

# State of Pricing 2024

Unlocking insights from  
our Global Pricing Study

Deep Dive on North American  
building materials manufacturers

Research by  
**THE SIMON-KUCHER INSTITUTE**



## Agenda

01

### **NA Construction Sector: Executive Summary**

02

2023: Pricing at NA Construction and Building Materials Manufacturers

03

2023: Pricing Power and the Profit Imperative

04

2024: The Road Ahead

05

Your Contacts

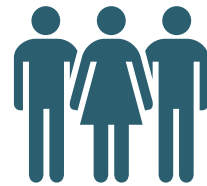
## About the survey

We surveyed more than 2,700 respondents worldwide on their companies' positioning and strategies on:  
Business context, economic outlook, pricing, and implications for management



### Online survey

July – October 2023



**2,704**

respondents



**29+**

countries



**39+**

industries

### Other sample information

- 48% Top-Management
- Mix of B2B vs. B2C
- Balanced mix of production vs. services
- 61% pricing, sales, marketing focused

# North American Construction Sector – Executive Summary

2023	<b>Pricing at NA Building Materials Manufacturers</b>	<ul style="list-style-type: none"> <li>▪ <b>2023 was largely a successful year for North America’s (NA) construction industry. 92% of NA building materials manufacturers saw topline growth in 2023, with 52% outpacing inflation</b></li> <li>▪ <b>84% of NA building materials manufacturer companies implemented price increases in 2023, with an average increase of 12%</b> <ul style="list-style-type: none"> <li>– Increases were driven by various reasons including, rising costs and inflation, market demand, and product improvements</li> <li>– Severity of rising costs, inflation was less extreme for NA building materials manufacturers compared to the rest of world</li> </ul> </li> <li>▪ <b>NA building materials manufacturer were on average able to achieve 54% of initial price targets. Only 10% reached initial targets</b> <ul style="list-style-type: none"> <li>– Performance varied widely by company. Lower realization was driven by increasing price pressure from low-price competitors, greater price transparency and ongoing price wars</li> <li>– Further differentiating price increases through more granular price differentiation (e.g., by customer / product rather than flat increases), a common practice in other regions, could support higher implementation rates in NA going forward</li> </ul> </li> </ul>
	<b>Pricing Power and the Profit Imperative</b>	<ul style="list-style-type: none"> <li>▪ <b>84% of NA building materials manufacturers experienced rising profit margins compared to only 53% in the rest of the world</b> <ul style="list-style-type: none"> <li>– NA building materials manufacturers have been better at passing on cost increases, indicating stronger pricing power compared to peers in other regions</li> <li>– Price increases, but also other factors such as volume / demand increases and shifts in customer / product mix were key drivers behind margin growth in NA’s construction industry</li> </ul> </li> </ul>
2024	<b>The Road Ahead</b>	<ul style="list-style-type: none"> <li>▪ <b>NA building materials manufacturers are bullish about the 2024 economic climate compared to the rest of world. Commercial priorities for 2024 are entering new market segments, launching new products, and further increasing prices</b> <ul style="list-style-type: none"> <li>– 72% of NA building materials manufacturers anticipate 2024 will have a better or significantly better economic climate compared to 2023 - versus only 39% in the global construction industry</li> <li>– 64% indicated entering new markets is a priority, 48% are focused on new products, further price increases is a priority for 44%</li> </ul> </li> <li>▪ <b>Challenges ahead: 60% of NA building materials manufacturers expect more challenging contract negotiation in 2024 and plan to leverage more indices (73%), more dynamic contracts (53%) and shorter contract periods (40%) to ensure success</b></li> </ul>

## Agenda

01

NA Construction Sector: Executive Summary

02

**2023: Pricing at NA Construction and Building Materials Manufacturers**

03

2023: Pricing Power and the Profit Imperative

04

2024: The Road Ahead

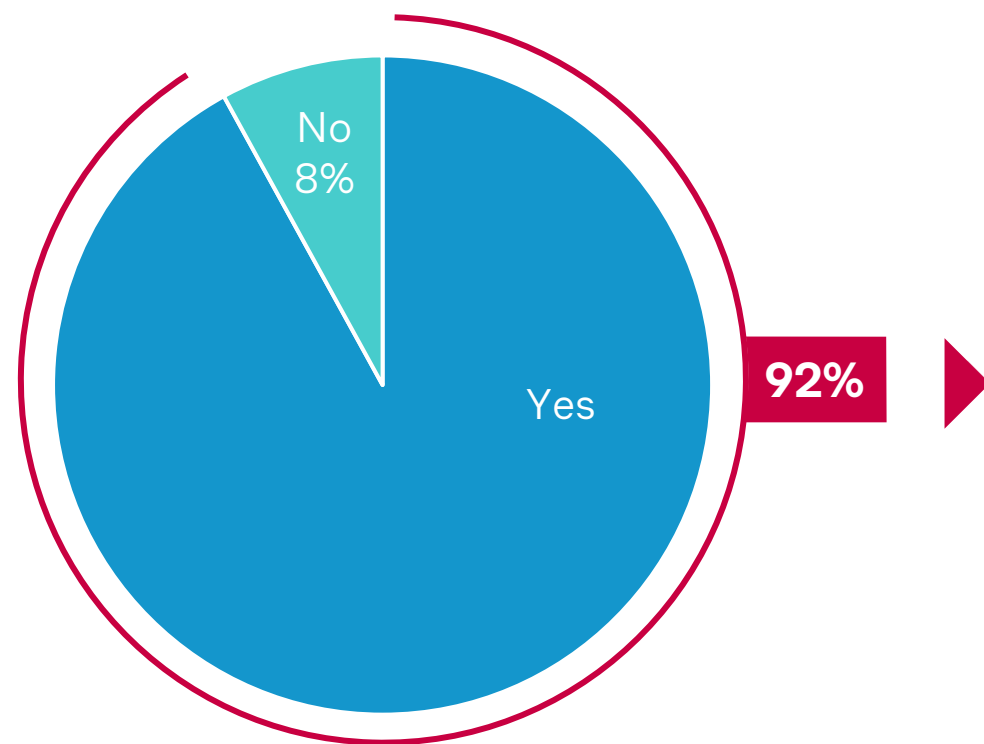
05

Your Contacts

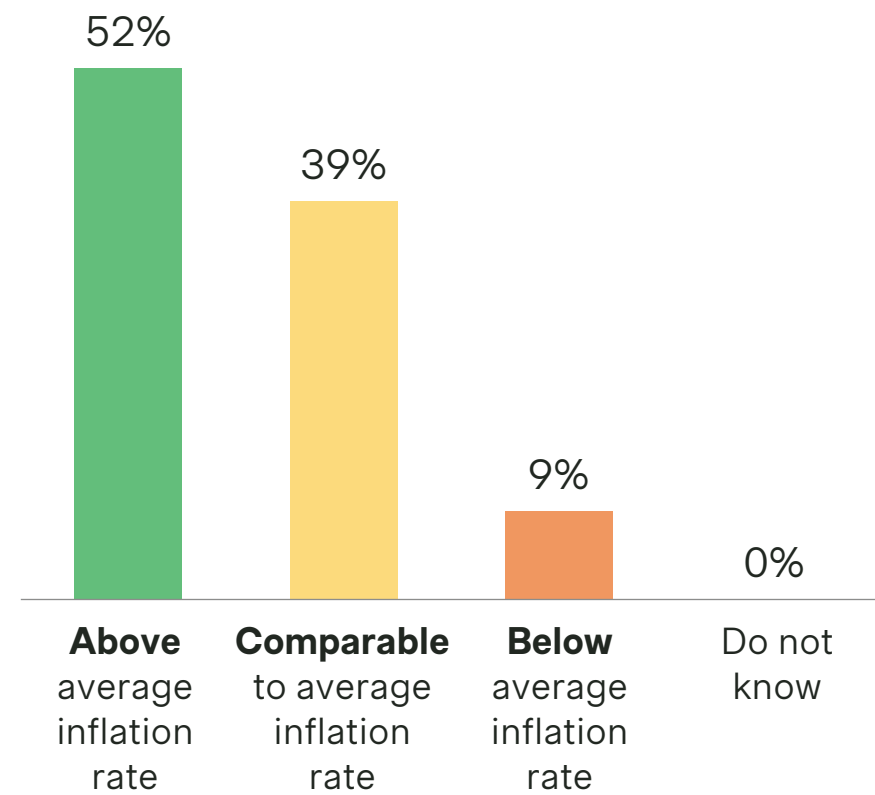
# 92% of North American building materials manufacturers increased revenues last year with 52% increasing above inflation rates

NA building materials manufacturers

**Overall, did your company improve its revenues last year?**



**How was revenue growth related to the average inflation rate in your market?**



92% of NA building materials manufacturers increased their revenues during the last year.

The majority of these companies grew revenue above the average inflation rate.

**Has your business' growth matched this NA industry trend?**

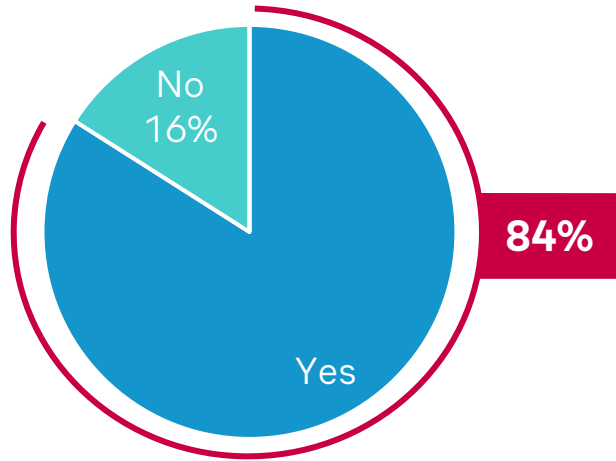
Source: Global Pricing Study 2023 (n = 2,704)

# 84% of North American building materials manufacturers implemented a price increase, driven by a variety of factors with rising costs / inflation being the most important

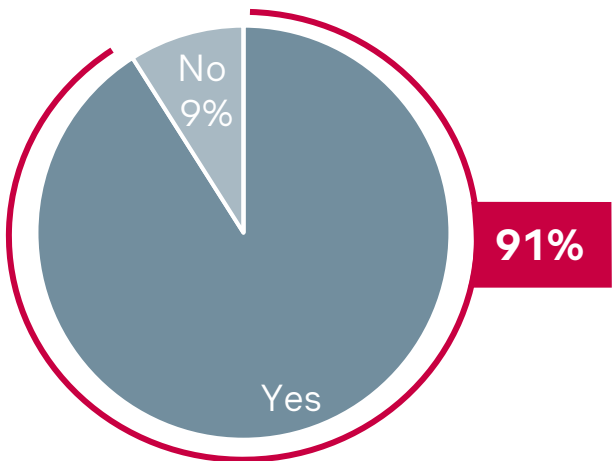
By region, building materials manufacturers

## Did you implement price increase(s) last year?

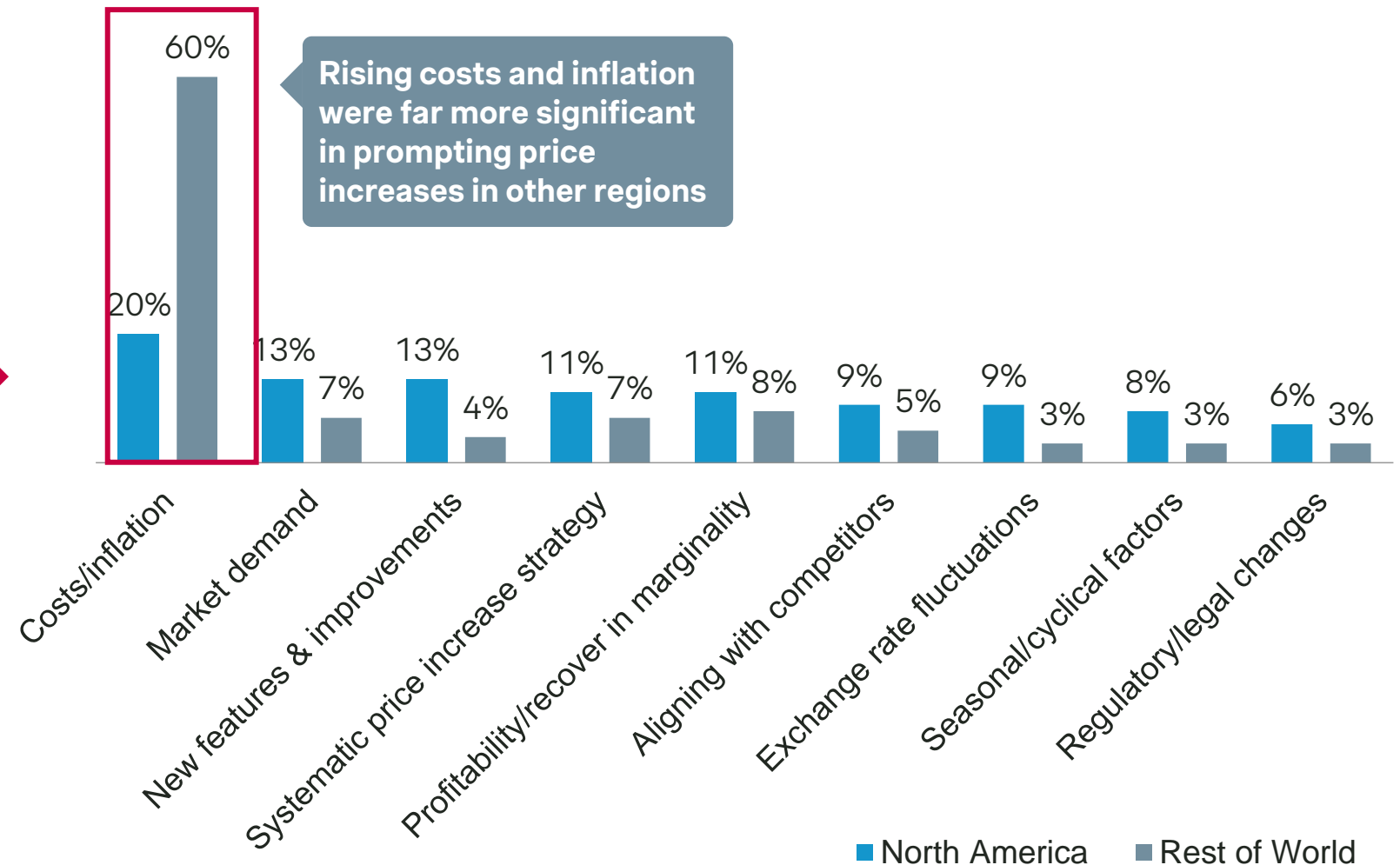
North American building materials manufacturers



Rest of World building materials manufacturers



## What was the primary reason(s) for the price increase(s) implemented?

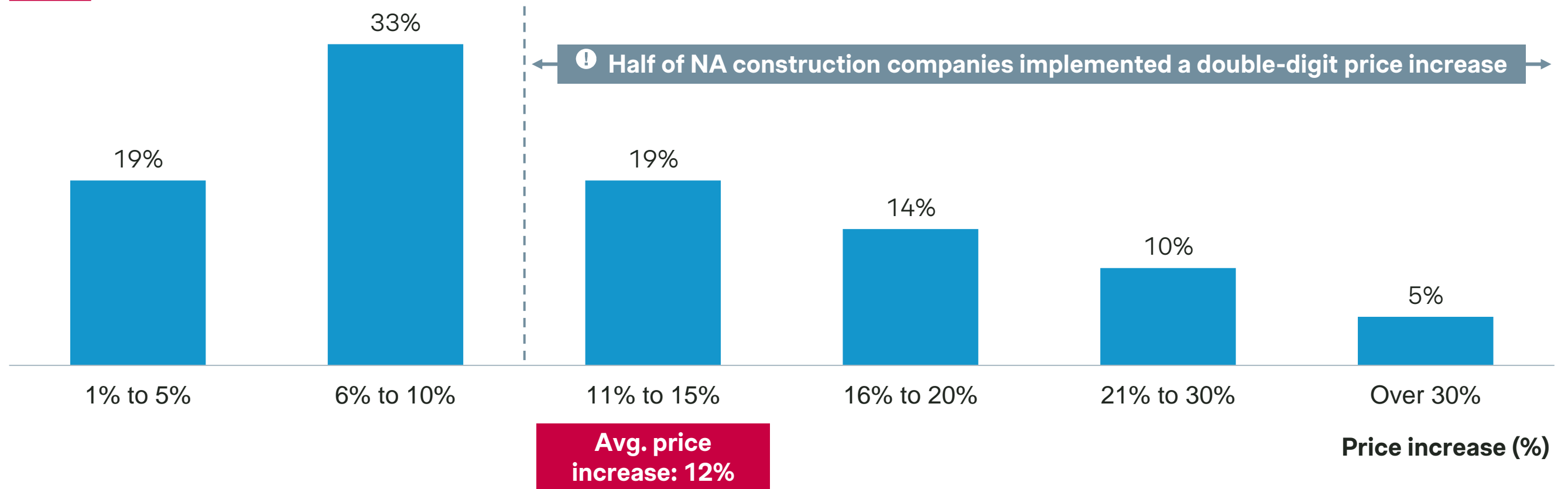


Source: Global Pricing Study 2023 (n = 2,704)

# On average, North American building materials manufacturers raised prices by 12% in 2023, but the large spread suggests price increase ambition levels varied strongly by company

NA building materials manufacturers

## On average, by how much did you increase prices during the last year?



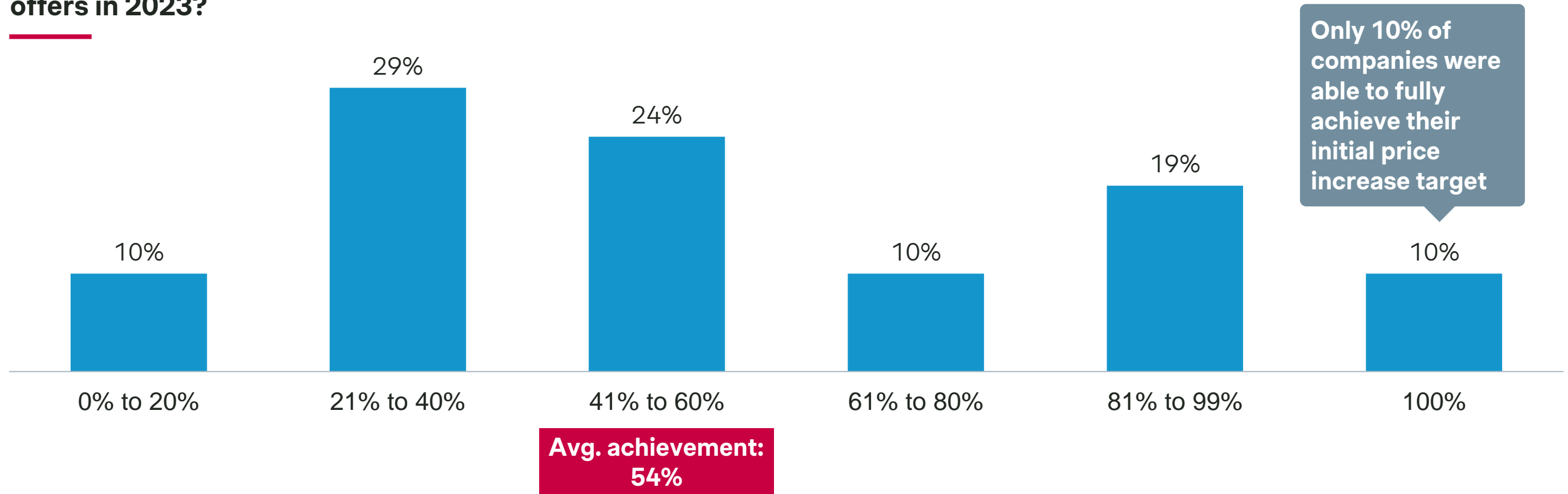
A wide spread of planned price increase percentages implies disparities among the market and the need to strategically plan the optimal price increase based on an organization's dynamics, customer base, and product portfolio.



# On average, North American building materials manufacturers realized 54% of their targeted price increase plan, with only 10% of companies achieving their initial target

NA building materials manufacturers

## How much of your initially planned price increase(s) did you achieve after deducting discounts, rebates, promotional offers in 2023?



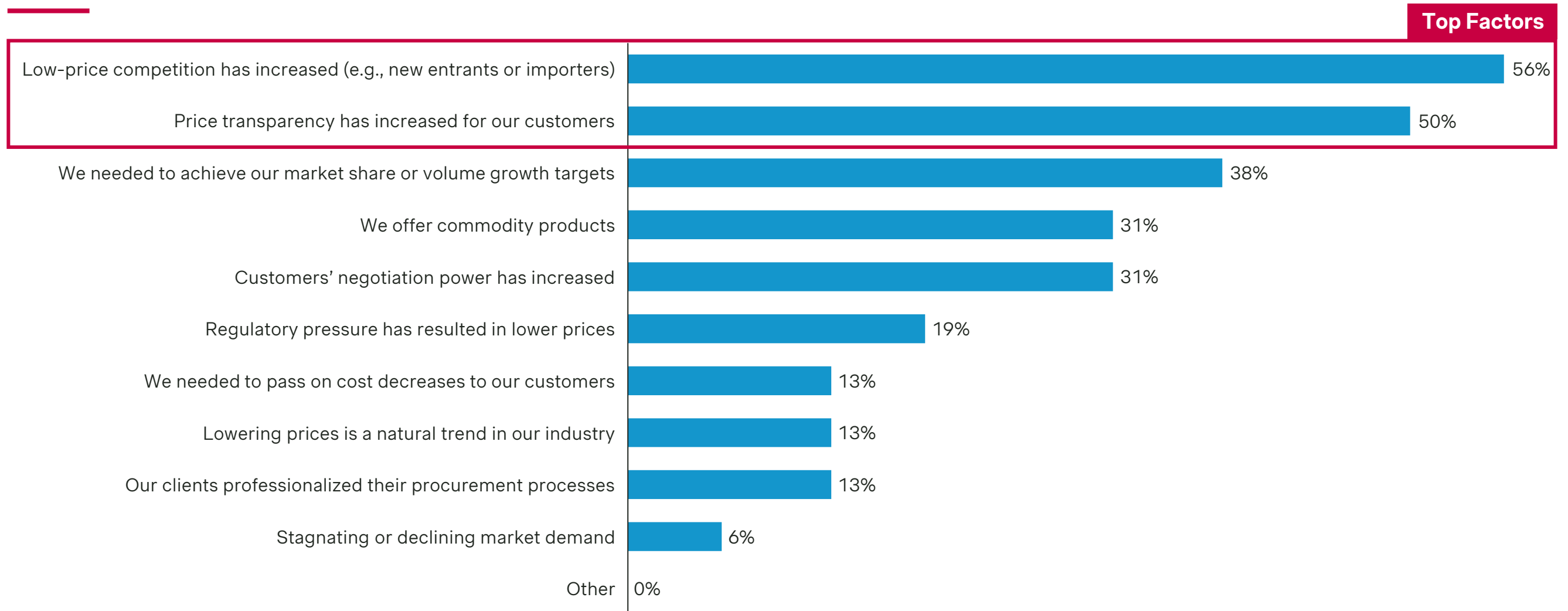
If companies are only realizing half of their planned increases in this more accepting market, they will face a challenge if inflation starts to drop. Customer resistance and competitive pressure were flagged as the main blockers for realizing price increases.

# North American building materials manufacturers identified low-price competitors and greater price transparency as key challenges to successfully implementing price increases



NA building materials manufacturers

## In your opinion, why has price pressure intensified?

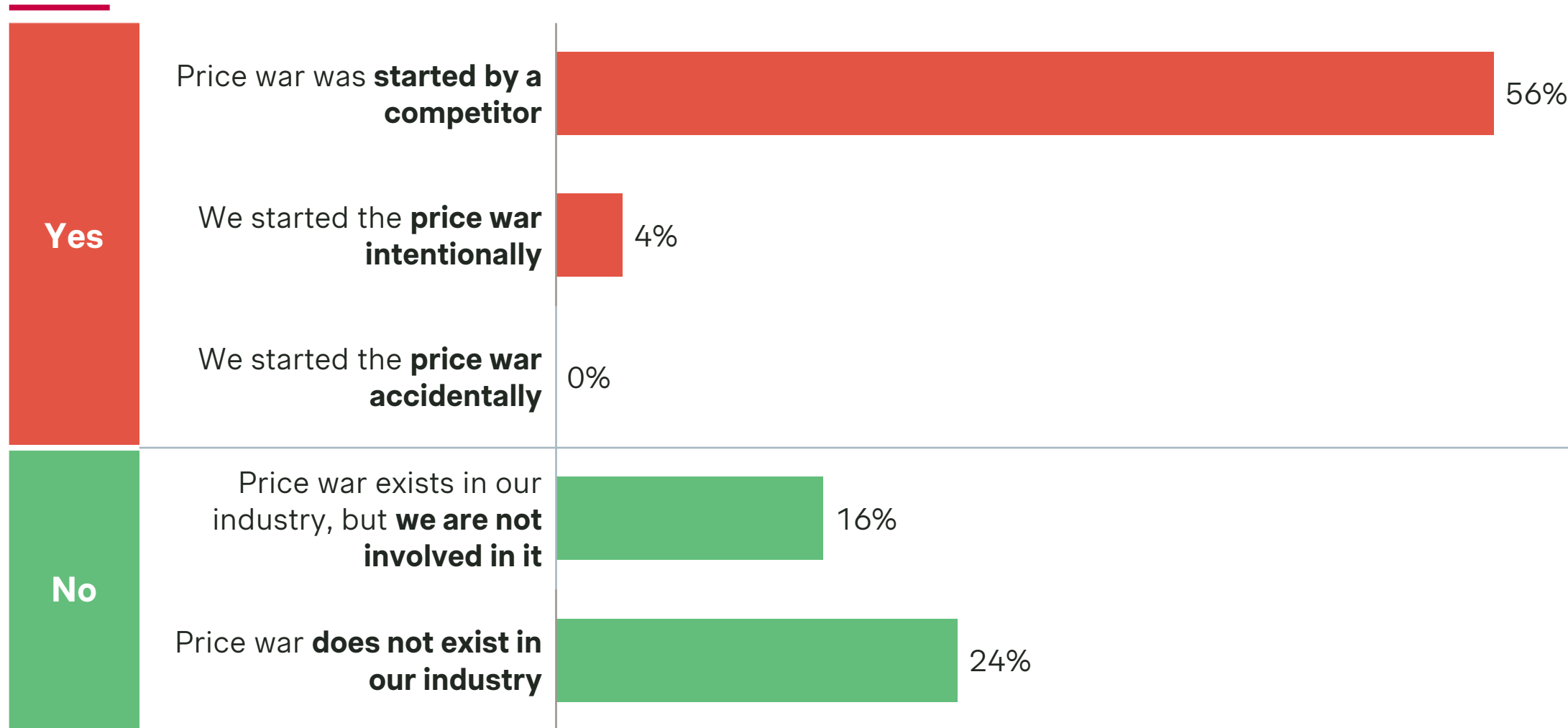


Source: Global Pricing Study 2023 (n = 2,704)

# Over half of North American building materials manufacturers find themselves in a price war, but nobody admits to have started it

NA building materials manufacturers

## Is your company currently involved in a price war?



! 60% of companies thought they were in a price war

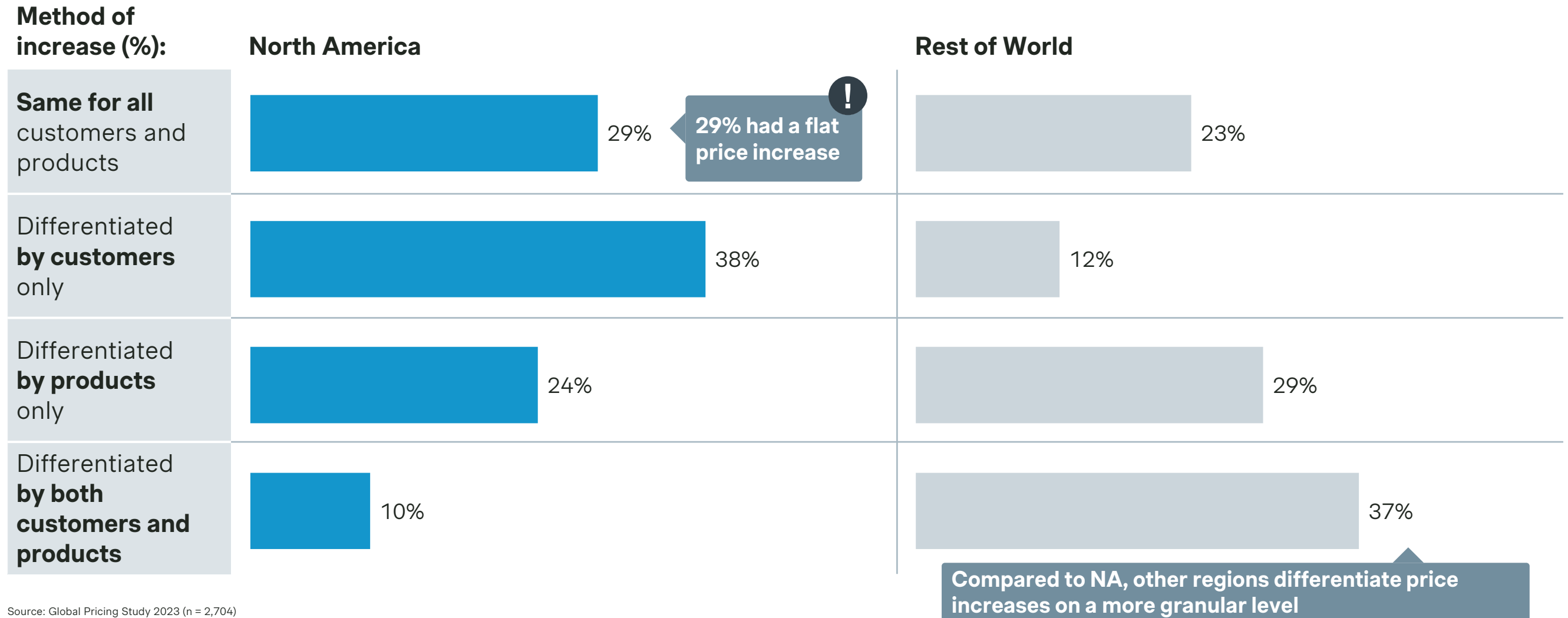
Source: Global Pricing Study 2023 (n = 2,704)

# Despite these challenges, further differentiating price increases through a best-in-class price increase playbook could support higher implementation rates in North America



By region, building materials manufacturers

## How did you apply the price increase(s)?



Source: Global Pricing Study 2023 (n = 2,704)

## Agenda

01

NA Construction Sector: Executive Summary

02

2023: Pricing at NA Construction and Building Materials Manufacturers

03

**2023: Pricing Power and the Profit Imperative**

04

2024: The Road Ahead

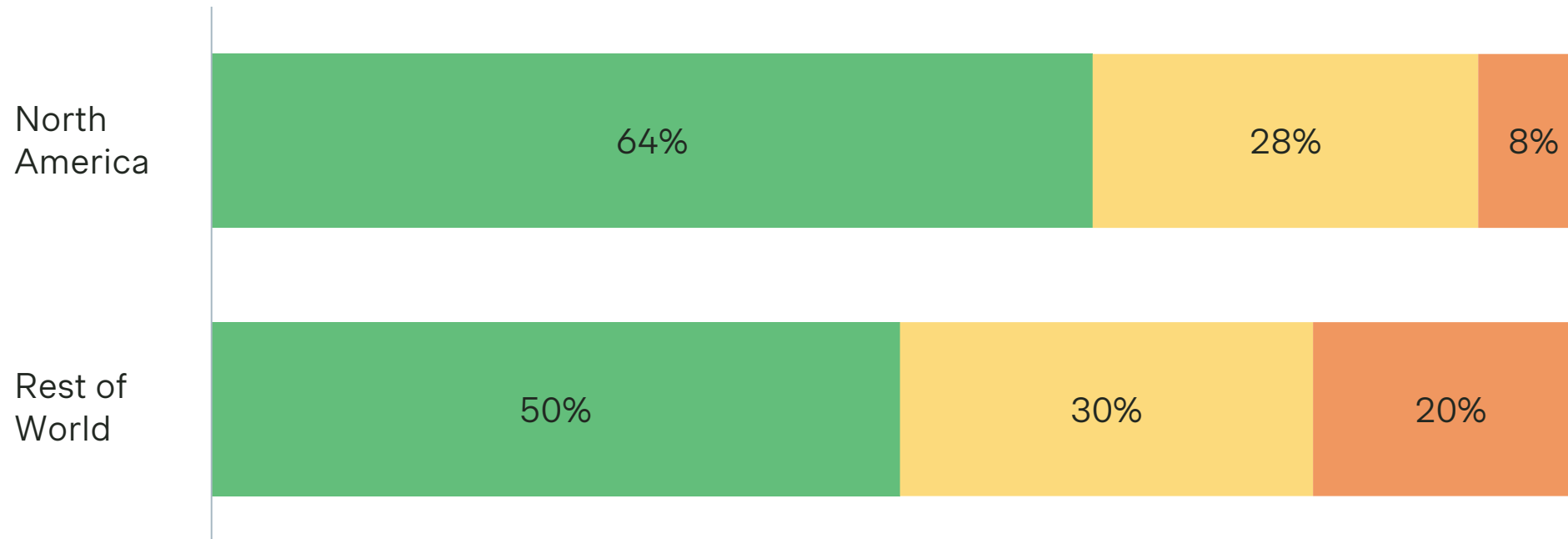
05

Your Contacts

# Regionally, North American construction companies have done a better job of passing through cost increases, indicating stronger pricing power

NA building materials manufacturers

## Pricing power by region for building material manufacturers



### Pricing power leaders



Companies with revenue growth >100% of cost growth

### Pass-through players



Companies with revenue growth between 50 - 100% of cost growth

### Inflation laggards



Companies with revenue growth <50% of cost growth

### Pricing power leaders

command premium prices for their products or services. They understand the value they provide and price accordingly. They have successfully differentiated themselves in the market, fostering customer loyalty and insulating themselves from price wars.

### Pass-through players

exhibit a degree of pass-through power, allowing them to adjust prices to manage costs. While not dominating in pricing power, they demonstrate adaptability and resilience in navigating market challenges.

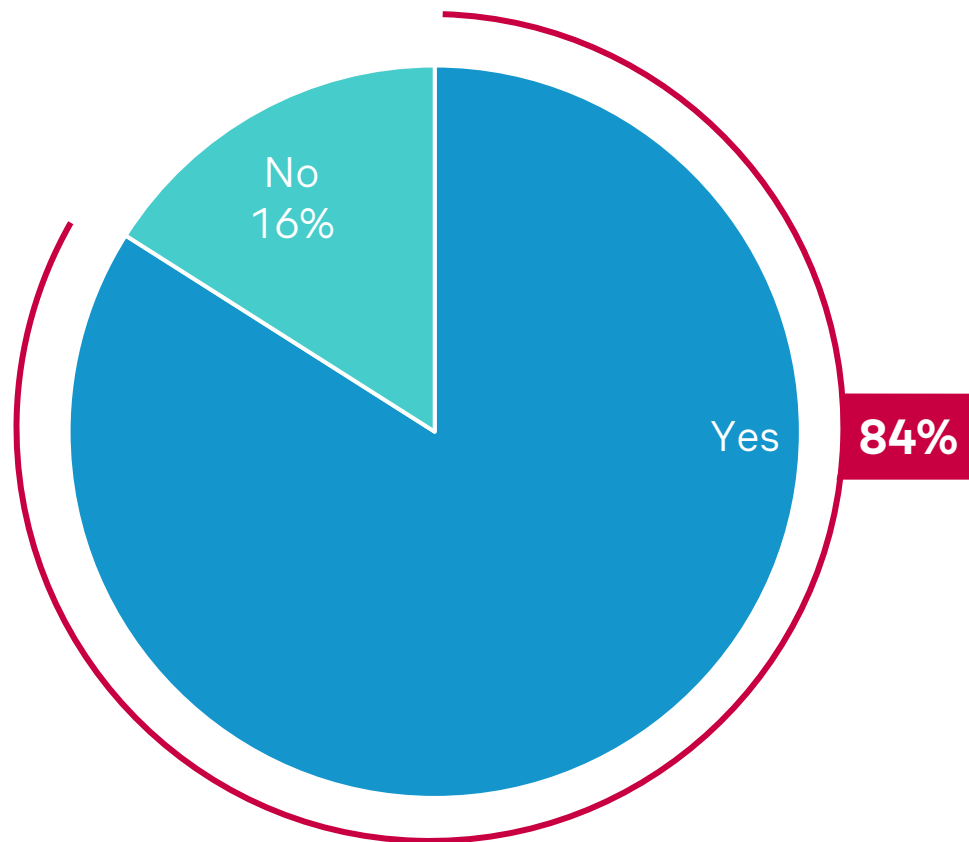
### Inflation laggards

face challenges in maintaining strong pricing power or efficient pass-through of costs. They may be grappling with market dynamics, increased competition, or other factors that impact their ability to sustain healthy profit margins.

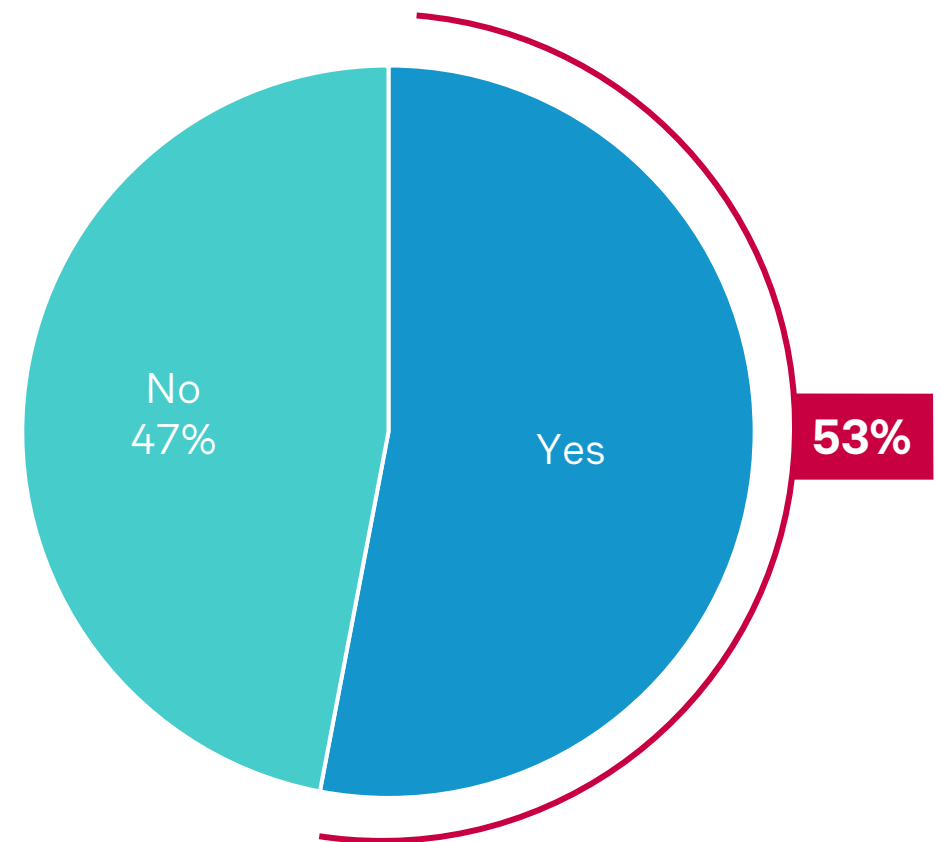
As a result, 84% of North American building materials manufacturers experienced improved profit margins, which is far higher than the construction market in the rest of the world

**Overall, did your company improve its profit margins?**

NA building materials manufacturers



Rest of World building material manufacturers

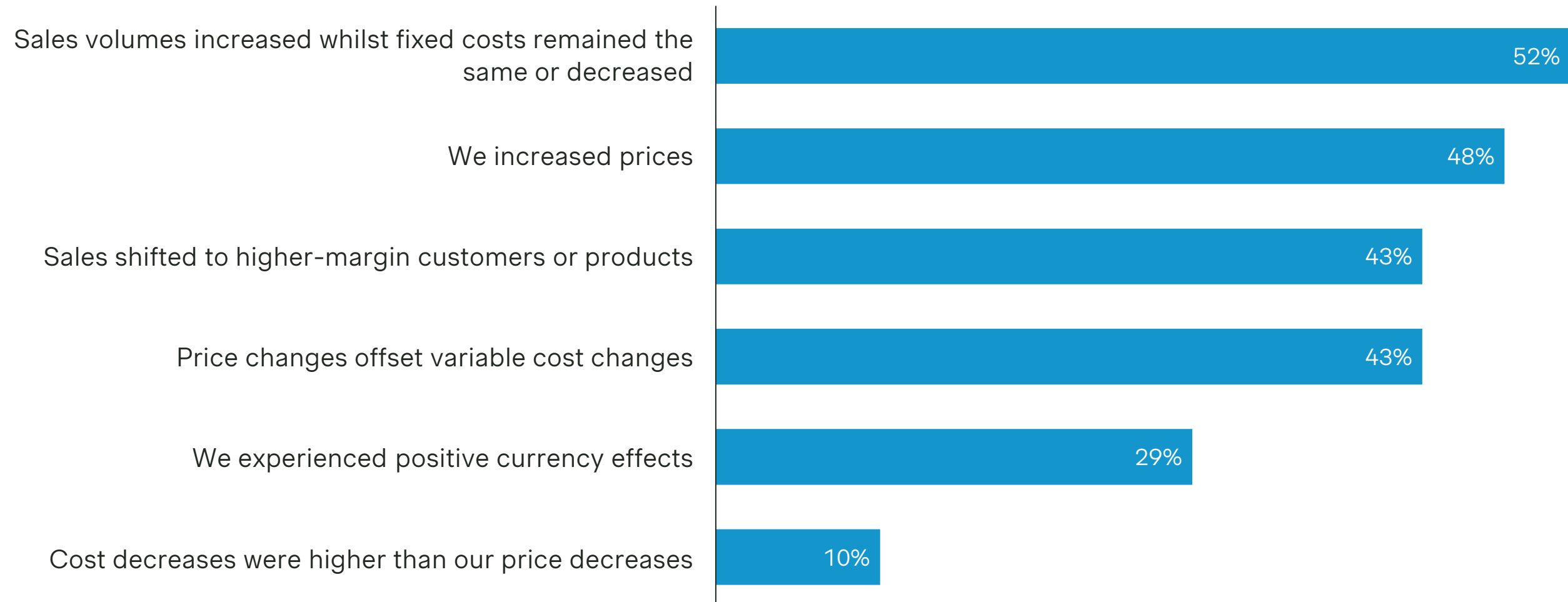


# Growth in profit margins was not just driven by price increases but also by other factors such as sales volume increases and shifts in customer and product mix



NA building materials manufacturers

## What were the primary reason(s) margins improved?



Source: Global Pricing Study 2023 (n = 2,704)



## Agenda

01

NA Construction Sector: Executive Summary

02

2023: Pricing at NA Construction and Building Materials Manufacturers

03

2023: Pricing Power and the Profit Imperative

04

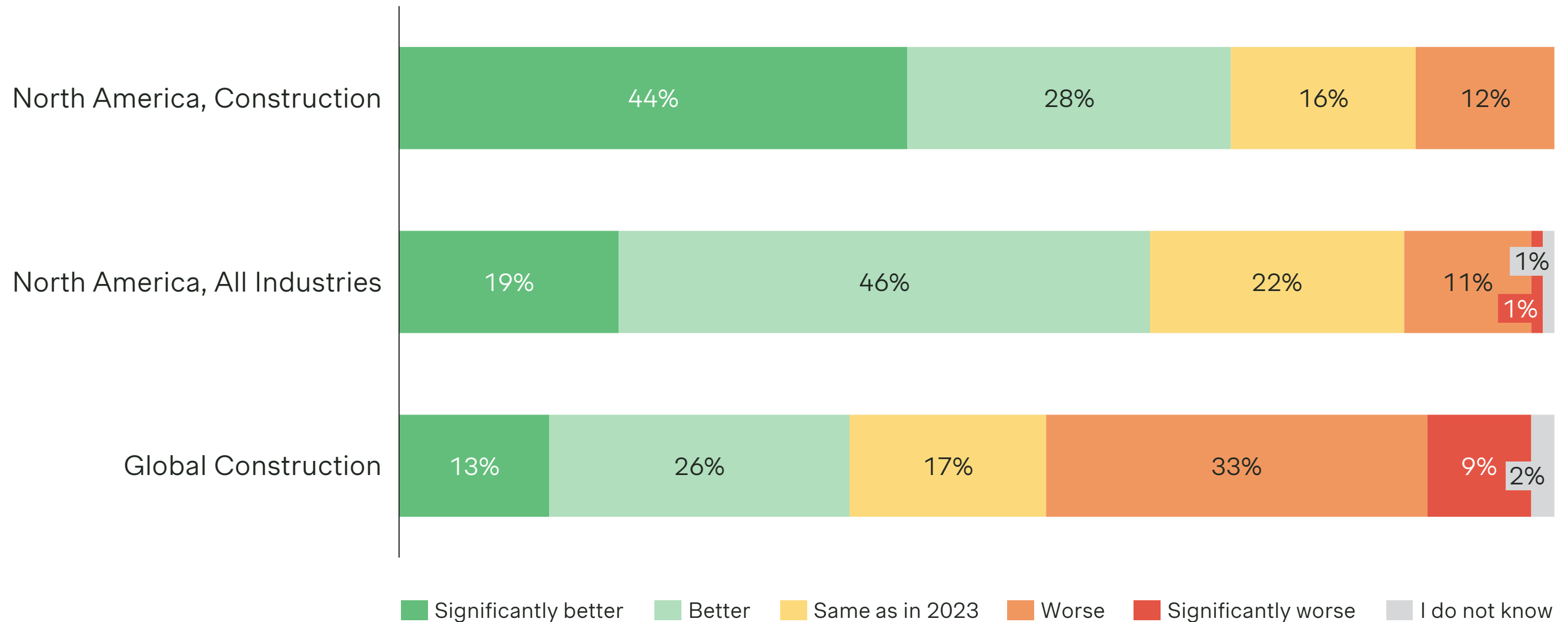
**2024: The Road Ahead**

05

Your Contacts

# North American building materials manufacturers are bullish about the 2024 economic climate compared to the rest of world and other sectors

In your industry, how do you expect the economic climate in 2024 will compare to 2023?

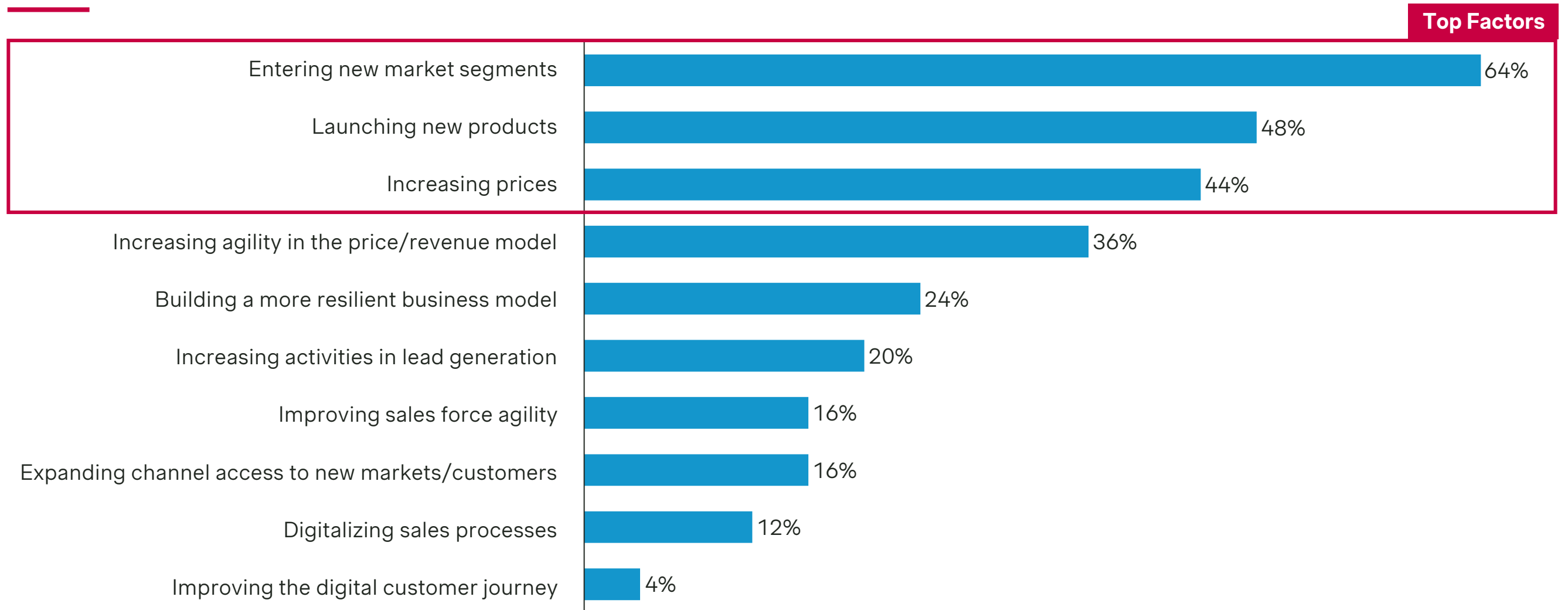


# NA building materials manufacturers will prioritize entering new market segments, launching new products, and increasing prices to unlock revenue growth in 2024



NA building materials manufacturers

## What are your key commercial priorities in 2024 as a company to maximize revenue growth opportunities?

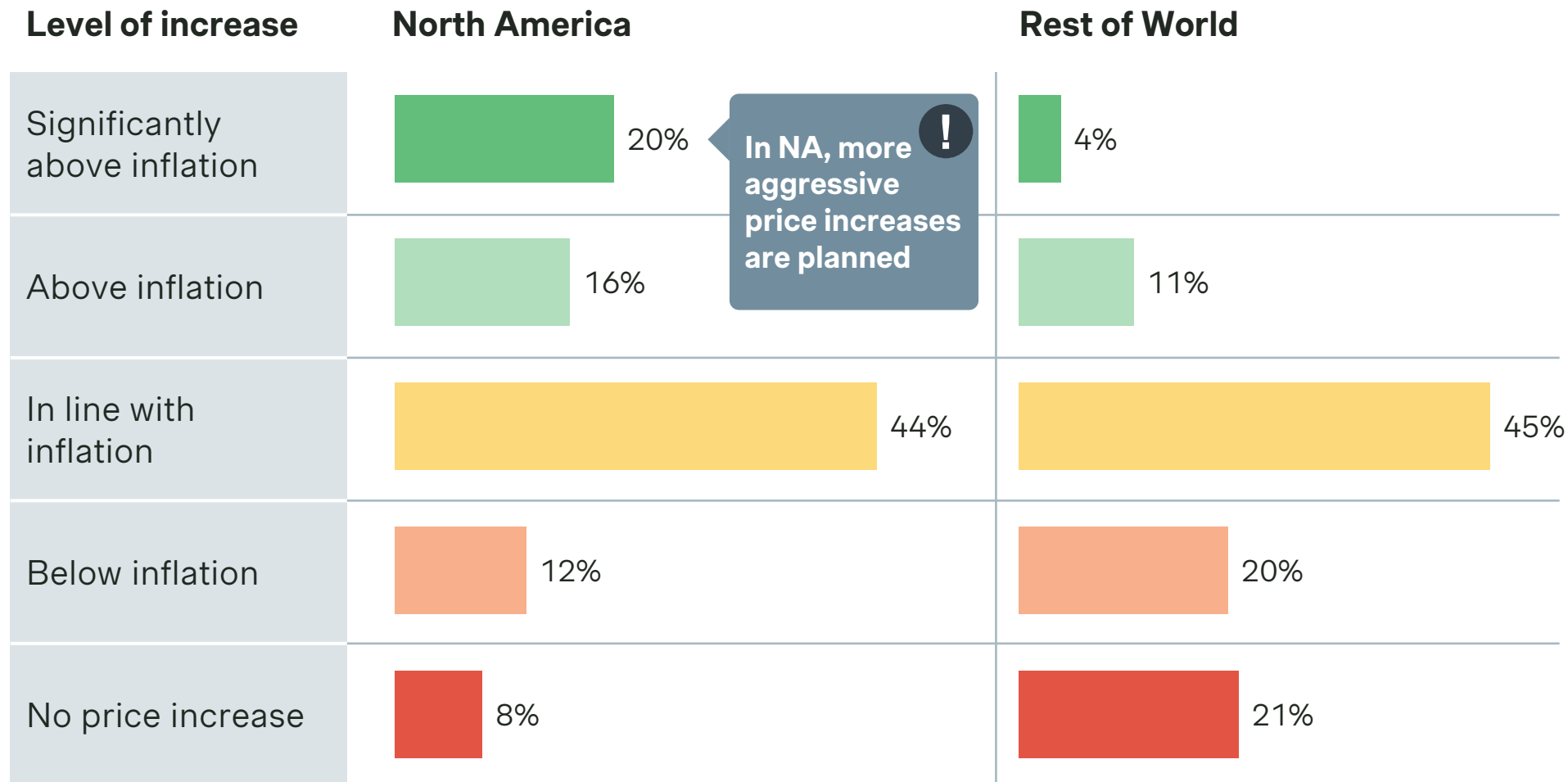


Source: Global Pricing Study 2023 (n = 2,704)

# At the end of 2023, sentiment about future price increases was also more bullish for North America’s building materials manufacturers versus the rest of the world

By region, building materials manufacturers

## How ambitious are your planned price increases?



36% of North American building materials manufacturers plan to implement a price increase above inflation compared to only 15% in the rest of the world.

- While most North American building materials manufacturers plan price increases, almost half are planned in line with inflation.
- Presuming price realization rates in line with 2023 figures (~ 50%), this would leave companies facing significant margin pressures.

**Are you prepared for 2024?  
What are the priorities on your pricing agenda?**

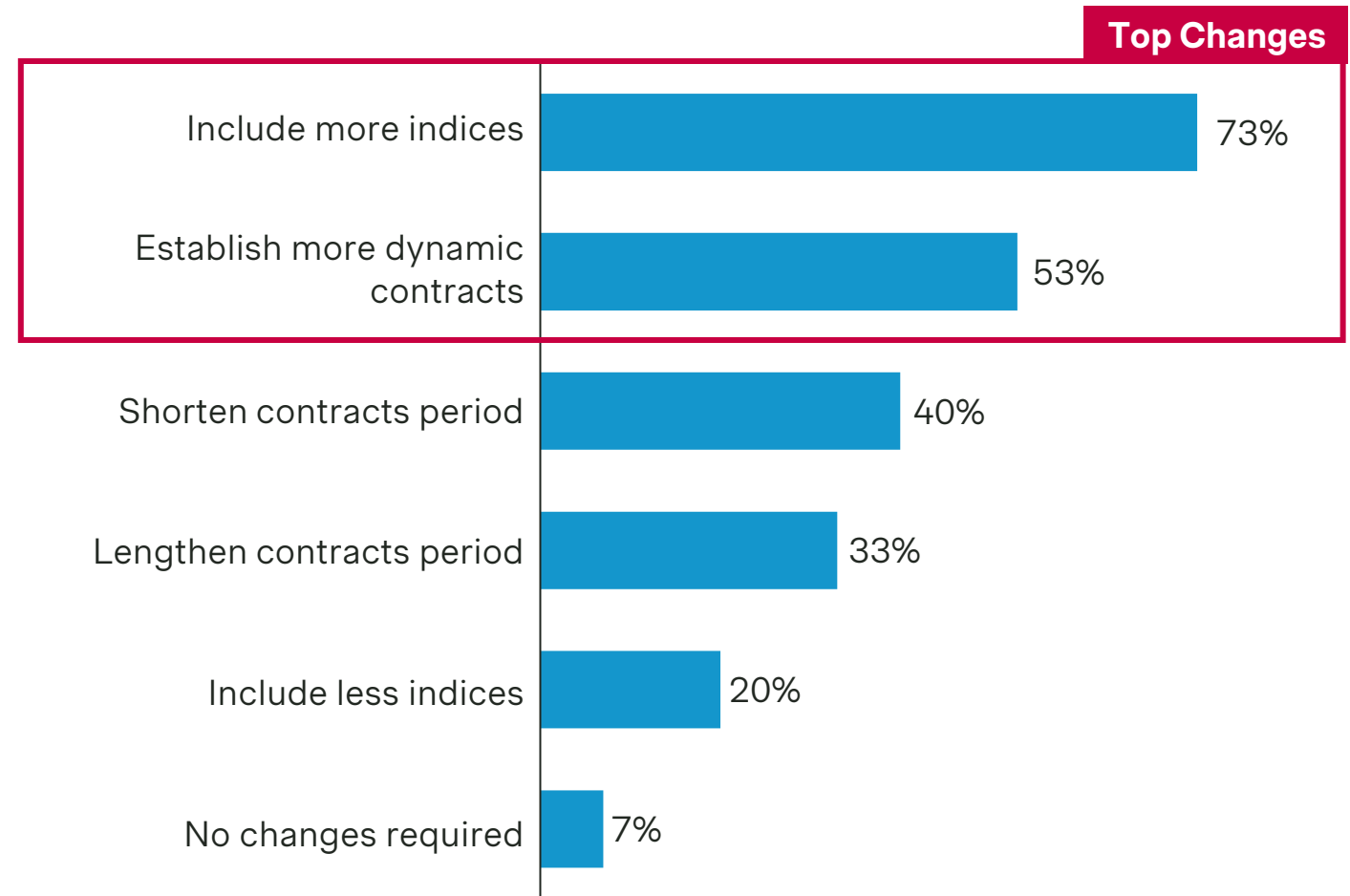
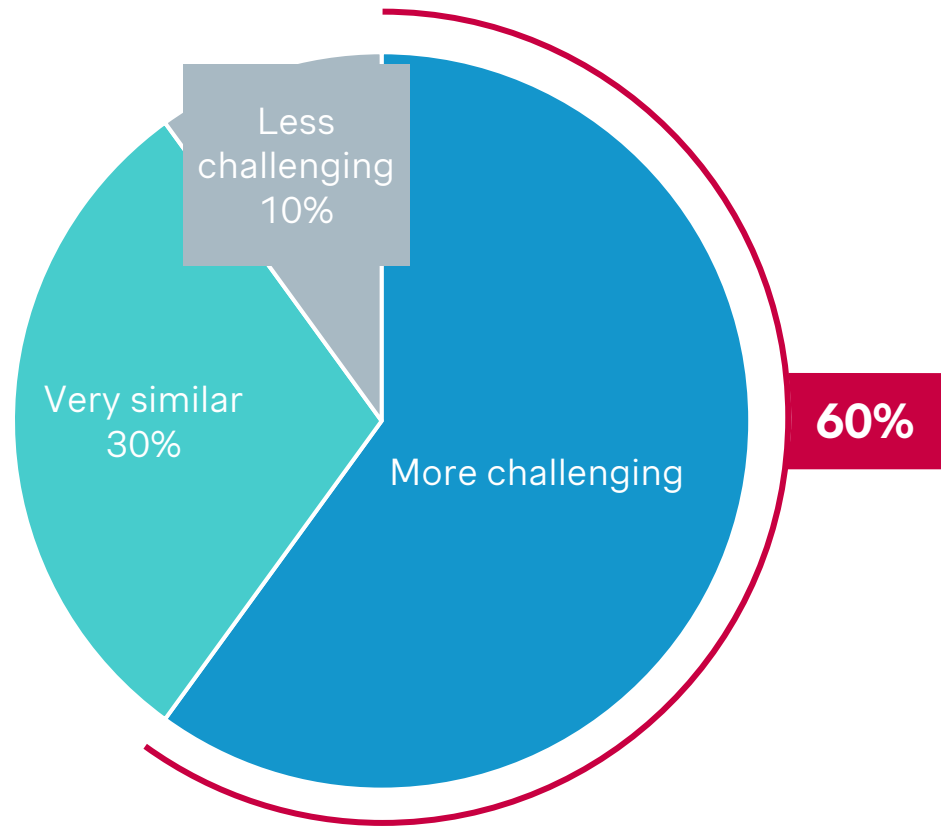
Source: Global Pricing Study 2023 (n = 2,704)

# However, companies expect contract negotiation to be more challenging in 2024 and plan to leverage longer contract periods, more indices, and more dynamic contracts

NA building materials manufacturers

## Compared to 2023, negotiations between brand manufacturers and retailers in 2024 will be:

## Looking forward, what are the changes in contract/agreements you think your company should apply?



Source: Global Pricing Study 2023 (n = 2,704)

## Agenda

01

NA Construction Sector: Executive Summary

02

2023: Pricing at NA Construction and Building Materials Manufacturers

03

2023: Pricing Power and the Profit Imperative

04

2024: The Road Ahead

05

**Your Contacts**

## Contact our experts



**Will Humsi**

Partner

[Will.Humsi@simon-kucher.com](mailto:Will.Humsi@simon-kucher.com)

Atlanta



**Jani Wijnands**

Director

[Jani.Wijnands@simon-kucher.com](mailto:Jani.Wijnands@simon-kucher.com)

New York City

