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Value analysis for advanced technology products

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Technology by itself can be wondrous, but buyers of technology factor in the price they have to pay along with performance in their decisions. As a result, the “best” technology may not always win in the marketplace when “good enough” can be had at a lower price. Technology vendors often set pricing by “cost plus margin,” or by competitors’ offerings. What if the product is new (or has yet to be invented)? Value pricing is a methodology to price products based on the value generated (e.g. money saved) by using one product vs. the next best technical alternative. Value analysis can often clarify what product attributes generate the most value. It can also assist in identifying market forces outside of the control of the technology vendor that also influence pricing. These principles are illustrated with examples.