

# How pricing touches every aspect of your business

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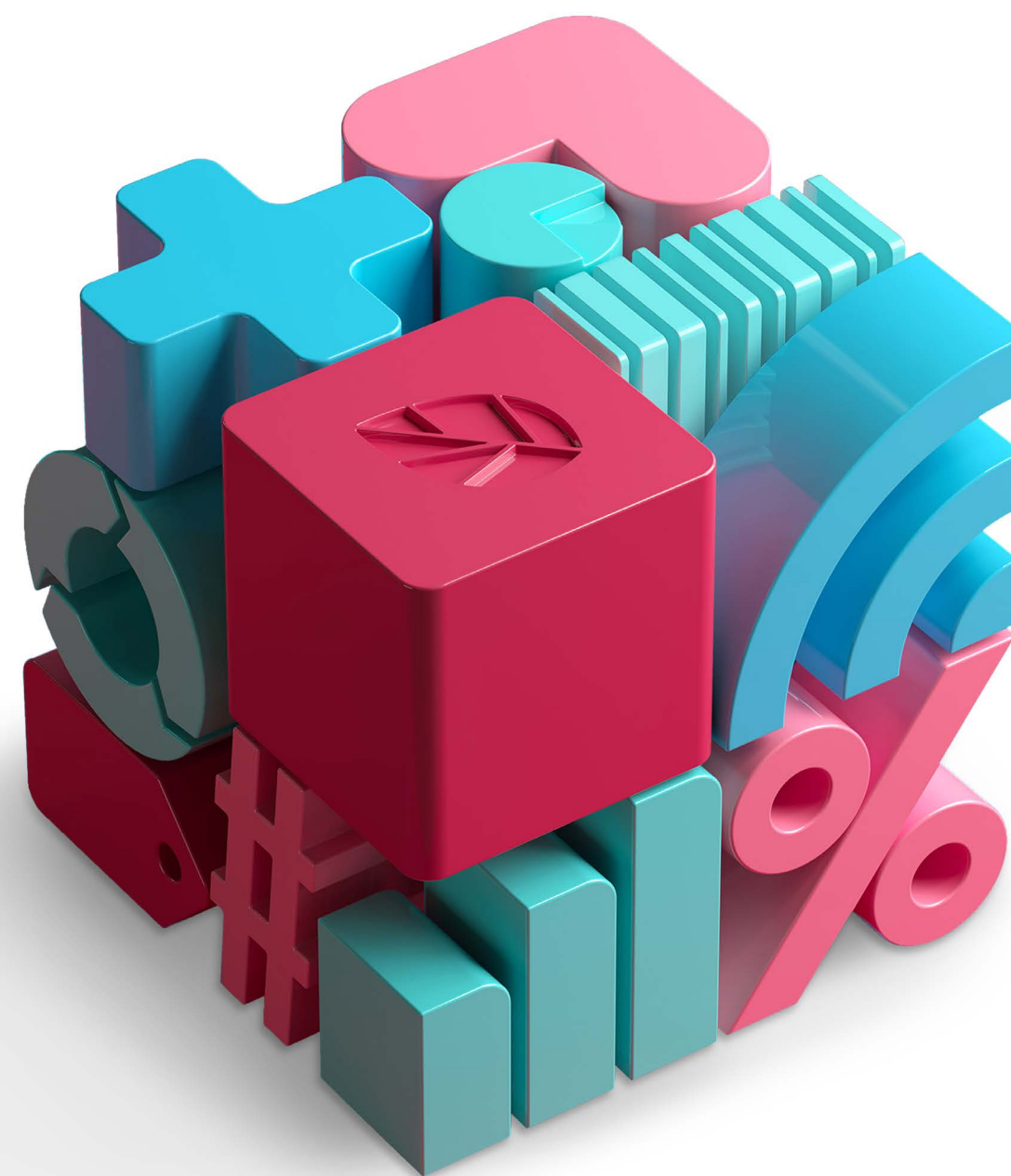
Behind the  
price tag.



# Pricing: The top lever for profitable revenue growth

For decades, Simon-Kucher has been synonymous with pricing. Our **Global Pricing Study**, the world's longest running survey on pricing topics, provides valuable insights into the latest trends and profit outlooks.

In this brochure, we look at why pricing is one of your most effective levers for driving sustained profitable growth. Whether you're a CEO, pricing manager, CMO, or head of sales, we discuss how each role within the organization can harness pricing to achieve revenue growth that is profitable and designed to last. We also explore how pricing might be received among your customer base, and how improvements in pricing don't have to be a trade-off for valuable market share.



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**Delivering the right pricing strategy:** Why top pricing managers see themselves as value managers



**The role of the CMO in price realization:** Collaborate for a competitive edge



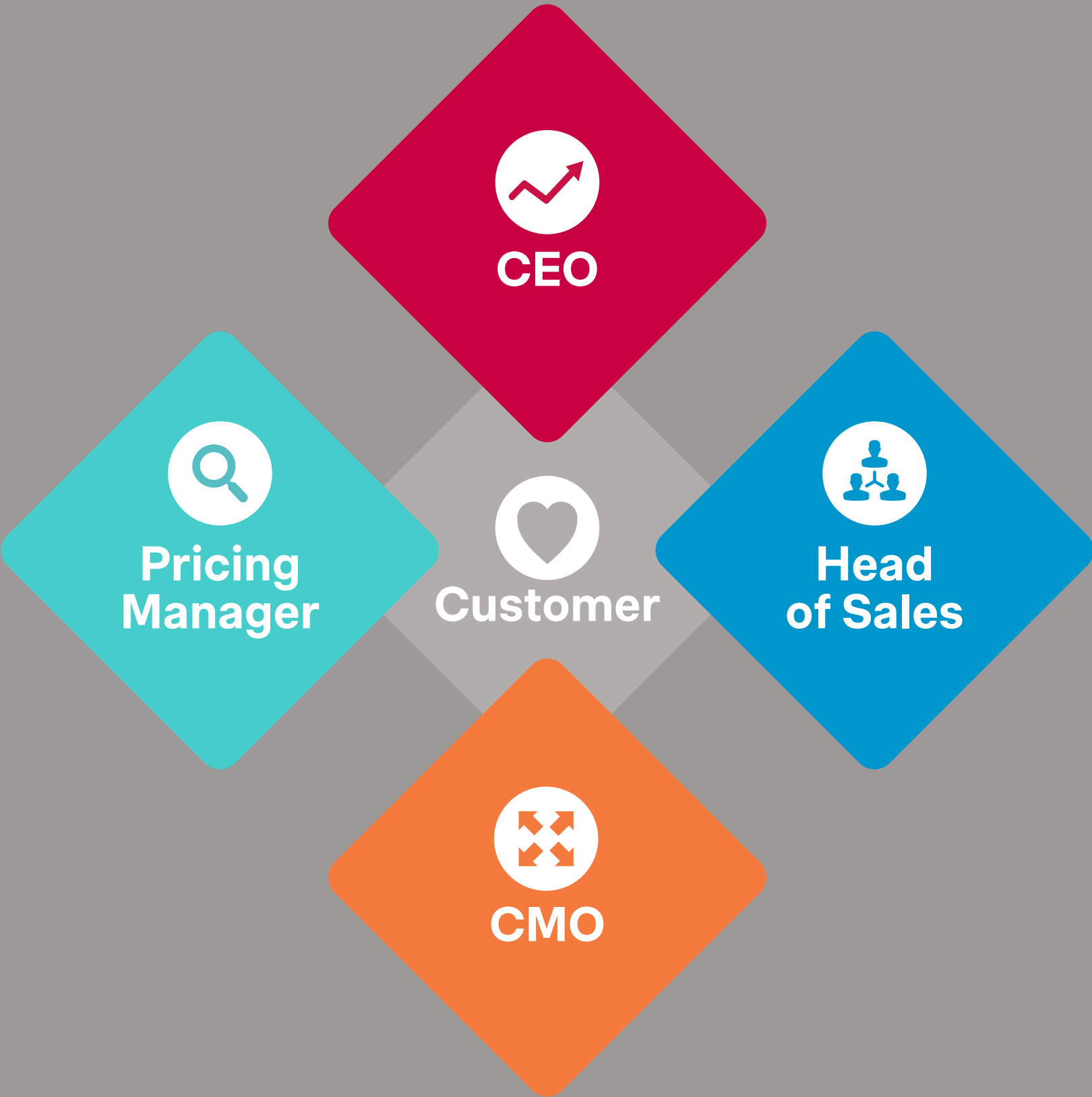
**Sales excellence:** Why sales managers are crucial for price enforcement



**Behind the buying decision:** What customers value

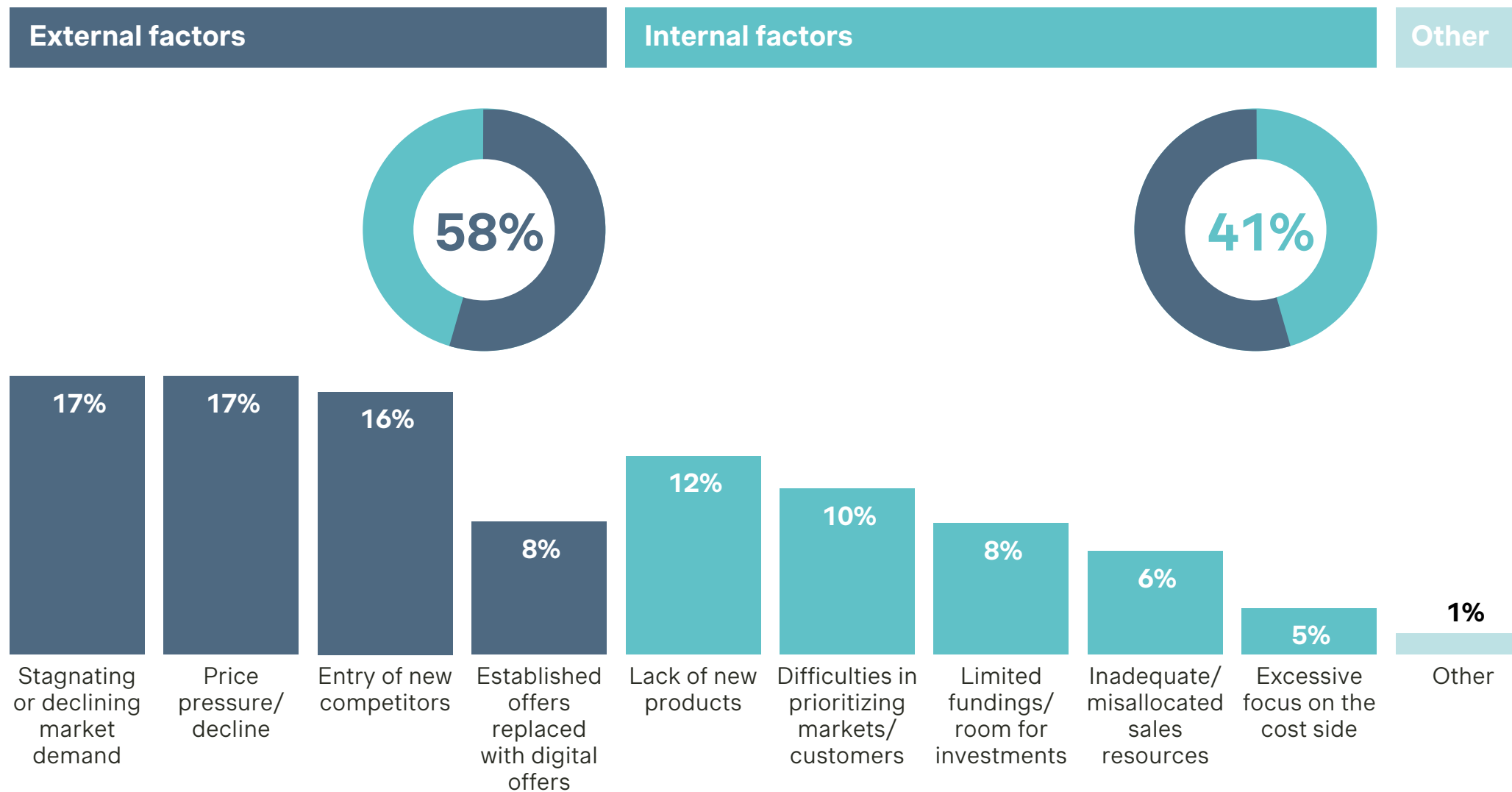


**Key takeaways:** Gain control over your pricing today



# Limitations to future growth

What are the main limitations to your future revenue growth (in the upcoming 24 months)?



Our study shows how in 2022 and 2023, many companies raised prices due to high inflation and increasing costs. Customers readily accepted this rationale on a short-term basis. However, this reasoning is no longer sustainable. Now the question arises as to how to engineer and explain your future pricing so that it succeeds out there in the market.

Relying on external factors and transitory effects leaves companies exposed to changing market conditions. Instead, a sustainable, long-term pricing strategy will insulate against such volatility, allowing you to adapt to changing economic environments.

# This is where pricing power comes in

Pricing power is your company's ability to charge the right price for your products or services based on their value. It can also mean raising prices to cover costs, or creating sustainable pricing strategies. Pricing power brings you the value you deserve for your products and services and secures the profits you need to invest in change and future growth.

This doesn't come down to chance, but rather depends on the right measures and focus. It requires strong leadership of a capable team that creates and delivers your roadmap to success. Everyone should be equipped with the will, skills, materials, and confidence to embark on your pricing power journey, execute your strategy, and ultimately reach your growth goals.

only  
**65%**  
of companies  
worldwide  
truly possess  
pricing power

Pricing power is often the difference between a company that succeeds and one that fails.

**In this brochure, we look at pricing power through the lens of key stakeholders along your pricing journey.**





# In the **CEO's** chair: Driving pricing strategies for better growth

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Pricing needs a consistent storyline, and it needs to be told from the top. As a CEO, you play a crucial role in shaping your company's pricing narrative. This doesn't mean deciding on a price tag and making noise about delivering results.

When it comes to pricing, a CEO's role is to give the strategy a clear direction. How should your products and services be priced to drive revenue, profitability, and market share? How do you manage the delicate balance between maximizing profitability and keeping your offering attractive in the eyes of the customer?

Whether your goal is to capture market share, establish premium positioning, or foster customer loyalty, pricing is a powerful tool to achieve these goals.

A successful CEO is able to articulate the rationale behind pricing decisions to internal teams, shareholders, and customers. They understand that pricing is not just a financial consideration, but a strategic lever that influences market positioning, brand perception, and overall competitiveness.

But pricing is not just a directive from the corner office; it's about instilling a mindset throughout the organization. Your entire company should speak with one voice. Pricing becomes the golden thread that unites every department and function.

## CEOs must prepare for pricing the future

The proactive CEO doesn't just react to changes but anticipates them and adapts to stay ahead of the curve. Here, your current pricing performance can serve as a crystal ball into the future.

Our **Global Pricing Study** reveals that although price realization rates increased significantly in 2023, companies still fell short of reaching even 50% of their targets. So, if your company is only realizing half of your planned increases in this more accepting market, you will face a challenge as inflation starts to drop. Alternatively, if you're a company with pricing power, you must recognize this advantage and act upon it.

However, there are several steps CEOs can take to prepare for the ebb current:



### **Know your value – and set out to monetize it.**

Are you able to command the price you desire for the products you are bringing to market? If not, put more emphasis on value, with implications for how you price, market, and sell. This involves a drastic mindset change extending far beyond price alone. Internal incentives need to be adapted, target achievement monitored, roles and responsibilities redefined. Price points become meaningless if all other functions adjust them later.



**Build a pricing-centric culture.** Ensure there are clear principles, standards, and tools within an overarching pricing framework, and share it throughout your company. Communicate the reasons behind pricing decisions so that everyone understands the strategic importance and is collaborating across functions. Review and clarify the framework frequently to ensure it continues to reflect the market requirements and strategy.



**Stop your profit leakage.** Get control over your rebates and discounts out there in the market. Guide your sales team toward healthy price levels rather than making the deal at any cost. You also must be willing to have difficult conversations around volume versus value, and even lose customers who don't align with your price vision.



**Disrupt where necessary.** Just because a certain strategy is your industry pricing norm, it doesn't mean it's the most profitable one. Put emphasis on a forward-thinking approach that goes beyond maintaining the status quo. Whether it's subscription-based services, dynamic pricing algorithms, or creative bundling strategies, CEOs should be at the forefront of embracing novel approaches, disrupting traditional pricing paradigms, and unlocking new avenues for long-term, sustainable growth.



## When was the last time you led on pricing?

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Pricing can become a very emotive topic, and it requires clear initiation and communication from the C-suite. Even the best pricing strategies will fail without strong leadership and enforcement.

As our **Global Pricing Study** shows, companies where the chief executive is involved in pricing outperform those where it's tasked out to other ranks. Neglecting pricing breeds costly mistakes.

Get it right and you will thrive. Get it wrong and risk permanent damage to your business.





# Delivering the right pricing strategy: Why top pricing managers see themselves as value managers

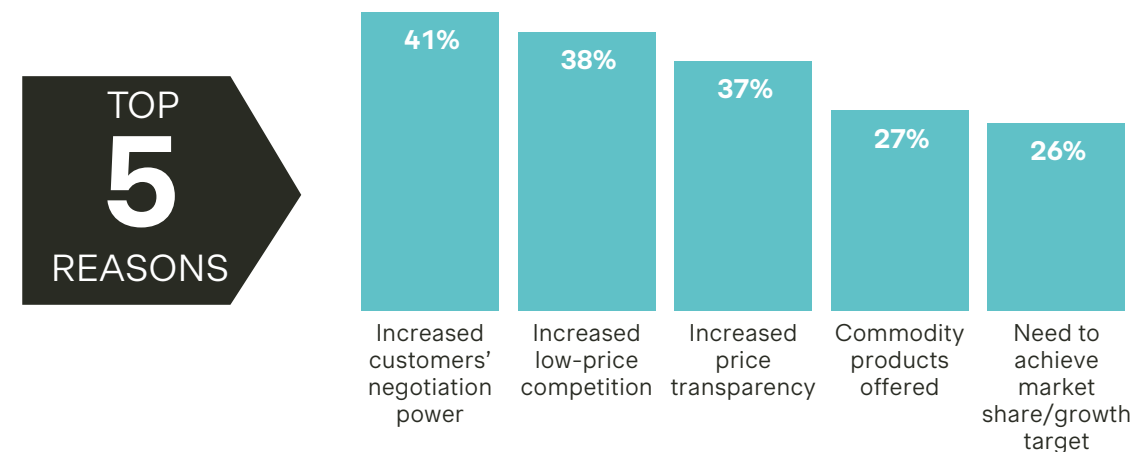
There's a common belief among pricing managers that prices are dictated by the market. If pressed, many will secretly admit they have "no real control over price."

Their role is "more nuanced" and involves "navigating market factors." And one thing pricing managers understand about the market right now is: it's tough. According to our **Global Pricing Study**, 60% of companies experienced increased price pressure in the last 12 months. The main reasons? Increased customer negotiation power and low-price competition.

## 60% of companies experienced increased price pressure in the last 12 months

### Reasons for intensified pressure: Increased negotiation power and low-price competition are main causes

In your opinion, why has price pressure intensified?



Thanks to increased transparency and information available online, customers across all industries have become more empowered and informed. This gives them an advantage in negotiations with your sales teams. This is especially the case with large-volume customers and those with strategic importance. As customers exert more pressure on sales, prices get pushed down, leaving the pricing manager feeling powerless.

The presence of competitors offering similar products or services at lower prices doesn't help. As customers are pushed to choose the lowest-priced option, pricing managers fall under internal pressure to lower their prices to remain competitive. Price wars break out across the industry, making it difficult for individual pricing managers to maintain higher price points.

## Pricing managers DO have control over price

If you are following a historically grown or cost-plus pricing model, then your organization is probably communicating and selling too heavily on price. You will be pressured to conform to the lowest industry pricing and destroy value. In this case, we'd have to agree: your pricing is out of control. However, there are many ways pricing managers can, and should, influence how they set prices for their products and services.

## Turning customer value into pricing strategy

Our experience is that price is often just a surface layer. Once you start peeling back what customers truly want, need, value, and are willing to pay for, you can position yourself accordingly. This often justifies a premium, or at least provides sufficient argumentation for price defense.

When you act as a value manager, you become agile and able to adapt to changes in customer preferences and market dynamics. Your understanding of customer needs allows you to align price with perceived value, enhancing customer satisfaction and loyalty.

And by managing value instead of ineffectively trying to manage the market, you can focus on building relationships with customers that are more predictable, sustainable, and profitable.

The key takeaway is that pricing should not just reflect costs but also the value that your product or service provides. So, if you provide more value than anyone else, your prices should reflect that.

Pricing managers who fail to incorporate value into their strategy leave themselves with just two possible outcomes:

Either way, you won't thrive. It's extremely rare that a pricing manager will hit the mark by chance. Much more common is that you underestimate your products' worth, leaving money on the table and accidentally initiating price wars. So, if you still decide to run a low-price strategy, you better offer lower value as well.



You are **overpriced** with low value, and so you lack revenue.



You are **underpriced** with high value, and so you lack healthy profit margins.



## Top pricing managers do not work alone

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Proper pricing requires input from multiple people. Your decisions will impact and rely on various areas of the organization, including sales, marketing, finance, and operations. Collaboration with these departments is crucial to gather diverse perspectives and insights.

When cross-functional teams are involved in pricing discussions, you ensure a more comprehensive understanding of market dynamics, customer expectations, and cost structures.

Here, effective communication is key in gaining buy-in from stakeholders. As a pricing and value manager, you must articulate the rationale behind pricing decisions, demonstrating how they align with overall business objectives.

This transparent communication will foster trust and ensure that stakeholders understand the value proposition and strategic considerations behind pricing choices. And remember, data is your friend. Use analytics to inform and support your decisions and gain support across the organization.



# The role of the **CMO** in price realization: Collaborate for a competitive edge

Mention the word marketing and everybody thinks it's about advertisements and communication. Many view marketing and pricing as separate domains. However, these two functions are intrinsically connected.

A company's pricing sends a message to the market. Price is a mirror for the attributes your company wants to communicate. And as the monetary expression of value, pricing must be in harmony with the narrative crafted by marketing. This is vital to create a seamless and convincing consumer experience.



## Marketing's role in pricing

Setting a price is straightforward, provided two conditions are fulfilled. Firstly, the customer wants what you're offering. Secondly, the customer can't locate a similar product in the market. In such a scenario, your company can demand almost any price. However, if your product is just one among many, it's highly comparable, and marketing becomes challenging.

Do your sales teams return from their pitches feeling disheartened because prospective buyers were only interested in negotiating prices down? This indicates several pitfalls existed well before the meeting took place. Mainly, the buyer did not receive convincing arguments to make their buying decision. Marketing is at the very start of this journey.

## Uncovering hidden reasons for price resistance

While a great customer experience can attract customers, a negative one can also repel them. A great CMO digs deeper into the customer experience and identifies barriers that may not be immediately apparent. Access barriers, such as complicated purchasing processes, unclear product information, or confusing product portfolios can act as roadblocks for customers, preventing them from easily engaging with your products or services. Don't just think about why customers should buy your products. Look at the hidden reasons why they won't.

Unavoidable tasks also represent a fantastic opportunity to solve customer pain points, meet customer expectations, and boost customer loyalty. Think about a trip to the dentist. It isn't necessarily enjoyable, and there are plenty of reasons why we might try to resist it. However, most people are aware that if they put it off too long, the end result will be painful.

Then there's a question of which dentist you prefer to visit. The clinic with a sterile and unwelcoming atmosphere, stark white walls, fluorescent lighting, and an ill-tempered receptionist?

Or would you prefer the clinic designed with the patient's comfort in mind: calming decor, personalized music, a focus on pain management, flexible scheduling, and follow-up reminders?

We've seen this approach work with "routine" and "boring" products like banking and insurance offers.

The winners in these sectors turn arduous tasks into pleasant experiences using elements like gamification and personalization, creating a positive association with their brands. Make it enjoyable to use your products or services. And like a trip to the dentist, ensure your customers know why they need them in the first place.



## Great pricing is built on trust

In the age of transparency, customers have access to various comparison tools and portals, making it easier for them to research and compare prices across different brands.

But if a buyer is out there researching prices on comparison portals, you have already lost the marketing game. The point at which customers stop actively comparing your pricing with other brands represents a critical juncture in building trust and loyalty.

This shift occurs when customers become confident in the value, reliability, and overall experience your brand provides. It signifies a successful transition from transactional relationships to more enduring connections.

Most importantly, in an era where misinformation is rampant, integrity becomes a precious currency.

Over-promising and under-delivering can erode trust quickly. Clearly communicate the value your product or service provides and avoid making exaggerated claims that cannot be substantiated.

Remember, a brand is more than just a logo; it's a promise. Your pricing should align with the core values and promises your brand makes to customers. Deviating from your brand identity in pricing can lead to confusion and distrust.

Customers will recognize discrepancies between your actions, words, pricing, and value. Make sure your brand and pricing stay true to one another, and good things will happen.



# Sales excellence: Why **sales managers** are crucial for price enforcement

Sales teams already had a tough job. But lately, they have had to shoot for higher increases, more frequently, and in an emotionally charged environment. According to our **Global Pricing Study**, nearly 80% of companies have used price increases to cope with rising costs and preserve profit margins.

The “good news” for sales is that only 20% of firms plan to implement a price increase above inflation in 2024.

But will things really get easier? And is price stagnation really something positive? Our study also shows that in 2024, 50% of companies anticipate an economic climate that mirrors or surpasses the difficulties experienced in the preceding year.

Three out of ten companies expect more complex and challenging negotiations.

Price improvements don’t have to be a sales team’s worst nightmare.

Properly communicated and justified pricing can positively influence how customers perceive a product or service. Customers often associate higher prices with higher quality and value. When this perception aligns with reality, it can be a source of competitive advantage.

**only**  
**20%**  
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## Price leadership is good for sales

If your company’s strategy pursues price leadership, you prioritize the long-term success and sustainability of the business over short-term individual gains. This enables your company to maintain healthy profit margins, facilitating investment in quality, innovation, and sustainable practices. The related price adjustments contribute to long-term viability, ensuring sustained profitability, and aiding in the retention of top talent.

When a sales team is working for a price leader, it boosts their trustworthiness and standing in the industry.

Clients prefer to engage with a well-known and reliable firm they can depend on. This stance simplifies the task for the sales team in drawing and keeping customers who appreciate the recognition and prestige that comes with collaborating with a price leader.

Customers are also more inclined to pay extra if they are convinced they are getting top-notch products or services. Sales teams can leverage this view to emphasize and underscore the distinct attributes, advantages, and excellence that validate the price.

## The art of value selling

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Nonetheless, being a price leader alone doesn't guarantee sales success. The sales team must still proficiently convey the value proposition, cater to customer requirements, foster relationships, and deliver outstanding customer service. While pricing power lays a robust groundwork, it needs to be supplemented with a thorough value-selling approach.

### Unique value propositions:

In challenging economic times, customers become more focused on value for their money. Sales reps need to emphasize the unique value of their products or services, demonstrating how they can address specific pain points or provide cost-effective alternatives.

### In-depth product knowledge:

Customers are likely to scrutinize their purchases more closely than before. Sales reps need to have in-depth knowledge about their products and services to address customer inquiries and concerns.

### Focus on solutions:

Value-selling means actively solving your customers' problems. What are their particular requirements, difficulties, obstacles, and objectives during this difficult period? Don't just focus on the characteristics and details of your product but translate them into solutions for your customers.

### Customer retention strategies:

Building and maintaining strong relationships with customers becomes even more crucial during economic downturns. Sales teams may need to place additional emphasis on customer retention strategies, such as upselling and cross-selling to existing clients.

## Overcome price pressures with the right sales strategy

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While the outlook for 2024 may seem less turbulent, 50% of companies anticipate economic difficulties. This signals a continued need for better sales strategies. However, price improvements won't have an impact if you can't get them out into the market. It is crucial for sales managers to understand how to incentivize the team and prepare them for this new environment. Otherwise they will anger procurement departments who are under pressure to keep their own costs down.

Value selling and value communication are just as important as value delivery. If the customer doesn't understand or perceive the value, you can't capture it. And it isn't always the customer who is the hardest to convince. Sales managers need to be up to speed on the value of their offers and then prepare their teams to properly sell and defend that value!





## Behind the buying decision: **What customers value**

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In our **Global Pricing Study**, companies stated customer resistance was one of the main pitfalls for price increase realization. However, the study also showed that companies experienced only a limited effect on customer base due to price increases.

Moreover, acting on communication and customer perception are considered the immediate solutions to reduce future price pressure. Clearly, other factors are coming into play.



## Price needs a consistent story

Now more than ever, customers seek value, transparency, and a sense of partnership in their purchasing decisions. Trust comes from knowing what to expect, without any surprises or hidden charges. Therefore, it's important for businesses to have a clear and consistent way of communicating prices. Your pricing strategy should follow a coherent narrative that aligns with your overall brand and customer experience.

Pricing improvements don't always involve raising prices. There also needs to be flexibility and options for customers to choose the plan that best fits their needs and budget. Improvements can also mean optimizing the value proposition, enhancing customer satisfaction, and finding innovative ways to create and capture value.

## But not one-size-fits-all

Another alarming result from our **Global Pricing Study** is that only 22% of companies stated they adequately differentiated their price increases by customer and/or product. The remaining 88% reflects potential shortcomings in strategic pricing and customer-centricity. Each customer segment and product category has its own price elasticity. Failing to reflect this in pricing suggests a potential disconnect between the pricing strategy and customer needs and preferences.

## Think like the customer

Incorporating behavioral economics into pricing strategies is a powerful way for companies to better understand and influence customer decision-making. By recognizing cognitive biases, emotions, and social influences, businesses can tailor their pricing strategies to align with customer behavior.

Not only can companies design their pricing models so that they resonate with customers on a psychological level. How they present their prices can significantly impact purchasing decisions. Effects like anchoring (the initial reference point for a price) and framing (how information is presented) influence perceived value and willingness to pay.

## Take the risk out of pricing

In a world filled with such high levels of unpredictability, providing certainty through pricing can also be a powerful strategy. Think about how your customers would react if your pricing models could provide them with more predictable costs over time.

One alternative is an outcome-based pricing model, where the cost of a product or service is tied directly to the value or outcomes it delivers to the customer. This approach aligns the interests of the provider and the customer, as the customer pays based on the results achieved rather than the resources or time invested.

What kind of competitive advantage would you have if you could allow customers to pay per outcome, rather than in one lump sum? Naturally, this means you as a supplier would take on a large proportion of that risk. But it's super valuable for a customer that isn't ready to make a major investment when they don't know what the future holds.

# Key takeaways: Gain control over your pricing today

## Pricing Power:

Achieve sustainable growth by setting the right price based on value, not just costs.

## Behavioral Economics:

Utilize psychological pricing tactics to influence customer decision-making positively.

## Risk Management:

Mitigate risk by offering flexible payment options aligned with customer outcomes.

## Strong Leadership:

Lead with a clear pricing strategy, balancing profitability and market appeal.

## Price Differentiation:

Tailor pricing to each customer segment and product category.

## Profit Protection:

Be prepared for tough pricing discussions and consider letting go of misaligned customers.

## Collaboration:

Ensure cross-functional collaboration for comprehensive pricing decisions and buy-in.

## Marketing Alignment:

Align pricing with marketing to create a seamless consumer experience and build trust.

## Innovative Disruption:

Prioritize innovation and go beyond the status quo for sustained growth.

## Customer Centricity:

Recognize and cater to customer preferences and pain points in your pricing strategy.

## Sales Excellence:

Equip your sales teams with value-selling skills to support customer growth and retention.

**Want to know more about pricing strategies?**

Explore the full article series and unlock valuable insights here >



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