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RIEKHOF ON PRICING No 77

Mastering the Complexity of the Product Portfolio:
Pricing Categories as a Silver Bullet at Sartorius.

Mastering the Complexity of the Product Portfolio: Pricing Categories as a Silver Bullet at Sartorius.

Sartorius boasts an extensive and specialized product range, presenting a significant complexity for pricing. In this edition, I had the opportunity to discuss the solutions employed by the publicly listed bio-pharmaceutical specialist with Dorian Rieger, Head of Marketing Operations at Sartorius in Göttingen since 2022. Sartorius has been collaborating with UNICconsult in the Pricing domain since 2017.

An interview on pricing with Dorian Rieger, Head of Marketing Operations at Sartorius in Göttingen since 2022.

Prof. Riekhof: Sartorius has a deep and specialized product portfolio, leading to significant pricing complexity (refer to my Pricing Newsletter No. 41 and Pricing Newsletter No. 68). Could you provide an overview of the number of product variants / SKUs in Sartorius master data? How many distinct prices are associated with these?

Dorian Rieger: As a trusted partner in Life Science research and the Biopharmaceutical industry, Sartorius aims to comprehensively meet our customers' needs. To achieve this, we maintain an extensive portfolio in the Sartorius Bioprocess Solutions Division, consisting of approximately 30,000 actively marketed SKUs (Stock Keeping Units).

Our strategy involves considering individual market characteristics and customer segmentation in price control. When examining list and customer-specific prices, the number becomes significantly higher, making price management both complex and fascinating.

Prof. Riekhof: You introduced a categorization of all products at Sartorius (refer to my Pricing Newsletter No. 66, the Pricing Newsletter No. 48 and the Pricing Newsletter No. 29) as part of the pricing strategy implementation. What prompted the creation of this system, and how was it developed?

Dorian Rieger: The primary driver behind introducing price categories is to make the extensive and highly



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Fig. 1: Sartorius: Trusted Partner in Life Science Research and the Biopharmaceutical Industry.



Fig. 2: The complexity of the Sartorius portfolio becomes more manageable through the introduction of price strategic categories.
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diversified product portfolio more manageable. Another reason is the implementation of so-called product-specific Pricing Roadmaps, developed collaboratively with product management and continually refined.

“We aim to make our portfolio’s complexity of 30,000 SKUs manageable under price-strategic aspects.”

Dorian Rieger

The price categories assist in structuring the clearly documented product-specific pricing strategy, implementing it systematically on a large scale, and making it measurable. These categories emerged during workshops with product management on the Pricing Roadmaps.

Prof. Riekhof: How many categories do you use, and can you provide some examples (refer to my Pricing Newsletter No. 25 and Pricing Newsletter No. 32) ?

“The introduction of price-strategic categories allows us to make some products, for example, significantly more aggressively priced due to their lifecycle.”

Dorian Rieger

Dorian Rieger: We have approximately 20 categories, distinguishing between instruments and consumables, standard and more complex configurable products, as well as items designed specifically by our engineers for individual customers. Additionally, we categorize based on order frequency and the product lifecycle phase.

Professor Riekhof: This system aims to create a differentiated strategic pricing approach for various product types. What potential differences in pricing can be achieved? Are there specific guidelines, and how do the established determinations impact the pricing landscape?

Dorian Rieger: In essence, the categorization offers various possibilities to influence revenue and margin, considering factors such as the product lifecycle, competitive situation, and other criteria. For instance, hidden items– products slated for discontinuation but still purchased by specific customers – could be priced more aggressively.

We don't provide specific pricing directives, but the categorization is regularly reviewed. Within a product group, it allows for a broad range of pricing decisions at the item level.

Prof. Riekhof: What do you consider the key advantages of this system?

Dorian Rieger: The system provides a framework for price and product management, making the product-specific pricing strategy operational for an extensive, highly diversified portfolio. This leads to efficiencies in actual pricing decisions, instills confidence among stakeholders, prevents arbitrary pricing decisions and potential entanglements. Moreover, it facilitates communication with and explanation to other stakeholders.

“The system facilitates communication and explanation of the respective pricing strategy to other stakeholders.”

Dorian Rieger

Prof. Riekhof: Who is responsible for product categorization, and who is involved in the process (refer to my Pricing Newsletter No. 26)?

Dorian Rieger: Categorization is a collaborative effort between price and product management, subject to annual review during product lifecycle discussions.

Prof. Riekhof: In what way is this system embedded in product master data and the ERP system?

Dorian Rieger: The material master data includes a corresponding price category field, utilized in the ERP system for actual pricing decisions. An item number can only be classified in one price category.

Prof. Riekhof: How long did it take to implement this system technically and organizationally? Were profound IT adjustments necessary?

Dorian Rieger: The technical implementation itself is swift, neither difficult nor complicated, as adding the price category field doesn't impact other data. Before the technical implementation, it was crucial to identify the right price categories, reach consensus, and establish rules for data quality.

Prof. Riekhof: How is the internal acceptance of the system? How many products are currently categorized or marked? How many product managers actively utilize it?

Dorian Rieger: Due to the collaborative derivation of price categories with product managers, acceptance is very high, as product managers appreciate the benefits described earlier, such as structure and speed in pricing decisions. The categorization aids in the systematic implementation of their pricing strategy. All approximately 30,000 actively marketed SKUs are categorized and utilized by around 80 commercially responsible product managers worldwide.



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Fig. 3: A pricing strategy challenge for Sartorius: the price-related integration of consumables and devices.

“The internal acceptance of the system is very high because it helps the 80 global product managers implement their pricing strategy.”

Dorian Rieger

Prof. Riekhof: What regular reports are generated based on this system (refer to my Pricing Newsletter No. 45)?

Dorian Rieger: We won't introduce reports solely based on price categories, but we plan to enhance the existing extensive set of reports with price categories as a filtering option. This addition will provide another dimension to proven dashboards. I look forward to, for instance, analyzing the effectiveness of our price enforcement per price category, deriving insights for future price adjustments.

Prof. Riekhof: What actual effects do you anticipate this system will have in the medium term?

Dorian Rieger: Fundamentally, I expect positive revenue and margin effects from this differentiated approach, where not only focus products are thoroughly examined but the entire portfolio is “managed.” The system also offers an opportunity for product managers with a more technical focus to find a structured approach to the commercial opportunities in their portfolio.

“The system facilitates communication and explanation of the respective pricing strategy to other stakeholders.”

Dorian Rieger

Prof. Riekhof: To which companies would you recommend such a system?

Dorian Rieger: It depends on the specific situation of the company and how responsibilities between price and product management are aligned. In principle, it could be relevant for companies with a broad, highly diverse portfolio actively managing the portfolio throughout its lifecycle. The system offers an operational framework for deliberate pricing decisions at the item level. It also creates a certain level of commitment in implementing pricing strategies and can serve as a bridge to commercializing the portfolio for more technically oriented colleagues.

Prof. Riekhof: Thank you for the conversation!

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He was Director of Marketing at the Otto Group Hamburg, and he was Head of a Business Division at Beiersdorf AG.

For more than 20 years he is conducting empirical studies on strategic and operational pricing, and he is consulting international corporations as well as Mittelstand companies.

