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# The Price Advantage



## **Synopsis**

A comprehensive look at creating pricing strategies that work in both good economic times and bad. Written by three preeminent pricing experts at McKinsey & Company, the Second Edition of The Price Advantage is a practical pricing guide for the executive or pricing practitioner who wants to identify, capture, and sustain substantial pricing gains in their business. Pricing is by far the most powerful profit lever that managers can influence. Yet few companies approach pricing in a way that fully capitalizes on its value. This Second Edition, a major revision and extension of the first book, shows you what it takes to achieve the price advantage in today's competitive and complex business environments. Based on in-depth, first-hand experience with thousands of companies, this book provides managers with a pragmatic guide through the maze of pricing issues. It reinforces why pricing excellence is more critical than ever today and then explains state-of-the-art approaches to analyzing and improving your own pricing strategy and execution. Explores the fundamental role of pricing infrastructure in achieving the price advantage. Includes new topics such as software and information products pricing, lifecycle pricing, custom-configured products pricing, pricing of high-count product lines, pricing in distributed sales environments, "razor/razor blades" pricing, and tiered products and services pricing. Revisits the full range of classic McKinsey pricing tools, including the pocket price waterfall and value maps. Engaging and informative, the Second Edition of The Price Advantage will put this essential discipline in perspective.

## **Book Information**

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## **Customer Reviews**

The Price Advantage is one of the essential books on pricing and it is the second one I would read

after Tom Nagle, John Hogan and Joe Zale's *The Strategy and Tactics of Pricing* (5th Edition). (I have not yet read Tim Smith's *Pricing Strategy: Setting Price Levels, Managing Price Discounts and Establishing Price Structures* which looks like it will be an interesting read.) Reed Holden and Mark Burton *Pricing with Confidence: 10 Ways to Stop Leaving Money on the Table* is also a good first introduction. The authors are McKinsey consultants (one has recently moved to the pricing software vendor PROS Software) and they bring a great deal of consulting experience to the book which greatly enriches the case studies. Pricing excellence is divided into three elements, Market Strategy, Customer Value and Transactions and tools, advice and examples are provided for each element. This book provides the best introduction to the Pocket Price Waterfall (and its extension the Pocket Margin Waterfall), which is not surprising as the authors are the people who developed this framework. Appendix 1, which provides numerous examples of waterfalls is a great thing for them to have shared and is itself worth the price of the book.

*The Price Advantage* makes the case that pricing is the most under-appreciated lever for improving performance in most companies today. The authors put forth an argument that is compelling for business leaders in every company to elevate their view of pricing opportunities in general, and pricing as a key lever for performance management in particular. Most importantly, however, the book provides practical, pragmatic insights into what approaches a businessperson can take to identify and capture pricing opportunities. It brings both the opportunities and potential pitfalls to life through the frequent use of case examples where companies succeeded in "ringing the cash register" through effective pricing or left a great deal of money on the table through poor pricing actions. Of particular usefulness are chapters on specific topics that a business leader tackling pricing is going to face sooner or later. The chapter on "industry strategy" where the authors lay out some of the tactics for being a price leader or good price follower seems to be fresh writing on these topics ( I have not seen anything written about this before, and I thought it was quite actionable). Also, the chapter on pricing architecture set forth nicely the different ways of structuring price to drive the right customer and reseller behavior, again providing a way to look at the issue that should drive toward results effectively. The chapter on issues/opportunities that arise from mergers/acquisitions provides distinctive perspectives on how to take advantage of opportunities and/or avoid huge downside risks associated with these events. The price wars chapter provides a guide for many managers to utilize in avoiding counterproductive (often inadvertent) actions across the markets in which they compete.

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