MARK WOODRUFF CONSULTANCY

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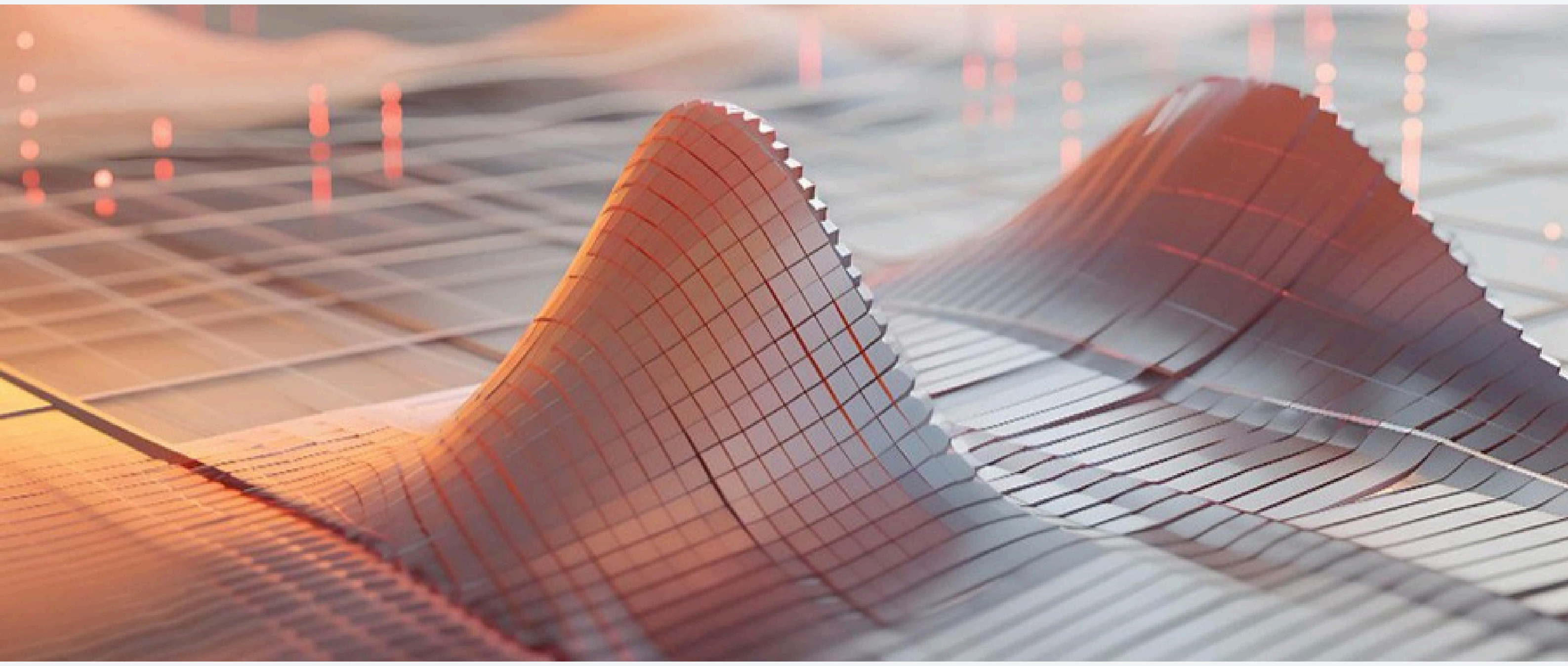
PRICING IS STRATEGY, NOT MATH

The commercial architecture of margins



Executive Summary

When a technically superior wealth product stalls in the market, the failure is rarely driven by marketing; it is almost always a failure of commercial architecture. Most executive boards treat pricing as a defensive, cost-plus mathematical exercise, inadvertently introducing severe implementation friction on the retail "shop floor." To eliminate this hidden sales bottleneck, institutions must stop pricing to merely protect internal margins and start architecting fee structures as a go-to-market weapon to accelerate distribution.

Briefing

The Distribution Stall: Why Your Pricing is Your Biggest Sales Bottleneck

The Symptom: You have built a superior product. The UI is frictionless, the underlying math is robust, and the market need is documented. Yet, adoption is sluggish. Your sales team reports that prospects "love the idea" but the deal cycles are dragging, or worse, they are stalling at the final signature.

The Diagnosis: This is rarely a marketing failure. It is a failure of **Commercial Architecture.** Most CEOs and founders treat pricing as a standard "math" exercise—a cost-plus calculation or a defensive reaction to a competitor's spreadsheet. They treat it as the final step in the "factory" (product design). In reality, pricing is the most powerful weapon in your Go-To-Market (GTM) arsenal. If it isn't architected to resonate on the "shop floor" (the distribution channel), it becomes an invisible wall of friction.

The Factory vs. The Shop Floor

The "factory" view of pricing is actuarial and internal. It focuses on capital requirements, risk margins, and overhead recovery. While these are necessary for solvency, they are irrelevant to distribution.

The "shop floor" view is psychological and external. In retail wealth distribution—specifically when dealing with IFAs and platforms—the pricing model must account for the **Implementation Friction.** If your pricing requires an adviser to change their entire billing structure or explain a complex fee hierarchy to a client, you have introduced friction that no amount of "beautiful UI" can overcome.

Feature	Pricing as Math (Cost-Plus)	Pricing as Architecture (Strategic)
Primary Driver	Internal Margin Targets	Market Adoption & Velocity
Perspective	"What does this cost us to build?"	"How does this remove friction for the buyer?"
Structure	Linear / Rigid	Modular / Distribution-Led
Impact on Sales	Passive (A hurdle to clear)	Active (A reason to switch)
Outcome	Protection of Margin	Protection of Market Share & Margin

The Structural Friction Ratio

To diagnose if your pricing is stalling your growth, you must calculate your Structural Friction Ratio.

The Calculation:

Average Sales Cycle (Days)

divided by

Product Complexity Score

If your sales cycle is increasing while your competitor's is flat—despite your product being technically superior—your pricing is likely misaligned with the buyer's psychological "ease of purchase."

In WealthTech, we often see "tiered pricing" that looks logical in a boardroom but creates a "Decision Tax" for the adviser. Every time a prospect has to stop and calculate which tier a client fits into, the probability of the sale closing drops by **15% to 20%.**

Engineering the Margin

True commercial strategy uses pricing to drive the behavior you want. If you want rapid AUM growth, the pricing should be architected to reward volume and ease of implementation. If you want high-margin retention, it should be architected to reward tenure.

When we re-architect pricing for a client, we focus on three "Quiet Heavyweight" principles:

1. **Eliminate the Decision Tax:** Simplify the fee structure so the value proposition is immediate. Complexity is the enemy of distribution.
2. **Align with the Channel's Economics:** If you are selling to IFAs, does your pricing make *their* business more profitable or easier to run? If not, you are fighting an uphill battle against their own P&L.
3. **Pricing as a Risk Filter:** Use your pricing architecture to filter out "bad revenue." High-friction clients should be priced at a premium that reflects their cost to the EBITDA margin.

The Structural Fix

Pricing is not a math problem for the finance team to solve in isolation. It is a strategic mandate for the board. You must stop asking "What should we charge?" and start asking "How should we price this to ensure distribution is inevitable?"

If you don't align your mathematical architecture with the commercial realities of the shop floor, you aren't building a business; you're building a warehouse for a product that no one can figure out how to buy.

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