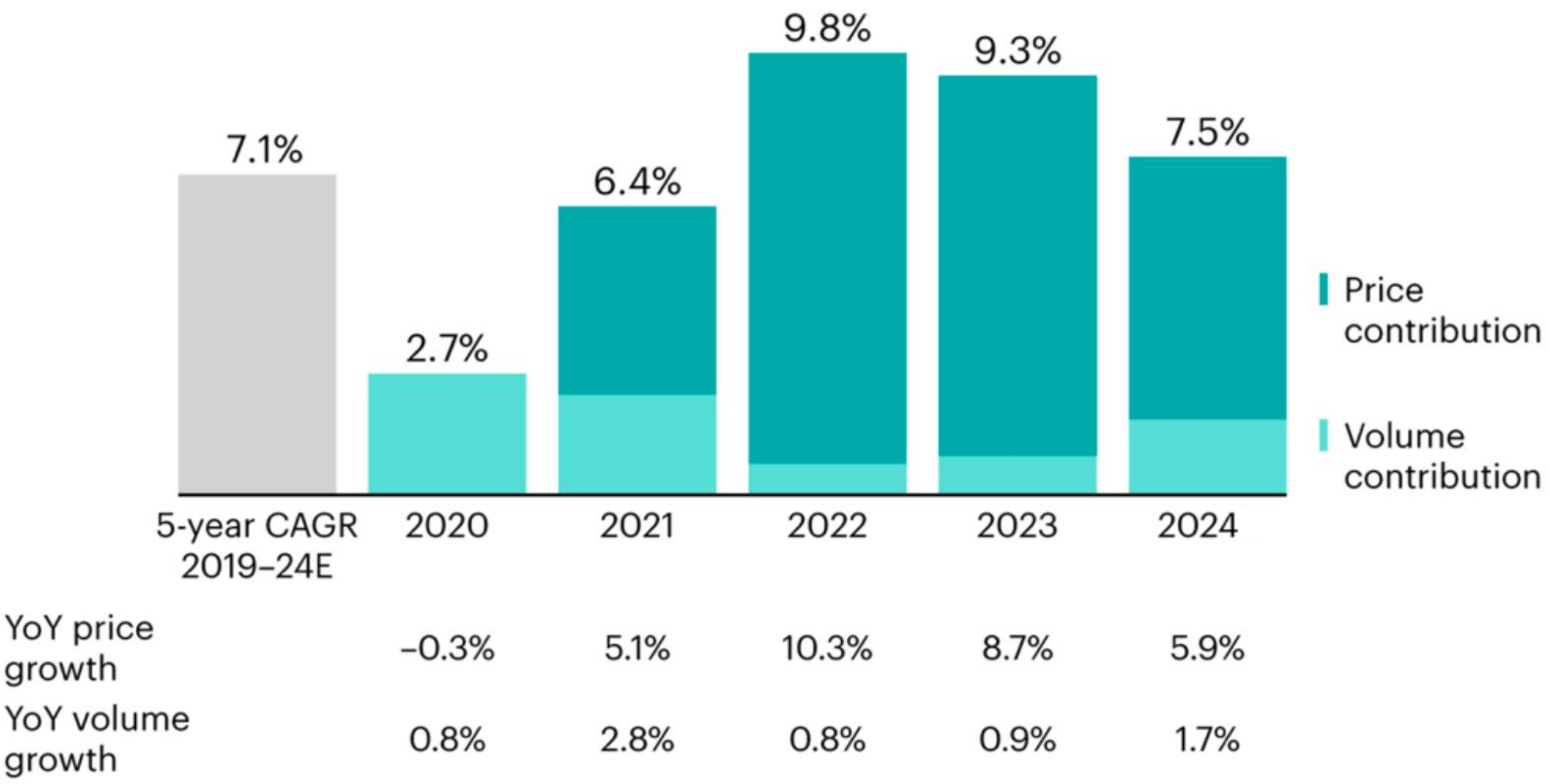
Growth is hard to find

Brand **positioning** is a challenge

Customers are **increasing pressure**

Growth has been based on pricing, rather than volume. At the same time we know retailers have gained in the profit pool.

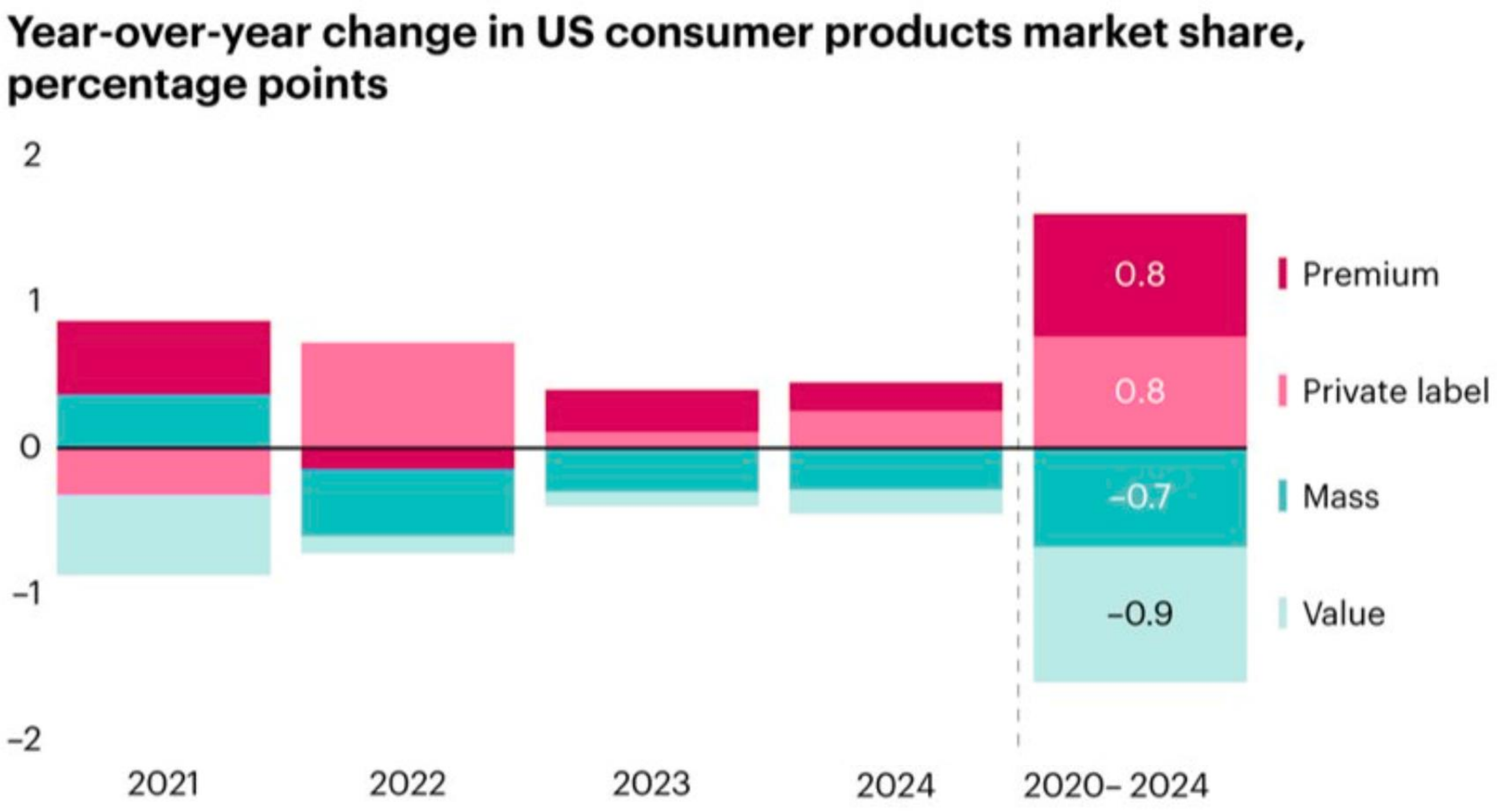
Revenue growth for the consumer products industry



Source: Euromonitor

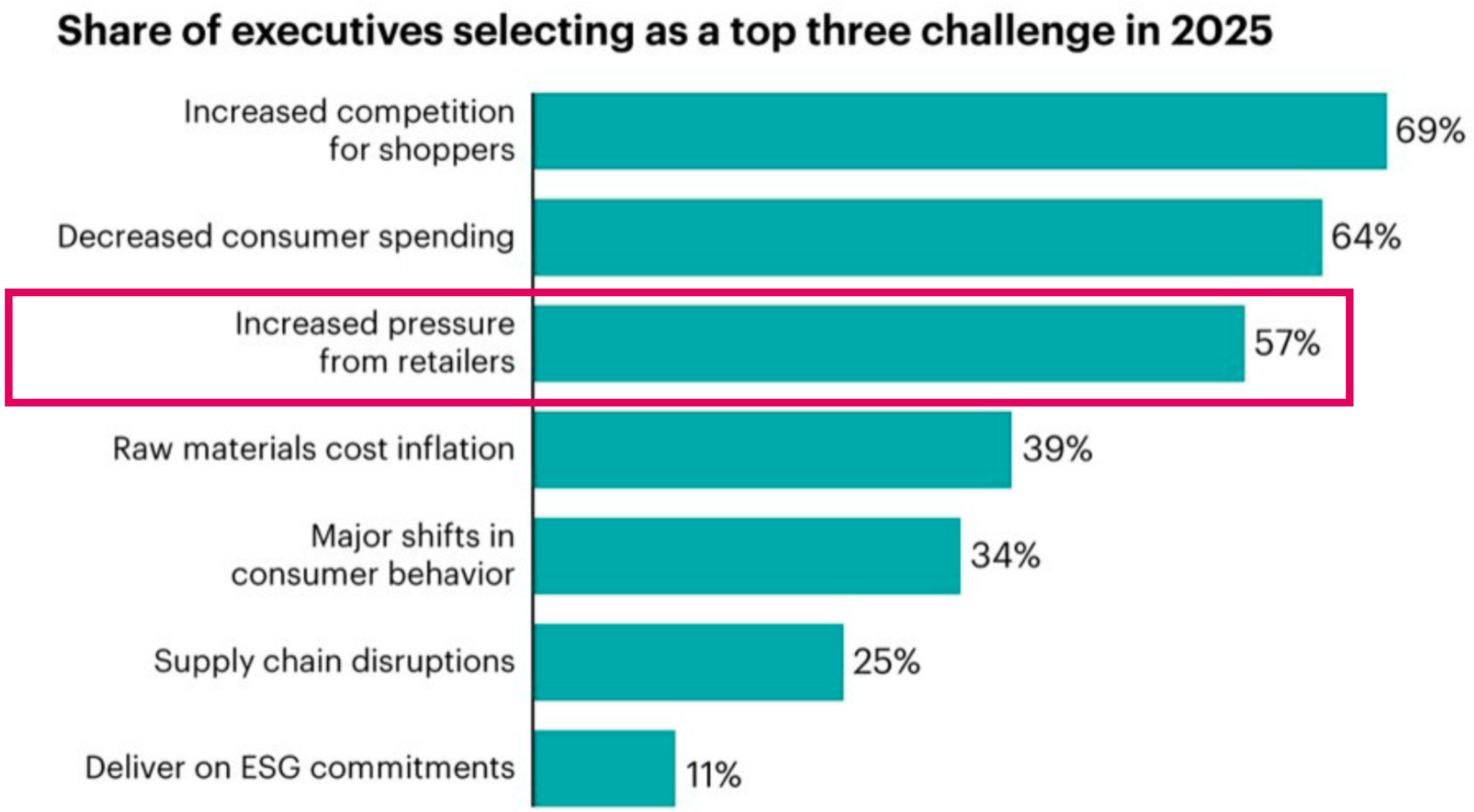
Example of the US: the middle is being squeezed.

This means you need to invest in brand building rather than terms.



Source: Bain Consultancy

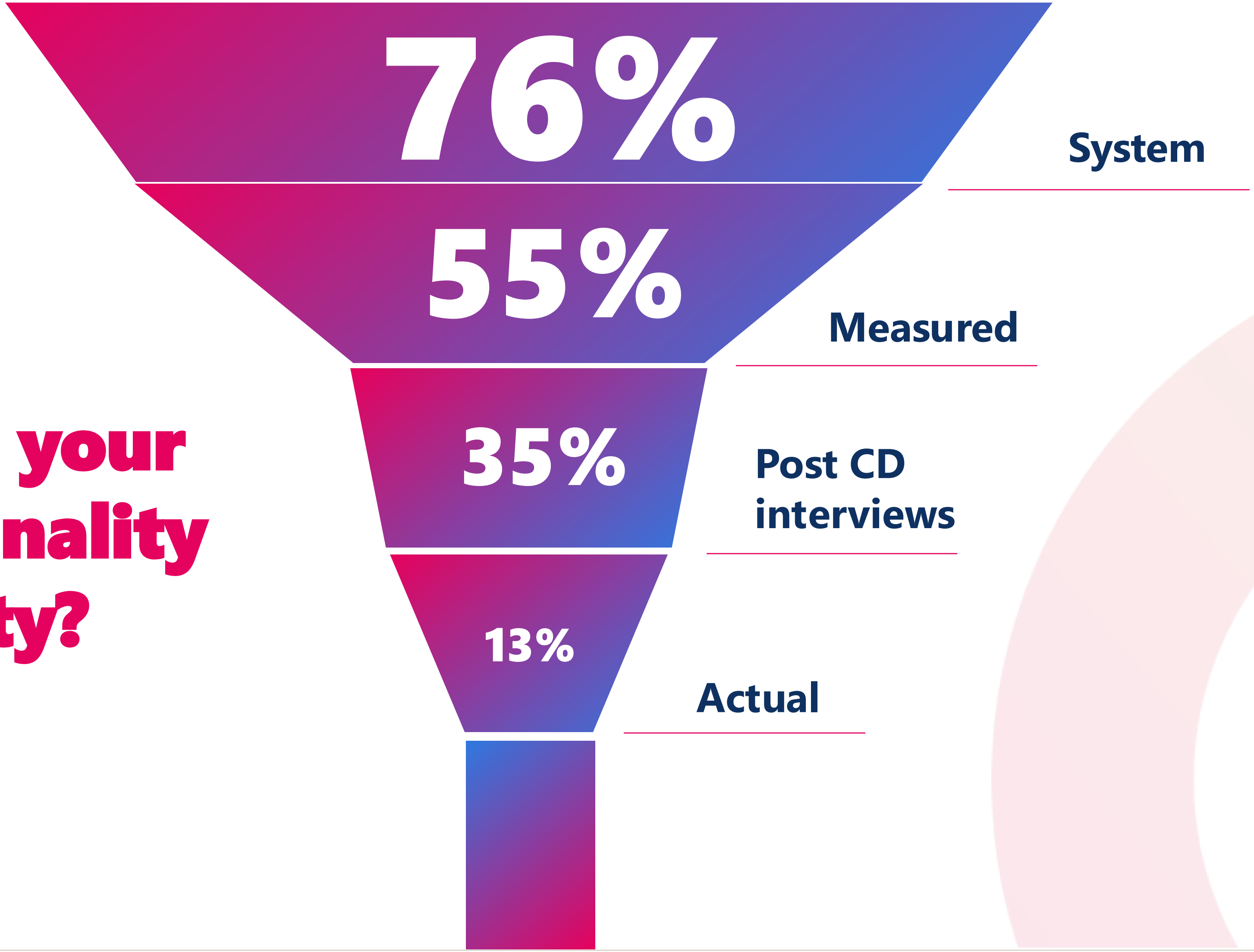
Competition for shoppers has supplanted input costs as the top industry concern



Source: McKinsey

Conditionality is key

What is your conditionality reality?

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SIMPLE

INCENTIVISE

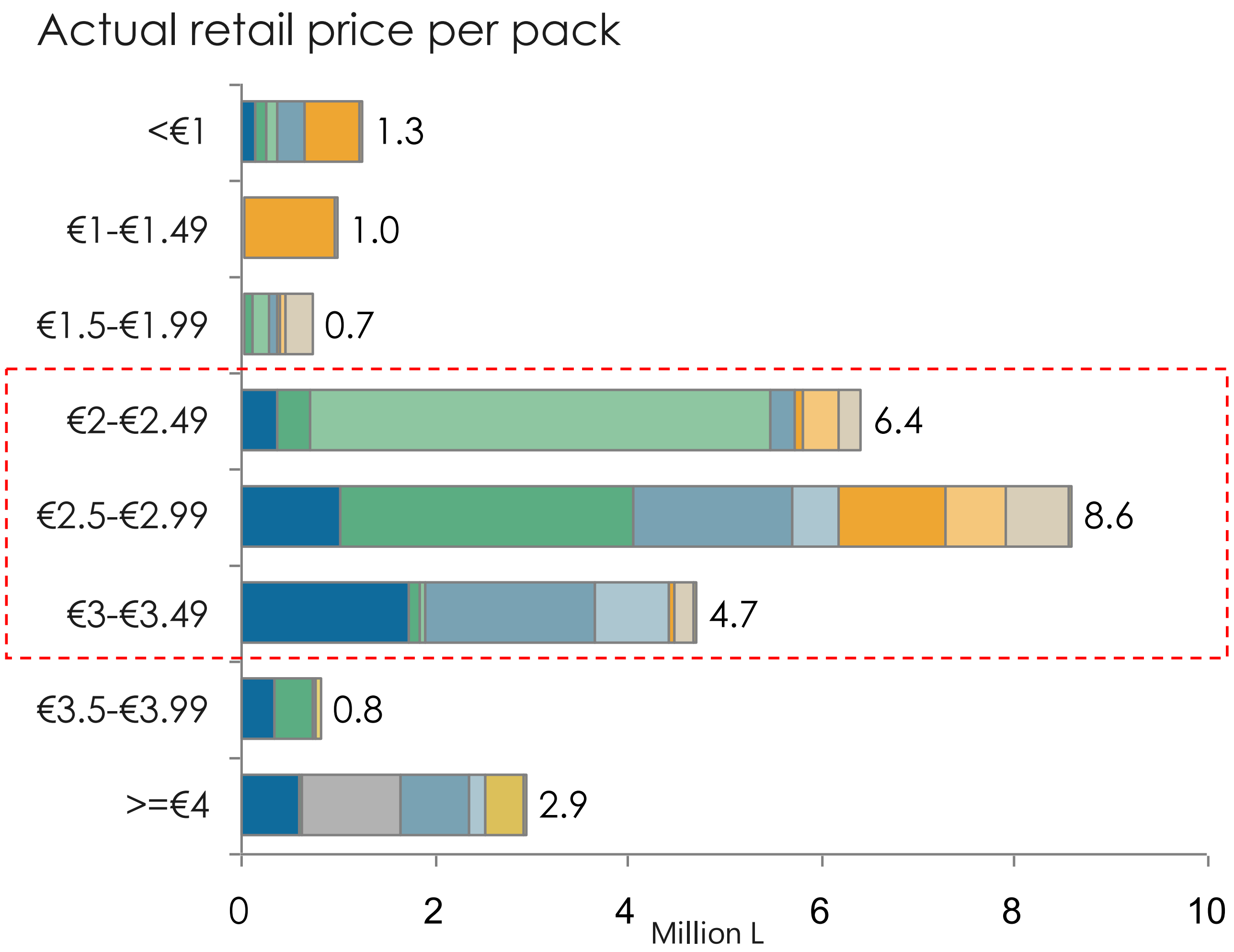
DEFENSIBLE

How Retailers ‘Earn’ Margin – breaking down the value chain

Price	Retailer Revenue	Incentive Type
Manufacturer Recommended Retail Price	**Given Margin**	**Business Building** - *Value drivers* - *Availability & Visibility*
List Price	**Front Margin** *On-Invoice Terms*	**Efficiency** - *Green logistics* - *Prompt payment*
Invoice Price	**Back Margin** *Off-Invoice Terms*	**Scale** - *Volume bonuses* - *Growth incentives*
NET Price Before Promo	Revenue before Promo	

Be mindful of the other RGM levers

Terms need to link to MRSP



- Packs clustered around three key price brackets
- High competitive intensity €2.50 – 2.99
- Pricing 'dead zone' in €3.50 – 3.99

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Plan your Structure Pricing journey

Total **Terms** Design

01 **Diagnose**

How you are investing today

Understand current investment structure risk and opportunities

02 **Design**

How you will invest in the future

Design your MRSP and List Price with clear investment framework

Total **Terms** Implementation

03 **Define**

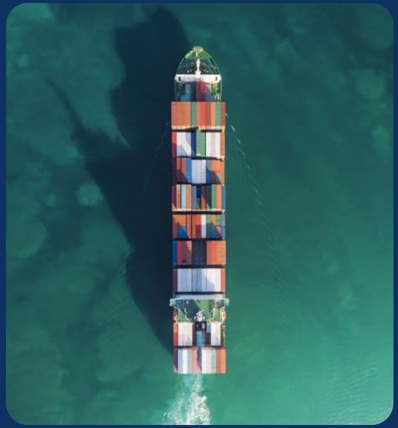
How you will go-to-market

Your customer considerations, objectives, and sequencing

04 **Deliver**

How to execute with confidence

Equip teams with the skills and tools to execute trade terms effectively



Structured Pricing:
How you will invest in the future

1. Diagnose

How you are investing today
Understand current investment structure risk and opportunities

Diagnose Project Approach
including roles & responsibilities, stakeholder interviews, timeline and SteerCo/Project meeting plan

Diagnose Data Model
Including data collection, assessment and sign-off plus contract review and Gross-to-Net cleansing

Diagnose Pricing Structure
Understand how pricing is currently set, where you have trade risk due, and profit pool impact due to inconsistencies in pricing principles

Diagnose Investment Structure
Understand what are the drivers of investment, and what is the quality of conditionality from setting to enforcement

Structured Pricing:

How you are investing today

2. Design

How you will invest in the future
Design your MRSP and List Price with clear investment framework

Design Channel Investment Strategy
Prioritization of investment based on aligned channel and customer growth prioritisation

Design Pricing Framework
First iterative definition of MRRP, given margins, list price and trade terms framework

Design Value Drivers
Set scale, efficiency bands and business building objectives

Design Scale-of-Change Impact
Pressure test customer risks and iterate process to refine and revise the bands to ensure realism

Moving ‘discount’ to ‘investment’ – a phased approach

Year 0

Unconditional

Business Building

Scale & Efficiency Driving

Year 1

No discounts are ‘fixed’ or ‘guaranteed’

Change language from ‘Discount’ to ‘Investment’

Replace with ‘easy’ criteria

Year 2

Increase level of conditionality

Highlight overall cash benefit to the customer

Year 3

Set tougher criteria

Use ROI measure

Ensure you don’t pay for under performance

PLAN

SELL

NEGOTIATE

Trade Terms:

How will you go-to-market

3. Define

How you will go-to-market
Your customer considerations, objectives, and sequencing

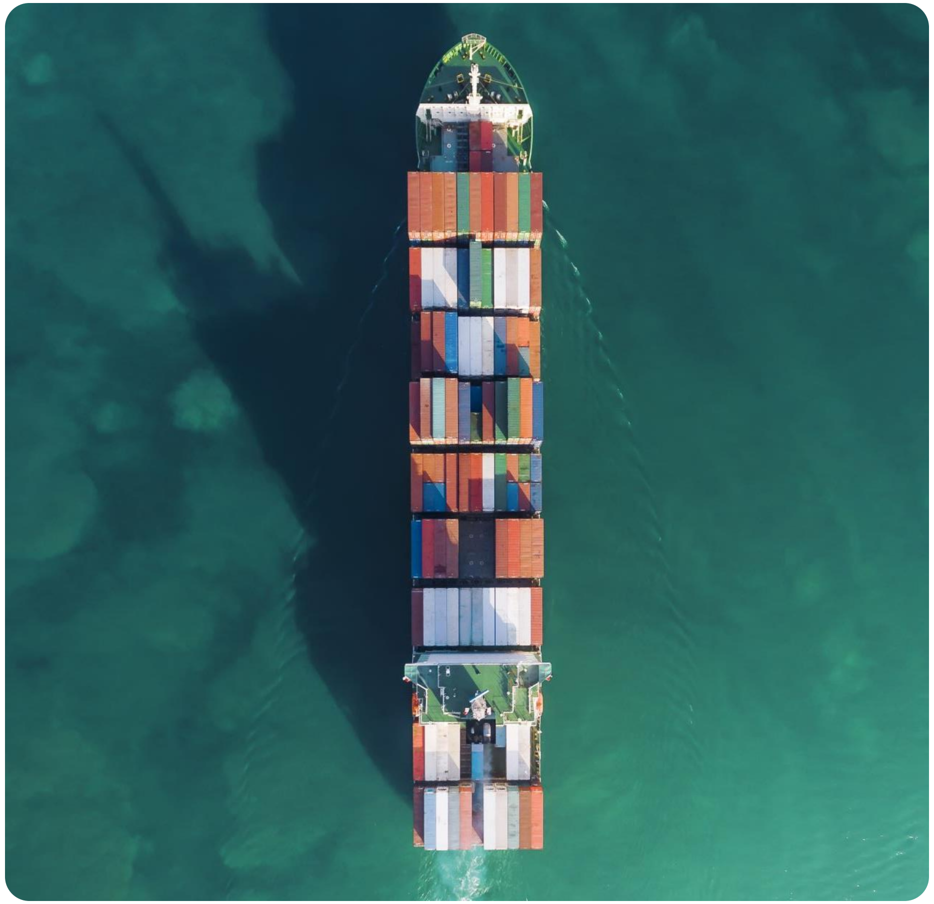
Define Implementation Considerations
Create the plan to take to trade with consideration to barriers and risks, hopes and fears and capability training

Define Customer Sequencing
and multi-year implementation, with clear view on which customers to engage with first (tailored to implementation considerations)

Define Selling Story
Compelling selling story that articulates the customer benefits (clear long term category growth agenda)

Define Q&A and Objection handling
Anticipate key questions from both internal and external stakeholders

Trade Terms:
How to execute with confidence



4. Deliver

How to execute with confidence
Equip teams with the skills and tools to execute trade terms effectively

Deliver Account Planning Workshop
Ensure the organisation is equipped to plan, sell and negotiate key account framework by customer

Deliver Selling Workshop
By Key Account / Channel with fully fledged selling deck

Deliver Negotiation Workshop
Create a clear negotiation plan by channel factoring in the key Optimal-Desired-Essential position and BATNA.

Deliver Implementation Support
Capture negotiation steps and revise plan through coaching support

* Indicative flow based on brief

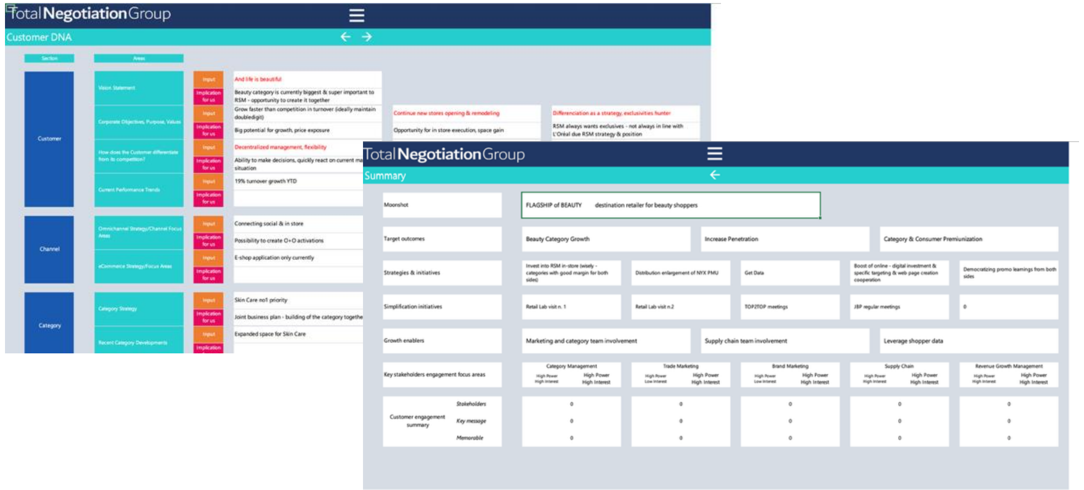
01

PLANNING FOR SUCCESS

Outcomes of workshop

- Aligned on Aspiration of TT
- Clarified the areas for structural change for pricing
- Deep Dive on each area of investment
- Pressure tested "From" and "To" across the Customers in scope
- Identified Risks
- Determined Customer Strategy

Translate your business strategy into insight-led, customer-centric mutual growth plans



✓ Step-by step-process
✓ Hands on and practical
✓ Learning by doing

✓ Cross functional collaboration
✓ Develop your plans and your thinking skills
✓ Plan Writers & Plan Partners

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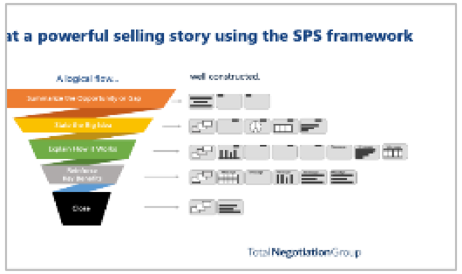
02

TRIPLE WIN SELL AND OBJECTION HANDLING

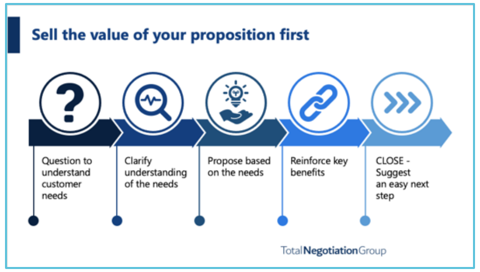
Build a strong trade terms selling proposition

- Persuasive sell structure
- Prepare for customer styles and how to flex
- Know what objections are coming and prepare for them

The persuasive sell will create the foundation and the compelling reason for your customers to want to work with you

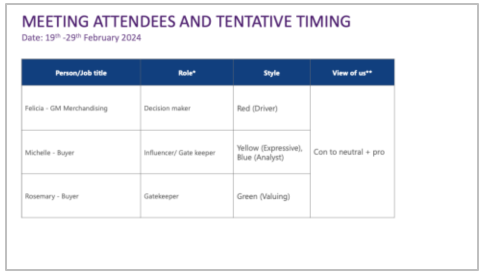


Persuasive selling process



Structured planning approach

Building the persuasive sell story



Prepare for different customer styles

Objection handling

* Indicative flow based on brief

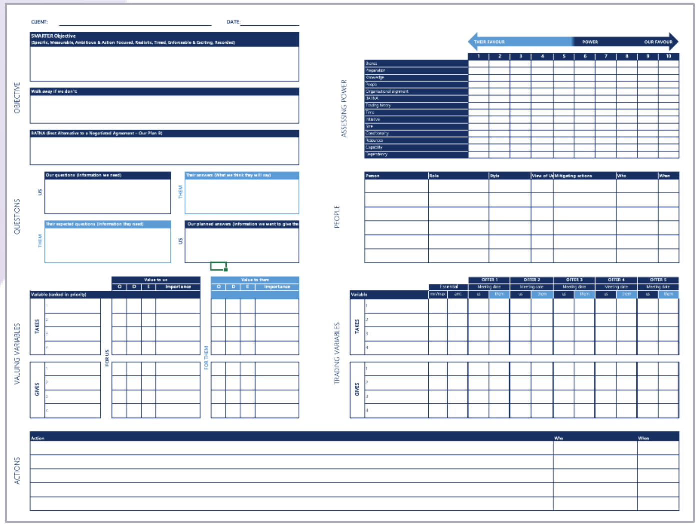
03

NEGOTIATION PLAN

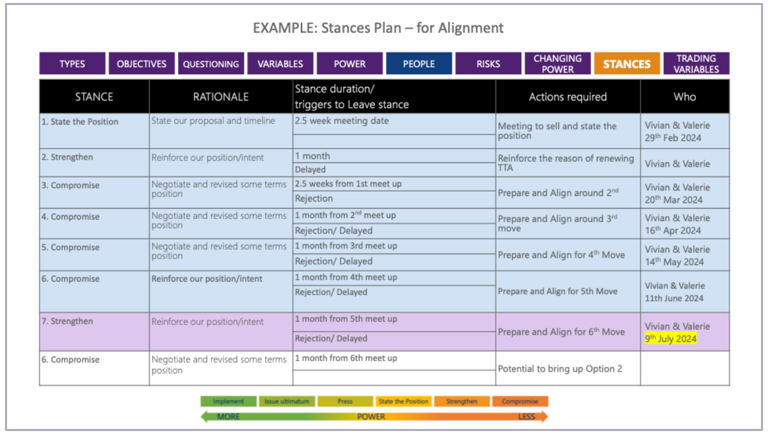
Plan an excellent negotiation

- Think kaleidoscopically in terms of your preparation
- Complete PARTNER on a page
- Ensure excellent Negotiation through roleplays
- Learn about and prepare for different stances throughout the negotiation

Starting with the implementation of the new customer terms (the negotiation) and then work backwards, pressure testing our plans leveraging the rigour of our commercial experts



Build a thorough & bespoke customer negotiation plan



EXAMPLE: Stances Plan – for Alignment

TYPES | OBJECTIVES | QUESTIONING | VARIABLES | POWER | PEOPLE | RISKS | CHANGING POWER | STANCES | TRADING VARIABLES

STANCE	RATIONALE	Stance duration/ triggers to Leave stance	Actions required	Who
1. State the Position	State our proposal and timeline	2.5 week meeting date	Meeting to sell and state the position	Vivian & Valerie 29th Feb 2024
2. Strengthen	Reinforce our position/intent	1 month Delayed	Reinforce the reason of renewing TTA	Vivian & Valerie
3. Compromise	Negotiate and revised some terms position	2.5 weeks from 1st meet up Rejection	Prepare and Align around 2nd	Vivian & Valerie 20th Mar 2024
4. Compromise	Negotiate and revised some terms position	1 month from 2nd meet up Rejection/ Delayed	Prepare and Align around 3rd move	Vivian & Valerie 16th Apr 2024
5. Compromise	Negotiate and revised some terms position	1 month from 3rd meet up Rejection/ Delayed	Prepare and Align for 4th Move	Vivian & Valerie 14th May 2024
6. Compromise	Reinforce our position/intent	1 month from 4th meet up Rejection/ Delayed	Prepare and Align for 5th Move	Vivian & Valerie 11th June 2024
7. Strengthen	Reinforce our position/intent	1 month from 5th meet up Rejection/ Delayed	Prepare and Align for 6th Move	Vivian & Valerie 9th July 2024
6. Compromise	Negotiate and revised some terms position	1 month from 6th meet up	Potential to bring up Option 2	

Negotiation Stances plan

Summary

Start with the end-in-mind

Design a **simple, defensible** structure that **incentivises** performance

Implement with a **triple win mindset**

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