

PRICING INDUSTRIAL GOODS

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ABSTRACT

Academics and practitioners agree that better pricing strategies are important drivers of return on investment (ROI), yet this premise has not been fully tested. We develop a new pricing adherence fraction (PAF), and then investigate if it is related to changes in return on investment for a firm's products. A statistically significant PAF-ROI relationship was found between using the best pricing strategy for a given pricing situation and increased return on investment. Confidence interval analysis reveals that pricing mistakes can cost firms up to a ten percent decrease in ROI.