Pricing for Value
Quick reference guide

WHAT IS THE PRICING FOR VALUE GUIDE?

A practical user guide for entities to review or set their fees and charges. It consists of pricing principles that go beyond just cost recovery, allowing entities to innovate and better serve the community. Entities should use sections of the guide that are most relevant to their needs.

WHY SHOULD I USE IT?

It will help entities identify opportunities to reform their fees and charges, to increase cost recovery, achieve sustainable funding, reduce costs, improve user experience and service quality, improve equity, increase administrative simplicity etc.

PRICING PRINCIPLES

- Agencies should aim to recover the full costs of service provision to promote efficient consumption
- The cost of service provision should be borne by those who benefit from the service
- Services creating broad benefits for the community should be priced to support efficient consumption
- The cost of interagency services should be borne by the user agency
- The price of services should not limit access to those with a lower ability to pay
- Users should pay for differentiated service based on the value created by that differentiation
- The public should share in the value generated by pricing based on user differentiation
- Pricing should support positive behaviours
- Pricing should ensure sustainable usage of public services and reflect the value of natural resources
- Where services are in competition with the private sector, pricing should be relative to market prices
- Pricing structures should be easy to understand and simple to administer
- Pricing arrangements should be monitored annually and reviewed periodically

METHODOLOGY

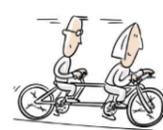|	0. Prepare	1. Baseline	2. Discover	3. Decide	4. Implement	5. Monitor
What you'll get	Refined scope for pricing review and project plan	Understanding of the entity's objectives, operating model, products/services, fees and charges, revenue and costs, and users	Long-list of ideas that will create benefits for the community and/or government	Short-list of ideas with analysis of trade-offs for decision maker	Implementation plan for initiatives that have been approved	Monitoring plan to track the performance of implemented initiatives, and make refinements as required
What you need to do	☐ Develop stakeholder engagement plan ☐ Consult with stakeholders to get buy-in ☐ Set up project governance ☐ Prepare work plan and timeline ☐ Issue data requests	☐ Identify purpose, objectives, recent or upcoming reforms, opportunities and challenges ☐ Identify key products/services and delivery channels ☐ Identify assets that can be leveraged ☐ Identify mechanism for changing fees ☐ Obtain and summarise price, cost and volume data, and benchmark with comparable providers ☐ Identify key user groups and understand their needs and concerns, such as through interviews	☐ Identify existing relevant ideas ☐ Run internal brainstorming session(s) to generate new pricing, volume and service innovation ideas using the pricing principles (see right) ☐ Collate existing and new ideas and distribute to entity experts ☐ Run a workshop with entity experts to come up with more ideas ☐ Conduct targeted user interviews to test ideas ☐ Collate longlist and quantify each idea	☐ Identify and apply shortlisting criteria to identify ideas with the most potential – put the rest on a backlog ☐ Validate shortlist with stakeholders ☐ Complete a one-page evaluation for each shortlisted idea – describe the idea, identify pricing principle(s) and non-financial impacts, quantify financial impacts and assess feasibility ☐ Further shortlist the ideas based on the evaluations ☐ Outline trade-offs ☐ Present recommendations for decision	☐ Refine any initiatives based on decision(s) made ☐ Outline tasks required to implement each initiative ☐ Plan and conduct stakeholder consultation ☐ Develop timeline with key milestones ☐ Identify potential risks and mitigation strategies ☐ Validate implementation plan ☐ Commence implementation and track against plan	☐ Identify/establish governance/ mechanism for reporting ☐ Identify key performance measures, targets, existing and/or new data sources and collection method ☐ Periodically collect data, analyse and report against targets ☐ Refine initiatives (and monitoring approach) as required
Tips	Issue data requests early and make them specific. Consult experts to consider alternatives when data is unavailable.	Don't spend too much time over-analysing the cost and revenue data; focus on areas of most potential.	Aim for quantity, not quality – avoid evaluating ideas during brainstorming to encourage people to offer bold and innovative ideas.	Consider recommending the best ideas first, and then package it with other ideas to balance trade-offs and mitigate any negative impacts.	Dedicate effort to consult stakeholders that are critical to implementation to mitigate issues and build buy-in.	Don't just focus on success metrics – identify metrics that could reveal negative impacts or unintended consequences.

REFORMS COULD USE PRICING, VOLUME AND SERVICE INNOVATION LEVERS

Pricing	- Charge for products that are provided for free - Increase fees for products below cost recovery - Reduce fees where there are large public benefits and increase fees where there are large private benefits - Differentiate prices for different users - Increase prices at peak times - Create bundles or use bulk pricing
Volume	- Nudge users to use online services or purchase add-on products - Nudge users to reduce negative behaviours - Pre-fill electronic forms - Improve website functionality and readability - Use social norms to change behaviour - Simplify fee structures
Service innovation	- Use new delivery channels - Offer products that meet unmet user needs - Offer new products for new users - Offer premium or lite versions of products - Leverage assets e.g. lease buildings, sell data