

Driving growth in B2C markets: The power of value-based pricing

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Contents

The power of value-based pricing	3
<hr/>	
Price strategy: Moving towards value-based price setting	5
Framework: Setting a value-based structure	6
Maintenance: Keeping competition in sight	8
<hr/>	
Effective implementation: Setting prices that stick	11
Step 1: Building the foundation for success	11
Step 2: Tailoring price increases for maximum impact	12
Step 3: Balancing revenue impact with speed of implementation	12
Step 4: Retaining trust through change	13
Step 5: Monitor closely and stay agile for success	14
<hr/>	
Conclusion: Value-based pricing as a means to realize growth in a low inflation setting	15
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The power of value-based pricing

While companies have various pathways to drive revenue and profit growth, pricing stands out as the most powerful lever. All else being equal, price adjustments yield a greater impact on profit than equivalent changes in volume or costs. Naturally, elasticity is crucial in determining the bottom-line effect of a price increase, but when executed effectively, price increases typically boost Return on Sales by 3-4%. This makes pricing a significant growth lever in terms of revenue and bottom-line impact.

In recent years, companies have found it relatively easy to raise prices, as high inflation made customers more accepting of price hikes, often without scrutiny. However, as inflation begins to ease, this dynamic is changing. Customers are becoming more critical of increases and fatigued by the repeated hikes of recent years. The era of blanket acceptance is ending, forcing companies to rethink their pricing in a more cautious, price-sensitive market.

In this new landscape, businesses can no longer rely on external factors, like inflation, to justify price hikes. Instead, business leaders need to define a more thoughtful approach to preserve profitability without straining customer relationships. One of the most effective strategies is to shift toward value-based pricing, which focuses on the perceived value to the customer rather than linking price changes solely to rising costs. By clearly demonstrating the unique value their offerings provide, companies can justify increases in a way that resonates with customers.

Setting value-based pricing alone, however, is not sufficient. Ever changing economic dynamics in recent years have learned that setting value based prices is one, but maintaining them is equally important. Updating your prices to meet the new dynamics require robust methodologies and associated governance. These tools help set optimal price points, minimize pushback, and maintain optimization over time.

Ultimately, balancing a compelling value proposition with practical implementation is essential. By combining strategic insight with effective execution, companies can continue to raise prices thoughtfully, safeguarding both their margins and customer trust in today's complex pricing environment.

This whitepaper showcases our perspective on how companies — particularly those in B2C markets — can drive sustainable growth through a value-based pricing strategy. Moving beyond inflation as a justification and delving into value-based pricing as a key differentiator including the critical need for strong execution.



Price strategy: Moving towards value-based price setting

Value-based pricing can be leveraged to fulfil your price increase ambition, but too often we see customers still using cost-plus or competitor-based pricing. With cost-plus pricing the price is defined as the cost of goods sold plus a margin mark-up and with competitor-based pricing the price is based on a set price difference versus competitors. These two methods are not generally recommended as they do not capture the full value of products or services as shown in Figure 1.

Price setting method

To determine prices, three different methodologies can be used.

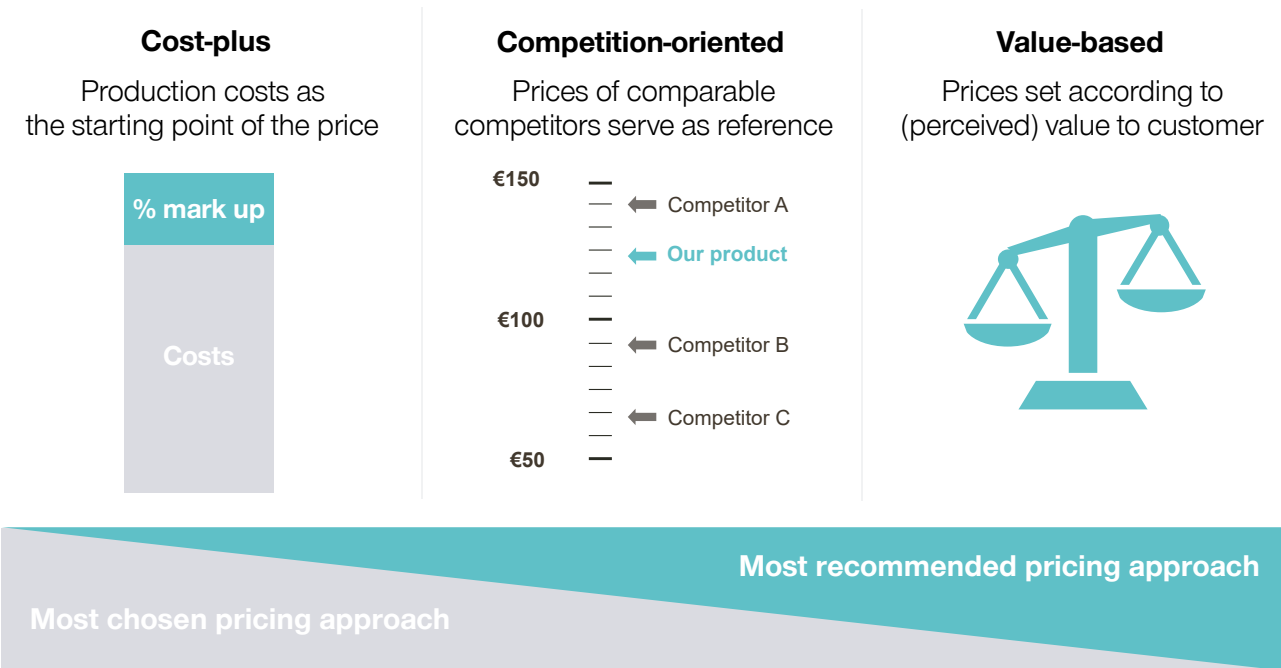


Figure 1: Price setting methods

Value-based pricing is a strategy that sets prices based on the perceived value of a product or service to the customer. Rather than focusing on production costs or historical prices, this approach ensures prices align with customers' willingness to pay. This way, you capture the benefits and unique value your product or service provides.

Framework: Setting a value-based structure

Without the right knowledge, pricing decisions become guesswork. You may end up with prices that are either too high, driving customers away, or too low, leaving potential revenue on the table. Different perspectives are required to develop the optimal price levels. Typically, in our projects, we combine the internal perspective with data insights and enrich this with an outside-in view on competitor pricing and consumer research (see Figure 2). Insights into customers' willingness-to-pay and the competitive landscape are essential in designing a value-based pricing structure, but also the most challenging to obtain.

Optimize the price level(s) by using different perspectives including consumer research

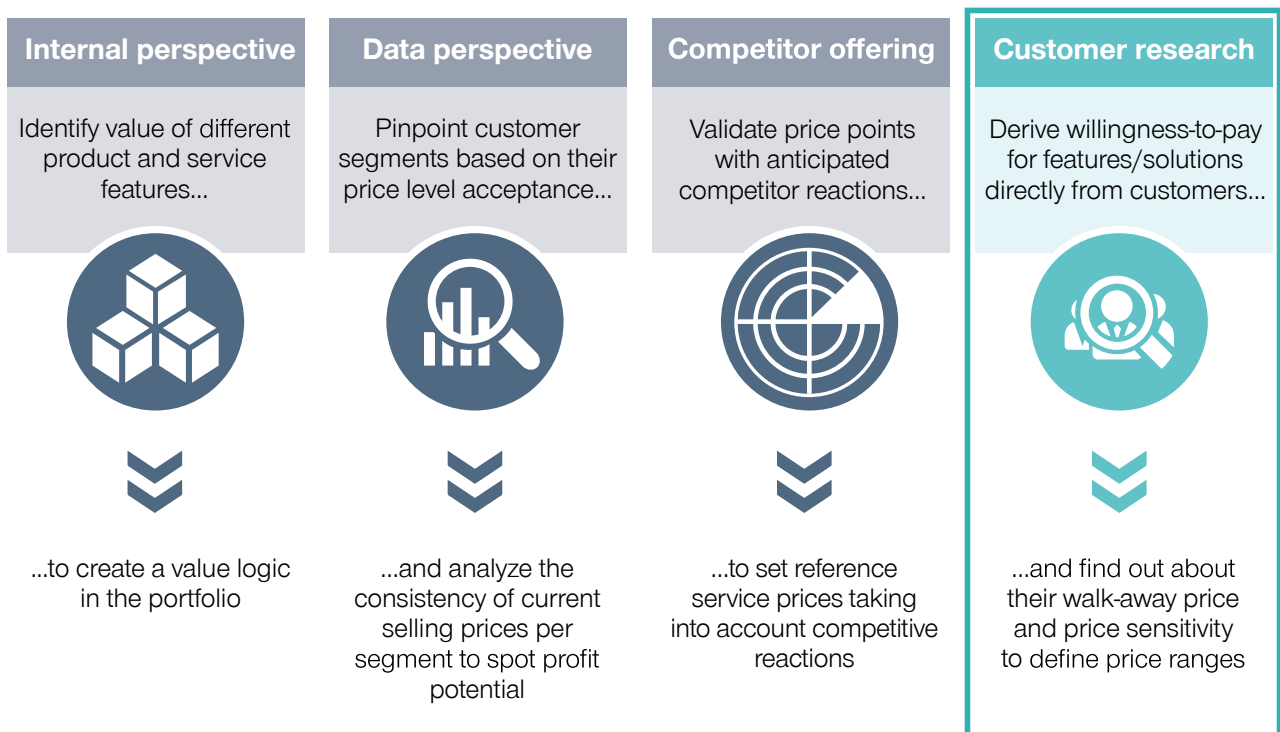


Figure 2: Optimize price levels using different perspectives

Defining customers' willingness-to-pay starts with robust customer research. This step is crucial for gaining a deep understanding of customer preferences, needs, and price sensitivities. Furthermore, it helps you identify the key value drivers for different customer segments, and it also helps you stay competitive by understanding how your product is positioned relative to competitors. The type of customer research differs across sectors, with B2C mainly using consumer surveys or panel interviews and B2B focusing more on customer and expert interviews. By testing different price points and gathering data on customer reactions, you can find the optimal price that maximizes both sales volume and profit margins. To test customer price sensitivity, we regularly use a Van Westendorp analysis (see Figure 3) in B2C research, which results in exact optimal price points. This informed approach builds confidence in your pricing strategy and aligns it closely with market realities.

Van Westendorp analysis example

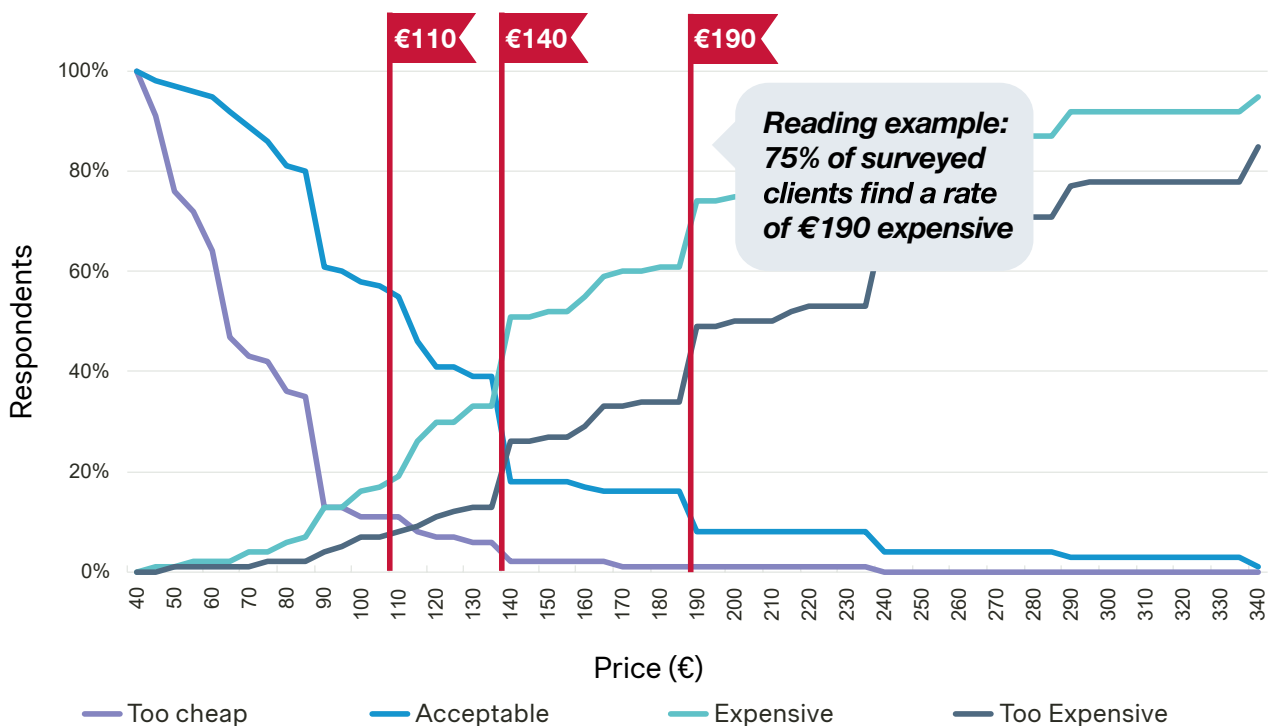


Figure 3: Van Westendorp analysis example in B2C

Of course, there are also challenges when transitioning from a cost-based pricing model to a value-based pricing model. These include shifting internal mindsets and gathering and analyzing the right data. Your sales teams must also be ready to communicate new prices to customers without causing backlash. Transitioning to value-based pricing is a strategic move that requires careful planning and preparation. We will dive deeper into this in the next chapter, *Effective implementation: Setting prices that stick*, but first we will dive into maintaining the value-based pricing structure.

Maintenance: Keeping competition in sight

Once you have successfully implemented a value-based pricing structure in your organization and market, you need to ensure that the structure remains up-to-date and realistic in the market environment using two inputs. First, the customer research should be periodically updated to maintain an accurate value-based structure. Secondly, competitive benchmarking of product performance and price levels are essential in maintaining a value-driven model.

Typically, a value-based pricing structure consists of a set of value-drivers, which are elements that drive the value of a product or the willingness-to-pay for a customer. For example, in Figure 5, the value drivers are the chain family, number of drive links and packaging. Products are scored on each value driver relative to the anchor product to determine the value-based product price.

PriceMaps systematically set list prices based on quantified value drivers

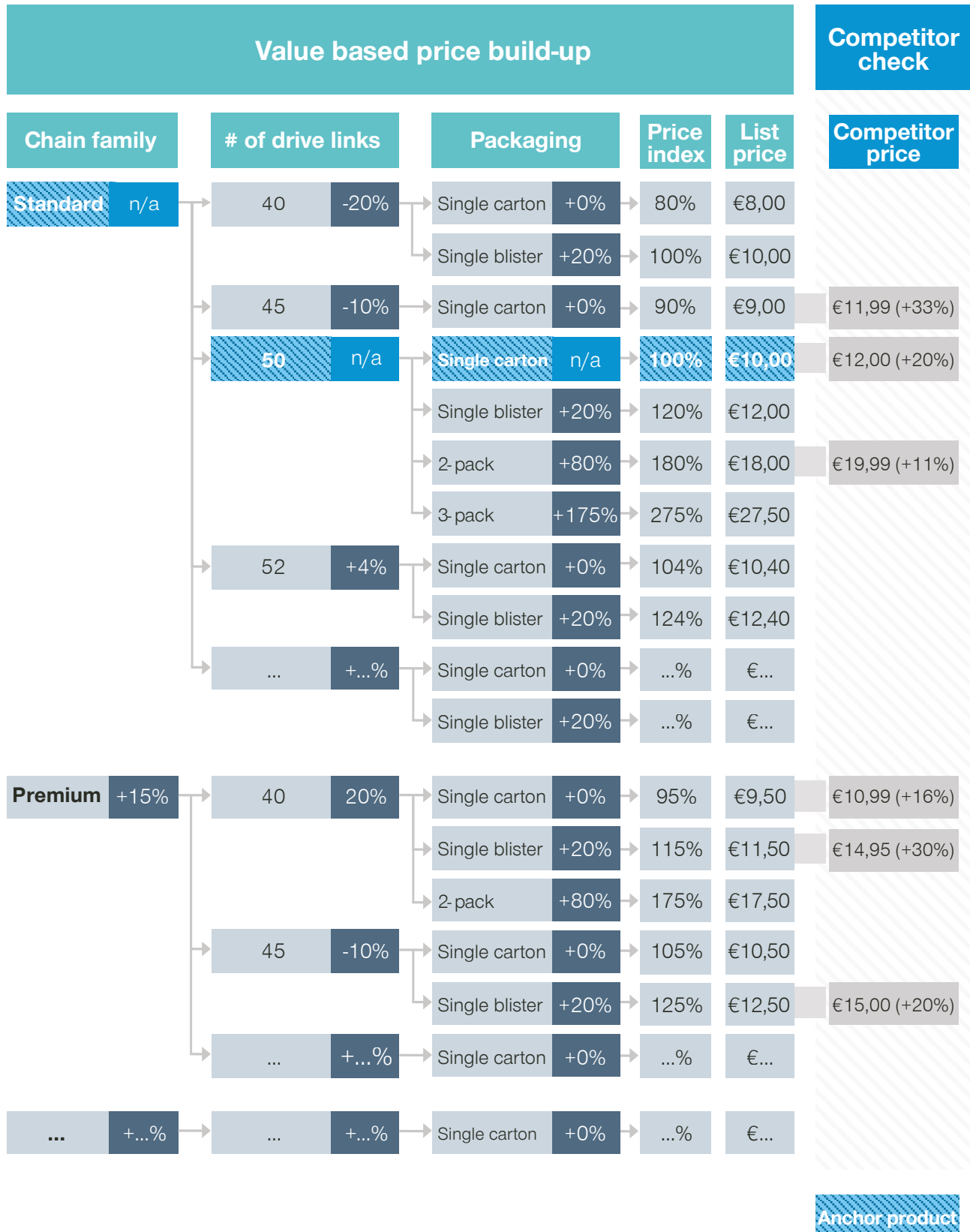


Figure 3: PriceMaps example to set list prices

Another example of a product value driver that we often see is innovation. When a new innovative product is launched it makes sense that there is a price premium on this product. This premium fades over time as competitors either catch up with the level of innovation or more innovative products are released. This requires the model to be continuously adjusted in line with market developments. Another example could be that a competitor decides to target additional market share by decreasing their prices. This might impact on your prices as you benchmarked your value-based pricing structure versus your competitors. In that case, the competitor's move requires you to update your value-pricing structure in line with your strategic response. Benchmarking your product performance and prices against competitors is key in maintaining a well-designed value-based pricing structure.

Value-based pricing in a nutshell:

Aligning price with perceived value

Value-based pricing is a powerful method to optimize your revenue, and the implementation thereof allows for additional price increase room beyond inflationary price increases. By gaining a deep understanding of customer preferences, product competitive performance, and price sensitivities, companies can align their prices with customers' willingness-to-pay, ensuring that the full revenue potential is captured whilst not driving customers away. Implementing such a structure further professionalizes any sales organization and unlocks price increase potential beyond the decreasing inflationary increases.



Effective implementation: Setting prices that stick

Translating a price increase target into practical execution is frequently where companies falter. Internal misalignment, inconsistent application across customer segments, and gaps in communication often hinder the intended impact. This not only diminishes financial returns but also poses a risk to customer satisfaction and brand perception. The key for businesses, then, is to ensure that their price increases are implemented effectively.

Below is a structured approach containing five key steps to ensure seamless implementation.



Step 1: Building the foundation for success

The foundation of a successful price increase implementation lies in internal alignment. Too often, teams like pricing, sales and marketing operate in silos, leading to inconsistent messaging and application. A cross-functional task force should be established, ensuring that every stakeholder is clear on the rationale behind the price increases and the execution plan.

Creating a cross-functional task force to manage the process ensures clarity and accountability. This involves designating leaders who will oversee the process, track progress, and resolve conflicts. Each department should understand their role in supporting the price increase, from communicating changes to customers, to monitoring their response. Establishing clear governance structures helps streamline decision-making and ensure that any emerging challenges are addressed promptly.



Step 2: Tailoring price increases for maximum impact

A one-size-fits-all approach to implementing price increases often backfires. Different customer segments have varying levels of willingness-to-pay and treating them uniformly can lead to unintended consequences such as dissatisfaction or even churn. To maximize success, businesses should segment their customers based on factors such as price sensitivity, profitability, size, and strategic importance.

In a B2C environment, segmentation can enhance effectiveness and is often applied with broad categories (e.g., premium versus budget-conscious segments). Here, businesses might adjust price changes by product tier or customer loyalty, rather than individualized communication which is more suitable in a B2B environment.



Step 3: Balancing revenue impact with speed of implementation

Implementing price increases all at once can introduce unnecessary risk, particularly in competitive markets. Choosing the right rollout strategy is critical to ensuring that price changes achieve the desired financial impact while minimizing disruption.

Businesses can select from several strategies which are presented in Figure 6, each with unique advantages and challenges:

- **Contractual/Subscription Rollout:** Tying price increases to contract renewals or subscription cycles aligns changes with customer expectations, minimizing disruption. However, it can delay revenue impact as it depends on renewal schedules.
- **Hybrid Rollout:** Price increases apply only to new customers, while existing customers retain their current rates. This allows the business to test the market with relatively low risk as it is not impacting existing customer relationships. On the other hand, a hybrid implementation tends to slow overall financial gains and complicate customer management if price differences become noticeable.
- **Phased Rollout:** Price increases are staggered across e.g. customer segments or regions, starting with less price-sensitive customers. This strategy allows for feedback and adjustments, reducing risk and improving execution over time.
- **Immediate Rollout:** The most aggressive approach, where price increases are implemented across the entire customer base simultaneously. While this approach accelerates revenue immediately, clear communication is crucial to manage customer expectations and minimize potential churn.

Rollout strategies

To determine prices, four different methodologies can be used.

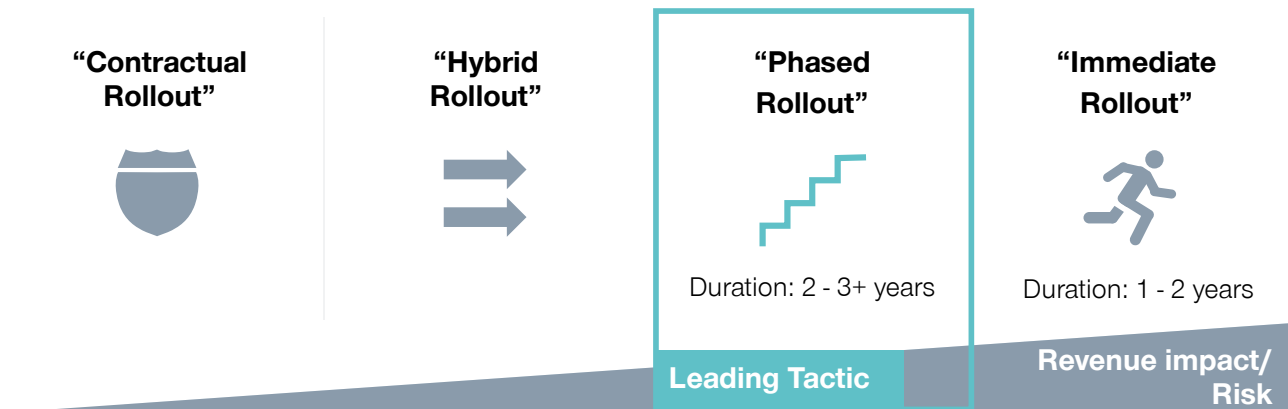


Figure 4: Roll-out strategies for businesses

Choosing the right rollout strategy requires alignment with company goals and consideration of market conditions. Key factors include customer price sensitivity, brand loyalty, and competitive pressures. A well-chosen approach protects customer trust and loyalty while supporting financial results. Typically, we see the Phased Rollout approach being the most effective strategy, optimally balancing risk with revenue impact.



Step 4: Retaining trust through change

Effective external communication plans are crucial when implementing price increases. Customers must clearly understand the reasons behind the change, with messaging that emphasizes the value they receive—whether through improved features, better service, or addressing rising costs. Sales and marketing teams should be equipped to explain the long-term benefits, helping to mitigate resistance and align customer expectations.



Step 5: Monitor closely and stay agile for success

Finally, successful price increase implementation requires continuous monitoring and adjustment. Establish clear KPIs—such as revenue growth, customer retention rates, and margins—and track these regularly to assess the success of the price increase. To ensure long-term effectiveness, establish a recurring recalibration process: typically, we see a recalibration of the value-based assessment is needed annually or biannually. On the other hand, it is recommended to review competitive benchmarks more frequently (e.g. quarterly) or as market conditions shift. Embedding these practices keeps pricing strategies responsive to customer needs and market dynamics, safeguarding financial performance and customer trust.

Successful implementation in a nutshell:

Internal alignment, thought through application and agility

In summary, executing a well-planned price increase requires more than just strategic intent—it demands alignment across teams, clear customer communication, and thoughtful application across segments. By following this structured approach, businesses can confidently navigate the complexities of price adjustments, safeguard customer trust, and drive sustainable financial outcomes.



Conclusion: Value-based pricing as a means to realize growth in a low inflation setting

In conclusion, businesses can no longer rely solely on rising costs as justification for price increases. As the economic landscape changes, customers are now more aware and critical of price increases that are not explained properly. Transitioning to a value-based pricing strategy is a great opportunity for companies to highlight the unique value of their offerings and provide a sound base for price increases. This approach fosters customer understanding and acceptance, making it easier to implement necessary price adjustments.

The insights shared throughout this document underscore the importance of combining a solid pricing strategy with effective implementation. By ensuring alignment, and selecting the appropriate implementation methodology, businesses can aim for commercial upside while limiting customer resistance. Ultimately, this comprehensive approach will empower organizations to navigate today's complex pricing environment, ensuring sustainable growth and profitability while maintaining trust with their customer base.

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About Simon-Kucher

Simon-Kucher is a global consultancy with more than 2,000 employees in 30+ countries. Our sole focus is on unlocking better growth that drives measurable revenue and profit for our clients. We achieve this by optimizing every lever of their commercial strategy – product, price, innovation, marketing, and sales – based on deep insights into what customers want and value. With 40 years of experience in monetization topics of all kinds, we are regarded as the world's leading pricing and growth specialist.

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