



**CENTER
SMART SERVICES**



Consortium project

Pricing digital products

**From customer solutions to
the value-based pricing models**

Institute of Technology Management



University of St.Gallen

Successful pricing for digital products

Typical pricing models such as cost-based mark-up calculations or comparisons to competitors reach their limits for the pricing of digital products. For digital products, the price should focus on the customers' benefit, and therefore its pricing confronts companies with the following questions:

- How can customer value be quantified?
- How can a service be priced based on value?
- How to communicate these prices convincingly?

We want to address these questions together with you in our project „Pricing of digital products“.

Together we will realize measurable success for your digital products. Did you know?

- 72 % of all newly launched digital products do not achieve the planned profits, over 50 % fail in the first year after market launch.¹
- By adopting a holistic focus on customer value, value-based pricing leads to higher sales (approx. 10 - 20 %), improved margins (approx. 2 %) and higher revenues (about 5 – 15 %).²
- Despite its high potential / Despite the high potential of value-based pricing methods, less than 20 % of all companies are using them. This is mainly due to a unclear understanding about how to implement these methods.³
- 79 % of managers agree that determining and finding the right price for the customer value of a digital service is the greatest challenge in price management.⁴

Take your chance and join us as a consortial partner in the project!

Conditions

| | |
|--------------------------------|------------------|
| Start: Q3/2020 | End: Q2/2021 |
| Consortium partners: | 10 –15 companies |
| Participation fee per Partner: | 30.000*, – € |

* Enrolled members of the Center Smart Services receive a discount of 5.000, – €



¹⁾ Irlbeck 2017, ²⁾ Accenture 2019, ³⁾ Simon-Kucher & Partners 2018, ⁴⁾ Schuh 2018

Learning from the best

Your benefit

Together, we will define strategies for the successful pricing of digital products in nine months.

- Receive practical guidance and an outline for value-based pricing of digital products in your company.
- Study successful practices through case studies and be in direct exchange with other companies regarding the subject of price management.
- Gain valuable contacts, knowledge as well as experience from different industries regarding the pricing of digital products.
- Take part in individual workshops for direct application of the achieved results.
- Minimum effort and maximum payoff due to the coordination of the consortium project by the project team from the FIR, the Center Smart Services and the University of St.Gallen.
- Benefit from our competences in the development and market launch of digital products as well as from the experience of the project team and the consortium partners.

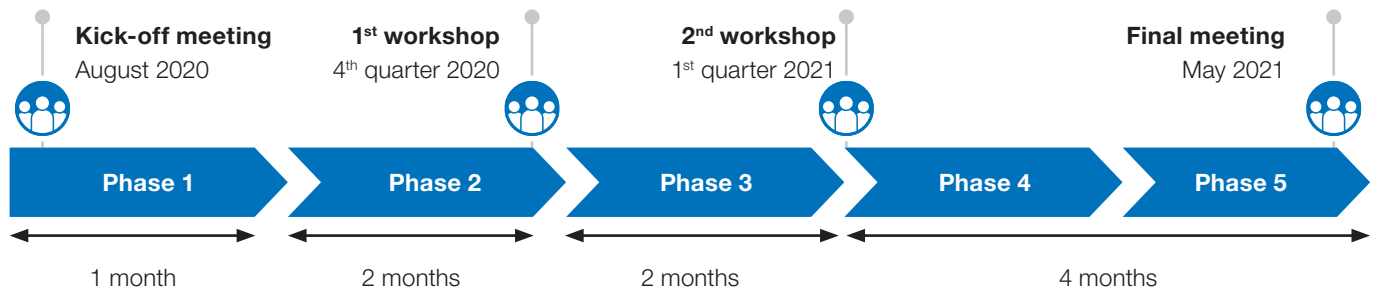
Project organization

How will the consortium project be executed?

- Consortium projects are carried out by industrial companies in cooperation with the project team from the FIR at RWTH Aachen University, the Center Smart Services and the University of St.Gallen.
- At the beginning of the project, the consortium will define the priorities for the topic „Pricing digital products“ together.
- The project team is responsible for the organization and management of the consortium project.
- The project is structured in form of several phases with regular milestone meetings. Regular reviews ensure the success of the project.
- In cooperation with all partners, a guideline for the successful pricing of digital products will be developed and made available exclusively to the consortium partners.



Time Schedule of the Consortial Project



Phase 1: Analysis of requirements

- Inclusion of all requirements of the consortium partners
- The consortium partners define the questions that need to be addressed in the individual phases

Phase 2: Elaborating successful practice case studies

- Creation of case studies on the basis of identified successful practices
- Working on the case studies during the 1st workshop

Phase 3: Conducting in-depth interviews to develop action points

- Interviews with successful-practice companies
- Condensing the results in case studies

Phase 4: Structuring the Price Management Guide

- Developing a guideline based on the in-depth interviews and case studies

Phase 5: Individual workshops

- Individual workshops with each consortium partner
- Application of the guide for individual cases
- Implementation workshop with preparation and follow-up meeting



Key questions

The central questions and project goals are discussed with the consortium during the kick-off meeting and participating to the needs and individual questions of the companies.

Possible key questions could be:

- How can the customer value of digital products be estimated?
- What is the pricing strategy for offering digital products?
- How can digital products be bundled into combined service packages?
- What are successful revenue models and pricing approaches?
- What data is required for the pricing of digital products?
- What are necessary skills and qualifications for employees?
- Can different price systems for digital products be offered at the same time and if so, how?
- Which price metrics are suitable for my digital products?
- How can the price of the physical product reflect the added value of the integrated digital product?
- How can the billing system for digital products be designed, implemented and operated?



About us



**CENTER
SMART SERVICES**

Center Smart Services

In cooperation with its members, the Center Smart Services develops market-ready data-based services. Our portfolio is targeted at companies in the machinery and plant engineering sector as well as the production industry that seek to open up new business segments with smart services or generate value from available company data with the help of modern data analysis methods (such as machine learning). Services provided by the center include the development and application of methods for the creation of digital business models as well as education and training programs, and industrial services assisting companies with the introduction of digital business models.

www.center-smart-services.com



FIR e. V. at the RWTH Aachen

The FIR e. V. at the RWTH Aachen was founded in 1953 and has 130 employees, including 55 scientists/PhD scholars. The goal is to create a bridge between science and business in industrial management. Annually 40 publicly funded projects and 60 projects with industrial customers are carried out at the FIR. The areas of expertise are Service Management, Information Management, Business Transformation and Production Management.

www.fir.rwth-aachen.de

Institute of Technology Management



University of St.Gallen

Institute of Technology Management, University of St.Gallen (ITEM-HSG)

The Institute of Technology Management is the largest institute at the University of St. Gallen. It consists of the four areas of Production Management, Operations Management, Innovation Management and Entrepreneurship. The department of Production Management unit comprises the three competence centers Smart Manufacturing & Services, Global Production and Operational Excellence. The practical relevance of our activities is ensured by more than 30 industry-related research, cooperation and consortium projects every year.

www.item.unisg.ch

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References

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