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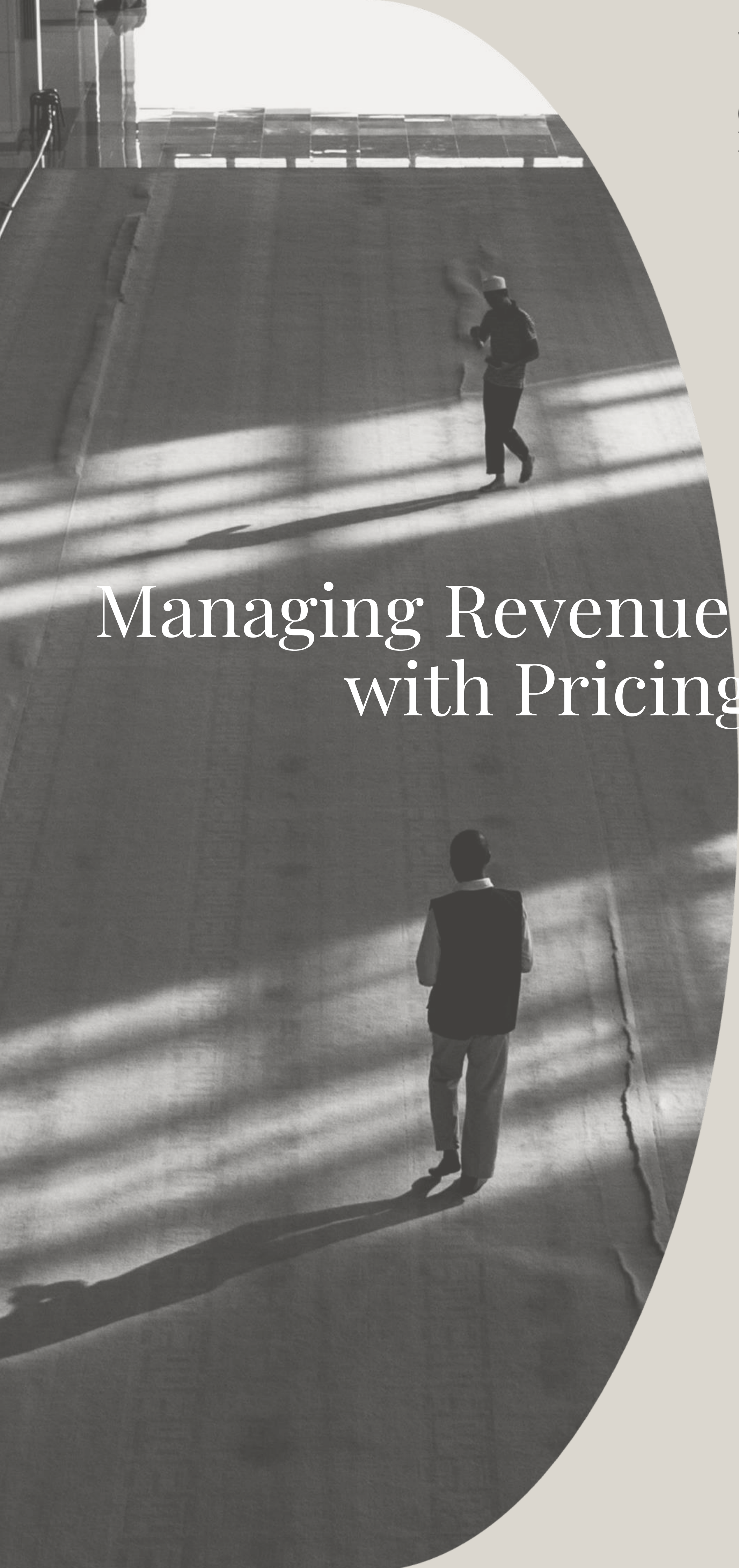


Managing Revenue Growth with Pricing

April 2025

Foreword

In a recent pricing webinar, Vesper Commercial Excellence pricing experts Jorge Olivares (former Global Pricing Director at DHL) and Marcel van ‘t Hof (former Global Pricing & Commercial Policy Director at Schneider Electric) shared valuable insights into overcoming common pricing challenges and implementing effective strategies to tackle them. This whitepaper highlights the key takeaways from the webinar.

Jorge Olivares
~
“Pricing is one of the most powerful – and underused – levers to drive profitable growth. This is particularly relevant for mid-market companies, where every percentage point matters. Even small pricing improvements will deliver a faster and larger impact on profit than cutting costs or increasing sales volume. In short: pricing isn't just about numbers – it's a game-changer”

Marcel van ‘t Hof
~
“Your price is too high” is the most received feedback companies get when discussing a quotation. You need to ensure you have properly managed the value you are offering against a price that is defendable. Pricing is a must in every company to efficiently manage profit margins. This function is the glue between marketing, finance and sales.”

Executive summary

In today's complex B2B landscape, pricing has become one of the most powerful, yet underutilized, levers for driving profitability. While many organizations recognize its importance, few manage pricing with the strategic attention it deserves. This whitepaper addresses three of the most pressing pricing challenges impacting revenue growth:

- **Adapting prices to reflect inflation and value shifts**
  Many companies struggle to adjust pricing in line with rising costs and changing customer expectations. Often, price increases are delayed or applied inconsistently, leaving margin on the table and weakening commercial positioning.
- **Maximizing customer-perceived value**
  To price effectively, organizations must understand and influence how customers perceive value. This challenge is twofold:
  - *Willingness to Pay* - Gaining insight into what customers are truly willing to pay across segments.
  - *Value-Based Selling* - Equipping sales teams to communicate and defend value, instead of defaulting to price-based conversations.
- **Managing pricing with internal stakeholders**
  Pricing decisions often span departments, and without clear governance, they can lead to uncontrolled discounting and misaligned objectives. This challenge consists of:
  - *Culture of Profit* - Fostering internal ownership and accountability around pricing decisions.
  - *Pricing Waterfall* - Increasing transparency into where margin is lost and ensuring consistent management of discounts, rebates, and cost-to-serve elements.

To support organizations in tackling these pricing challenges, Vesper combines a practical **Pricing Framework** with a clear **Maturity Model**. The framework structures pricing across strategy, execution, and solutions — focusing on quick wins and sustainable growth. The maturity model helps assess where a company stands and guides step-by-step improvements. Together, they offer a scalable way to embed pricing as a strategic driver of profit and growth in your organization.

Whether your organization is just beginning to professionalize pricing or is seeking to sharpen advanced practices, this whitepaper offers actionable insights and tools to transform pricing into a true growth lever.

Content

Introduction to pricing

What is pricing?

"Price is what you pay. Value is what you get."
Warren Buffet

At first glance, pricing may seem straightforward, but as Warren Buffett highlights, there's a clear distinction between price and value. Price is what you pay—it's the amount charged for a product or service — while value is what you actually receive as a customer. When price aligns with the perceived value, that's typically a sign of effective value-based pricing.

Pricing is not just about setting a number; it's a strategic process. It involves determining the value of your product or service and translating that into a price point that reflects its worth. This process requires collaboration across departments — marketing, sales, finance, and pricing teams must work together to drive revenue.

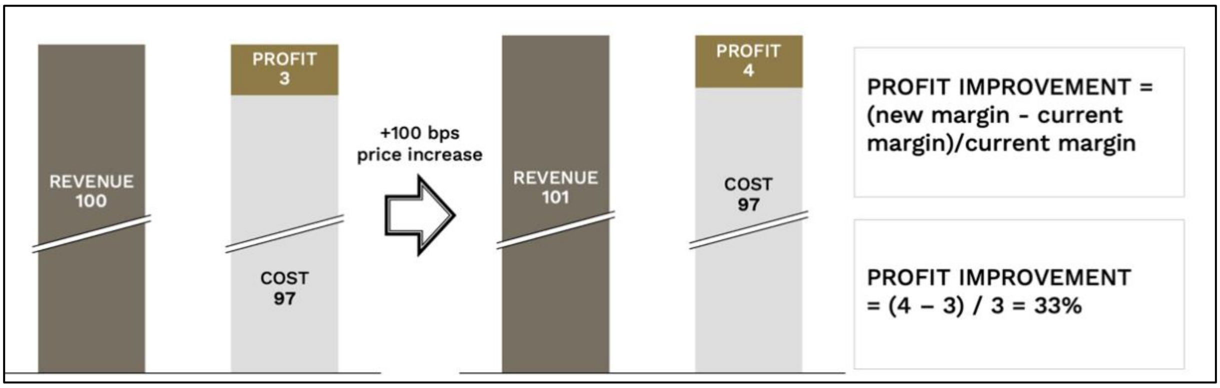
Beyond that, pricing also influences your market positioning. It shapes customer perception. For instance, higher prices are often associated with luxury or premium brands, while lower prices suggest accessibility or lower-tier offerings. This makes pricing a powerful tool to influence customer behaviour.

Importantly, pricing has a direct and significant impact on profitability. We'll explore that in more detail later. For now, consider this a starting point for understanding how pricing works and how it can be implemented in a more profitable, strategic way.

What is the impact of pricing on your profitability?

After introducing the fundamentals of pricing, it's essential to explore its direct impact on profitability. Many authors and experts in the field consider pricing to be the single most powerful lever for improving profit and for good reason.

Numerous studies and real-world experiences show that pricing is the fastest and most effective way to boost short-term profitability. To illustrate this, take a look at the example below.



(Exhibit 1.0)

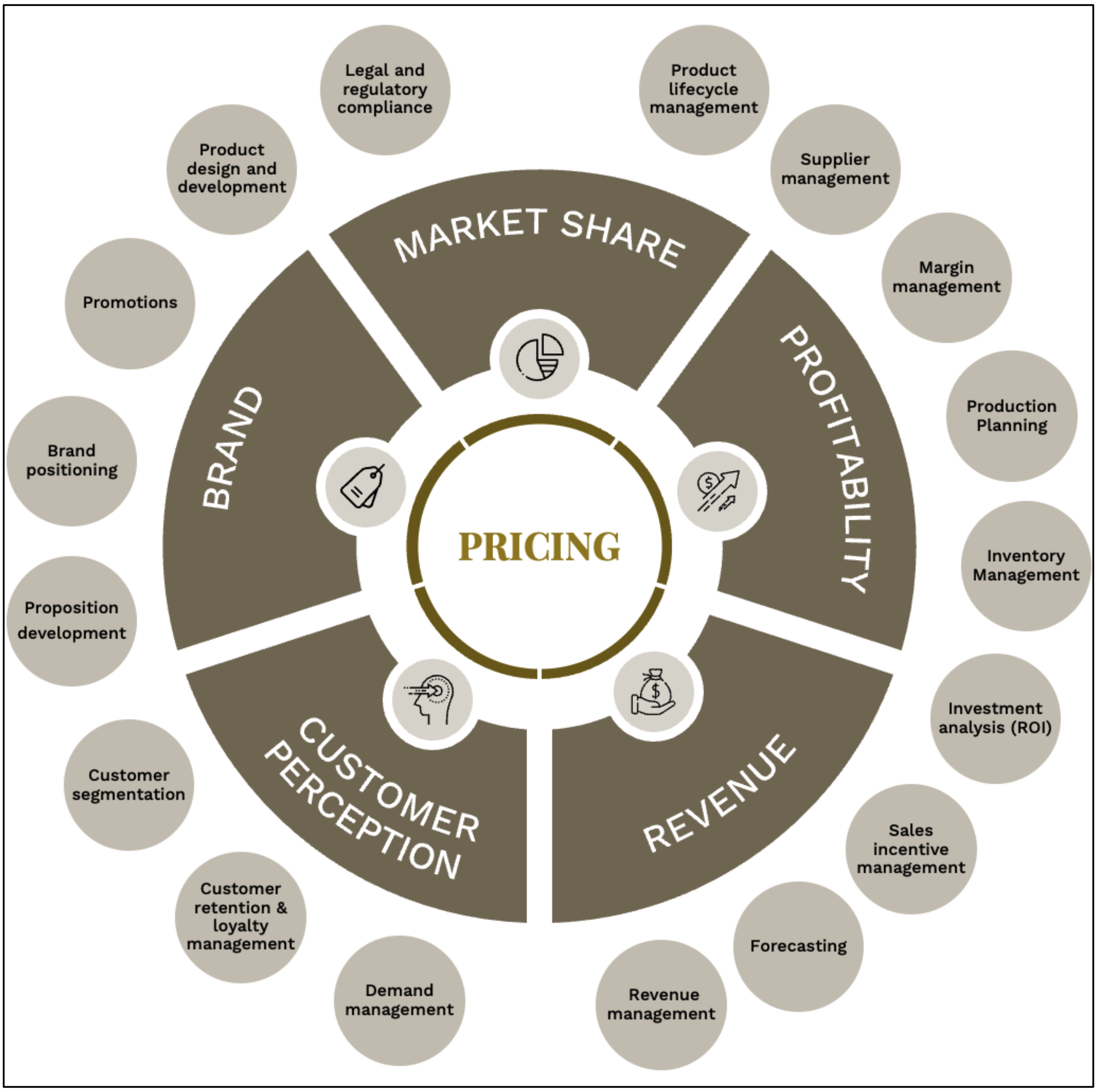
This example demonstrates just how sensitive profitability is to pricing. While cost-cutting efforts are common and can certainly help, they often yield far smaller improvements. A 1% reduction in costs might improve profits by 10–15%, depending on the structure of the business. But the same 1% increase in pricing can often generate double or triple that impact.

Despite this, pricing is not always the first lever organizations turn to when seeking to improve performance. In business transformation contexts, the natural instinct is often to look at revenue growth and cost optimization. While both are important, pricing is frequently overlooked — even though it's often the most efficient lever available.

Making pricing a core part of the conversation when evaluating profitability improvements allows companies to tap into unrealized margin potential. And while the example above is simplified, it effectively highlights the power of pricing as a strategic tool.

What is the impact of pricing on your organizational processes?

Beyond being a powerful lever for profitability, pricing also has a broad and deep impact on various functions and processes within an organization. It influences everything from brand positioning to operational forecasting and margin management — making it a true cross-functional driver of performance.



(Exhibit 2.0)

Let’s look at a few key areas where pricing plays a vital role:

Pricing is not just a number; it's a signal to the market. It plays a crucial role in defining how your **brand is positioned**. For example, if you're a market leader, adjusting your prices often leads competitors to follow. Your pricing behaviour sets the tone for the market. On the other hand, if you're a challenger brand, you're more likely to follow the pricing movements of others — adapting your pricing strategy accordingly. This dynamic directly influences how you position yourself competitively.

Pricing is central to effective **margin management**. Organizations must regularly review both product- and customer margins to identify areas of concern.

For example:

- Low-margin products might require a price increase, repositioning, or bundling with more profitable items.
- Low-margin customers may require a different engagement model or perhaps a new channel strategy to secure better returns.

By using pricing as a tactical and strategic lever, companies can improve overall margin health without necessarily reducing costs.

Pricing also impacts **forecasting accuracy** and financial alignment. Strong pricing discipline supports better target setting and P&L alignment, leading to more reliable revenue projections. Consistent pricing strategies and performance tracking across departments create a more cohesive approach to forecasting, ensuring that financial planning reflects true market dynamics.

What this all illustrates is that pricing is not a siloed activity. It influences — and is influenced by — many other business functions, including marketing, finance, sales, operations, and even customer experience. When pricing is treated strategically, organizations often uncover valuable insights in other areas as well, such as gaps in processes, inconsistencies in customer segmentation, or underperforming channels.

Key pricing strategies, models and tactics

What are key pricing strategies?

There are many pricing strategies out there, and it’s understandable that companies often struggle with the question *Which one is the best for us?* The truth is, there isn’t one universal strategy that fits all. The best approach depends on the company’s context, goals, market conditions, and how those factors evolve over time.

Let’s look at some of the most common pricing strategies.

- **Cost-Plus:** A targeted mark-up percentage is applied to the costs to generate the price.
- **Competitive** (a.k.a. Market-Based): Pricing is set relative to key competitor(s).
- **Penetration:** A product/service is offered at a lower price during initial offering.
- **Price Skimming:** A product/service is charged at the highest initial price that customers are willing to pay and then lowered over time.
- **Value-Based:** A product/service price is based on how much the target customers believe it’s worth (willingness to pay).
- **Freemium:** Basic service is offered for free, while premium features require payment.
- **Anchor:** An initial price (the "anchor") is shown to customers to influence their perception of value.

(Exhibit 3.0)

One of the most traditional and widely used methods is **cost-plus pricing**. This involves calculating your costs and simply adding a markup to determine the price. While this approach is straightforward, it can be risky — especially during times of inflation or fluctuating costs. Under the right conditions, cost-plus pricing can still work well, but it doesn't always capture the full value a product might offer.

Another approach is **competitive pricing**, where prices are set in relation to key competitors. Depending on your market position, you might price slightly below, match, or go above the competition. This method is often used in saturated markets where customers compare options closely.

Then there are strategic models like **penetration pricing**, which aims for rapid market growth by setting a low entry price, and **price skimming**, where you start with a high price — often used for innovative products or strong brands—and lower it over time as the market matures.

A particularly powerful and increasingly adopted approach is **value-based pricing**. This strategy involves setting prices based on the perceived value to the customer, rather than on cost or competition. When implemented correctly — when you truly understand your product, your customers, and your market — it can be one of the most effective ways to ensure sustainable profitability.

However, value-based pricing isn’t always easy to implement. It often requires greater investment in customer research, segmentation, and differentiated value propositions. It’s also important to note that not every product in a company’s portfolio needs to follow the same pricing strategy. It’s entirely valid to apply cost-plus to one product, competitive pricing to another, and value-based pricing to your premium or high-margin offerings.

Many companies still rely heavily on cost-plus models that were put in place years — sometimes even decades — ago. While these models may have worked well during periods of growth, they often become outdated. Eventually, growth slows, margins decline, and that’s when companies start reconsidering their pricing approach. Unfortunately, that moment often comes too late.

Ideally, organizations should start optimizing their pricing strategies while they’re still growing and profitable. Don’t wait until signs of decline force you to act. By being proactive, you can unlock additional revenue and margin potential that would otherwise go unnoticed.

This overview gives a high-level introduction to the various pricing strategies available. We'll explore value-based pricing in more detail, as it's a critical solution for companies looking to stay competitive and profitable in the long term.

What are key pricing models and tactics?

Beyond pricing strategies, companies can also apply a range of pricing models and tactics to optimize revenue and better serve their customer segments. These approaches can add sophistication to your pricing and help differentiate the way value is delivered and monetized. Let's take a look at some of the key pricing tactics that companies can apply.

- **Tiering:** Different price level options based on features or usage.
- **Dynamic Pricing:** Prices fluctuate based on demand, seasonality, or real-time data.
- **Flat Subscription:** A fixed recurring fee regardless of volumes.
- **Pay-Per-Use:** Customers pay based on actual usage.
- **Split Prices:** Add optional services or surcharges for complementary offerings.
- **Bundling:** Selling multiple products/services together at a discounted price.
- **Tailored Walk-in Rates:** Different starting offer rates per customer segment.
- **Charm (Price Rounding):** setting prices just below a round number (e.g., €9.99 instead of €10).

(Exhibit 4.0)

One widely used and increasingly important model is **dynamic pricing**. This tactic allows companies to adjust prices based on real-time market demand or specific customer scenarios. For example, imagine a factory experiences a breakdown on a Friday afternoon and urgently needs a replacement part. The urgency, timing, and service expectations in that situation justify a different price than a standard delivery scheduled well in advance. Dynamic pricing recognizes these differences and adjusts accordingly — accounting not only for the product but for the value of the service and timing.

Another practical tactic is **split pricing**, often used during quotation and negotiation processes. When offering a total package, customers may request discounts. Instead of discounting the entire quote, companies can "split" the price — removing certain components or optional features. This helps maintain margin integrity while still addressing the customer's request for a more tailored or affordable offer.

Conversely, **bundling** brings products or services together into one combined offer. Think of a McDonald's menu: burger, fries, and a drink offered as a single bundle. In a B2B or professional context, bundling can increase average deal size and simplify the buying decision, encouraging customers to purchase more than they initially intended.

Then there's **tailored walk-in rates**, which are about adjusting pricing per customer segment or per deal. For example, a customer segment with high demand may receive different pricing compared to one with lower demand. This pricing is flexible and can be adapted at the deal level, allowing companies to differentiate pricing based on willingness to pay, value perception, or strategic importance of the customer.

It's important to note that while these tactics are powerful, they can add complexity to pricing operations. Larger companies often have dedicated pricing teams to manage these models, but even mid-sized firms can benefit from simple, well-structured implementations. You don't need 20 tailored pricing segments — starting with just two can already make a meaningful impact on margin and revenue performance.

Ultimately, combining smart pricing tactics with the right strategy creates a strong foundation for pricing excellence. These models are not just theoretical; they have real-world impact and can be introduced step by step. As we continue through this paper, we'll revisit some of these tactics and see how they can be applied in practical ways.

What key challenges are impacting revenue growth?

One of the most pressing challenges organizations face today is keeping their prices up to date in a world of rapidly shifting costs and value perception. Especially in recent years — with the aftermath of COVID-19, energy price spikes, tariffs and global inflation — maintaining relevant and profitable pricing has become a complex but critical task.

Many companies primarily focus on cost-based price adjustments, such as raising prices to reflect inflation or increased raw material costs. While this is essential, it often misses the broader point: pricing must also reflect perceived value.

A metaphor used during the webinar discussion was the CD/DVD player — a once — popular product that has significantly declined in value. If pricing doesn't evolve with changing consumer behaviour or technological relevance, companies risk charging outdated prices for products that no longer deliver the same value to customers.

To manage pricing effectively, companies need an internal governance structure that determines:

- When price increases are justified by cost changes or value evolution
- When to phase out a product/service due to lost value or uncompetitive cost structure
- How frequently to review and update prices

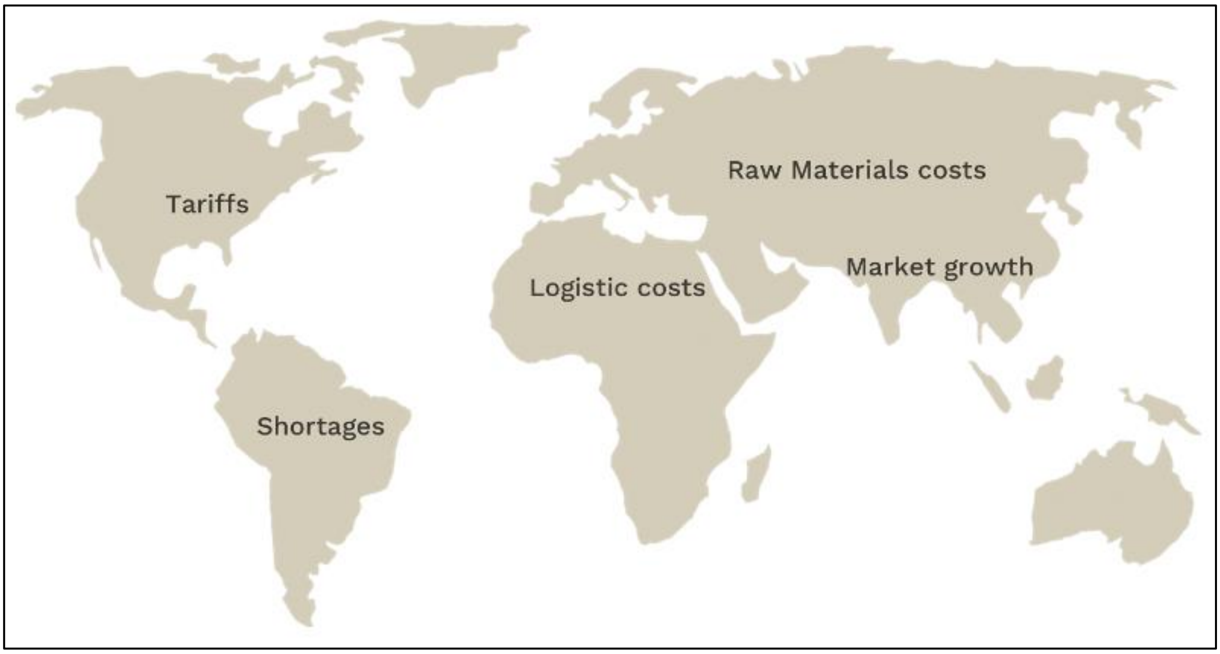
Without such a structure, businesses risk reacting too slowly — or not at all — to critical changes.

Five strategic inputs were outlined to help guide organizations in their pricing decisions:

a) Value-Based Offer Review
Companies should review their offering against:

- Their unique selling points
- The willingness to pay of customers
- The broader pricing strategy

This ensures that price levels align with actual market value, not just internal cost structures.

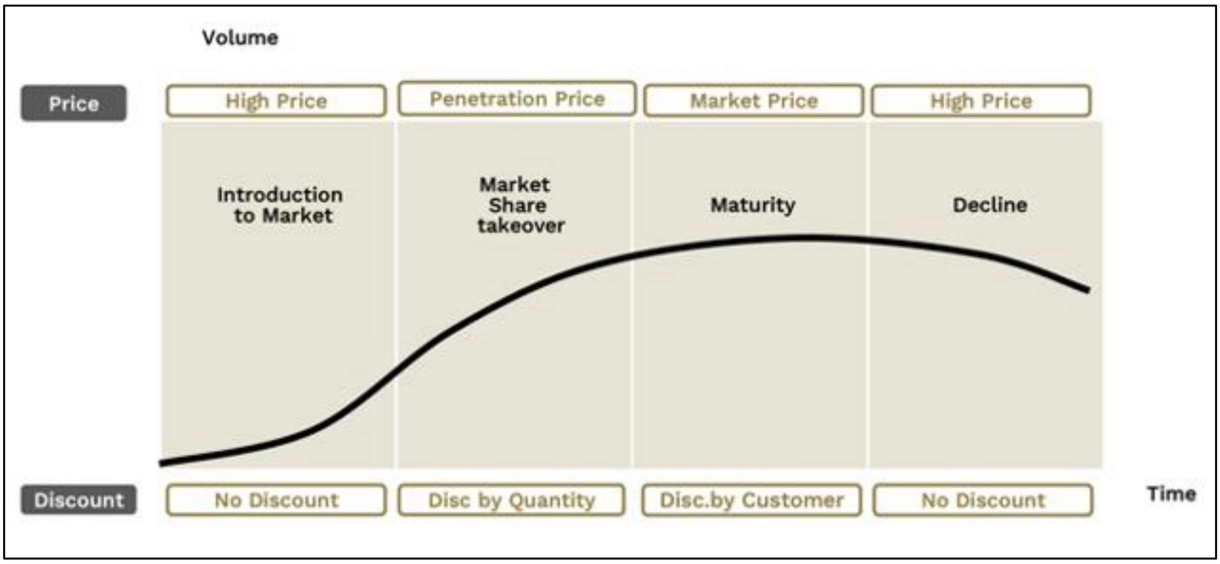


(Exhibit 5.0)

b) Comprehensive Cost Reflection
Beyond material costs, companies must consider other factors like:

- Tariffs
- Fuel or logistics costs
- Other fluctuating externalities

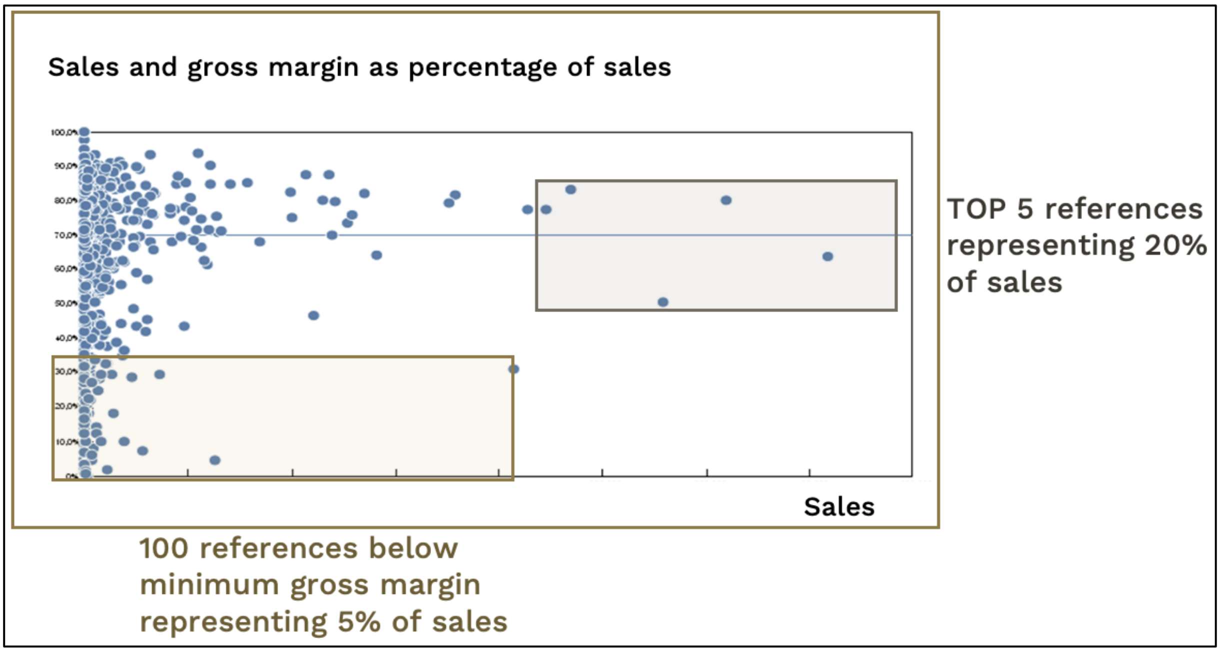
Some organizations separate these components (e.g. fuel surcharges) to maintain transparency and justify price adjustments more clearly.



(Exhibit 5.1)

c) Product Lifecycle Pricing
Pricing should shift with the lifecycle stage of the product:

- **Introduction**: Entry-level or promotional pricing to gain traction
- **Growth/Maturity**: Reflecting market value
- **Decline**: Prices may increase temporarily to phase out the product/service or incentivize switching to newer solutions



(Exhibit 5.2)

d) Margin Analysis
Companies should regularly analyse product and customer margins:

- Identify low-margin products/services for price increases or discontinuation
- Optimize production or delivery cost structures
- Bundle or reposition offerings to improve overall margin performance

(Exhibit 5.3)

e) Strategic Alignment with Market Position
Price levels must also align with **your go-to-market strategy**:

- **Penetration pricing**: Lower price to gain share
- **Skimming**: High price for innovative or premium offerings
- **Differentiation (Price Discrimination)**: Segment-based pricing with premium positioning for certain customers or markets

These strategies help balance market share and profitability, depending on competitive positioning.

Overall, what makes this approach especially valuable is its practicality. Rather than abstract theory, the framework offers tangible, repeatable steps organizations can apply in routine pricing reviews.

Organizations benefit greatly by setting up regular pricing health checks using this framework — asking:

- Are there shifts in customer willingness to pay?
- Have costs changed that aren't reflected yet?
- Is the value of a product decreasing or increasing based on lifecycle?

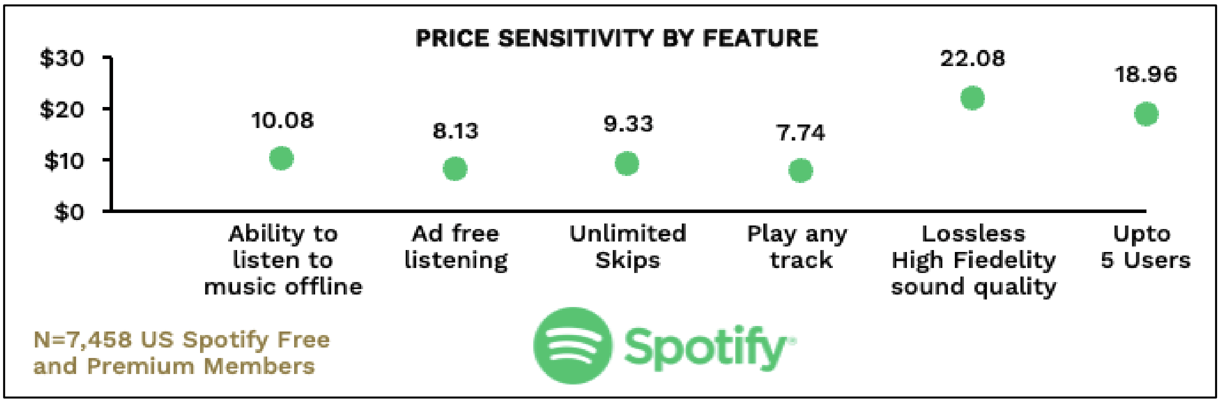
By embedding the listed five reviews in business rhythms, pricing becomes a proactive growth driver rather than a reactive adjustment tool.

Maximize customer-perceived value: willingness to pay

One of the most critical challenges companies face today is applying value-based pricing in a practical, effective way. While many recognize its benefits, few know how to implement it successfully. The core of this challenge lies in understanding and quantifying customers' willingness to pay — a task influenced by a complex mix of internal and external factors.

To price based on value, companies must deeply understand what drives customer perception. This includes evaluating the quality and features of products or services, brand strength or reputation, customization capabilities, availability and lead times, service and support, and the quality of customer relationships. In B2B settings especially, strong customer relationships and knowledgeable sales teams are vital. Salespeople who understand customer needs can position offerings far more effectively than those merely pitching features.

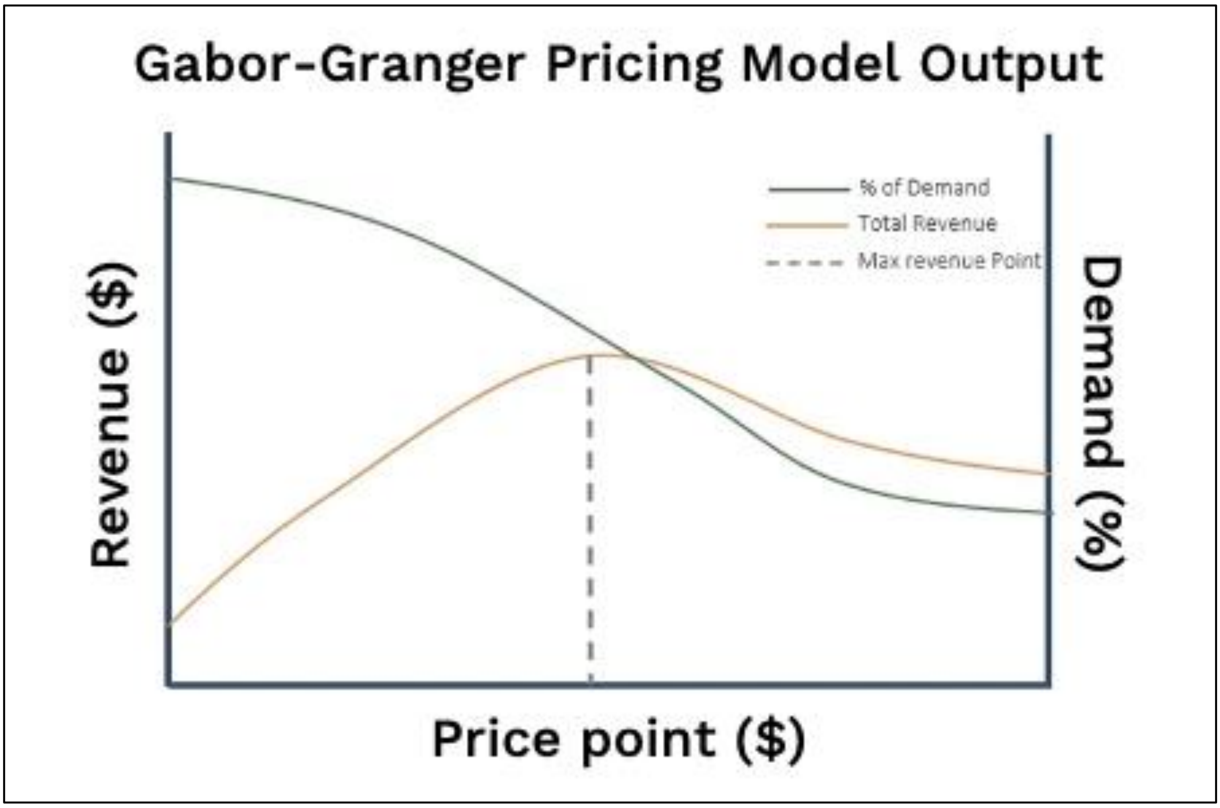
Companies must ask themselves key questions, such as: *If my product or service isn't available, where will my customer go instead — and why?* Understanding the alternatives customers consider helps define the value your offer provides relative to the market.



(Exhibit 6.0)

Spotify provides a relevant example. In 2023, they raised subscription fees significantly, yet many users hardly noticed. This demonstrates that Spotify had correctly assessed customer satisfaction and market positioning, understanding they could increase prices without major churn.

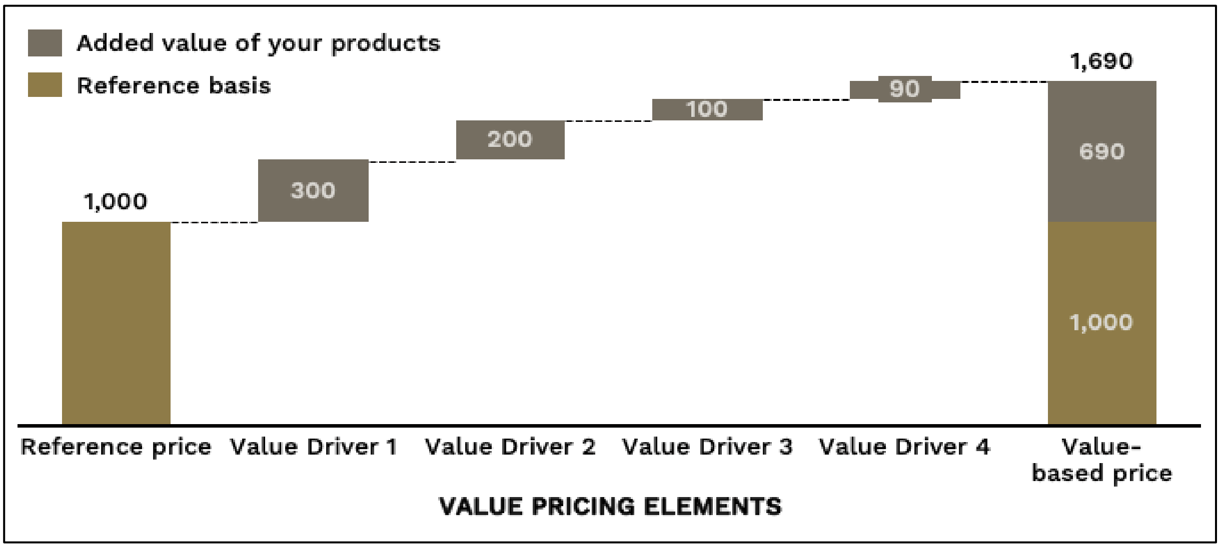
To apply value-based pricing practically, companies need structured approaches to gather insights. Sales teams are a crucial source of information but you should not rely on ad hoc feedback. Instead, firms should create structured processes to capture customer feedback. This can be supported by basic market research without needing costly external agencies. Techniques like mystery shopping, customer surveys, or using economic value estimation models such as Gabor-Granger can help quantify perceived value.



(Exhibit 6.1)

Value-based pricing isn't always suitable for every product. For accessories or commoditized items, cost-plus or competitive pricing might be more effective. But for key differentiating products, a value-based approach helps capture the full worth of what the company delivers.

Even without extensive budgets, mid-sized firms can take practical steps. Internal workshops and structured discussions with cross-functional teams or select customer panels can provide the necessary insights. By breaking down product or service components and scoring their perceived importance, firms can assign relative value — without needing large-scale customer research. Industry expos and competitor analysis can also reveal how others position value and which features they highlight.



(Exhibit 6.2)

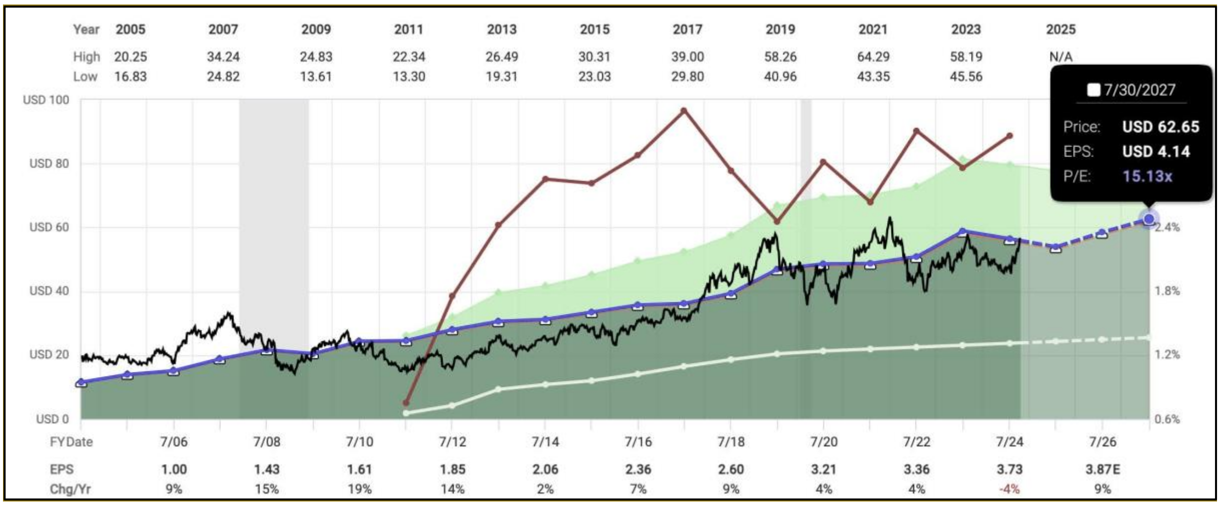
In short, while value-based pricing can seem daunting, it becomes manageable through structured internal efforts, smart use of sales insights, simple research methods, and continuous learning from market feedback.

Maximize customer-perceived value: value-based selling

While implementing a value-based pricing strategy is crucial, the process doesn’t end with setting prices. A successful value-based pricing model requires more than just a pricing team’s effort — it demands alignment across multiple departments, particularly sales. Without a value-based selling approach, even the best pricing strategy will fall short.

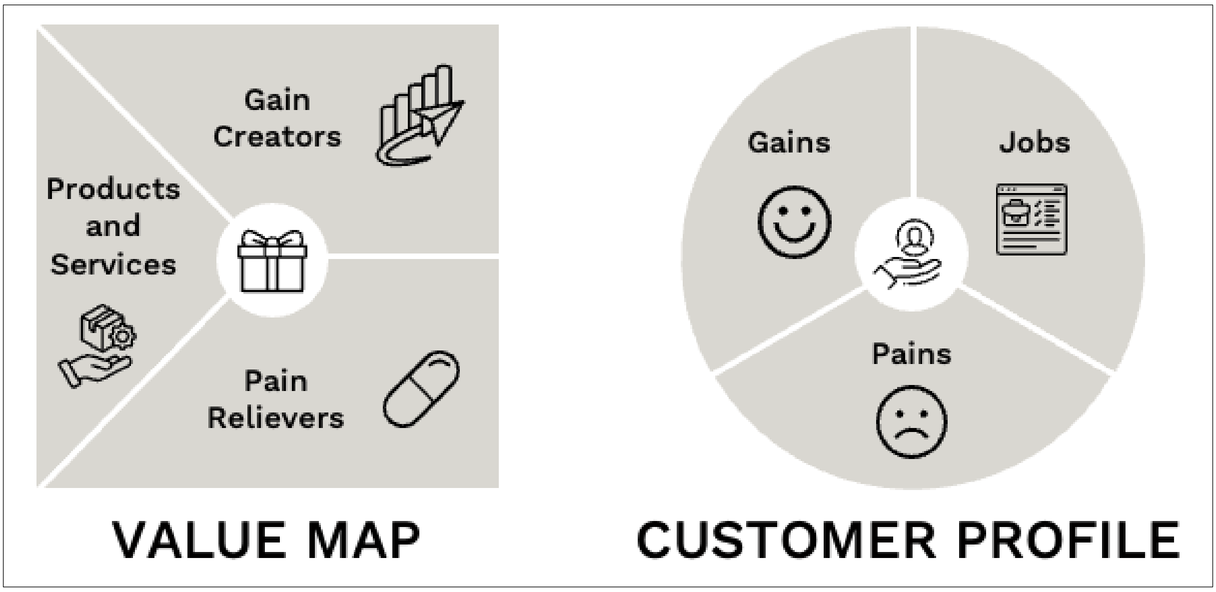
Value-based pricing cannot succeed in isolation. It requires a collaborative approach that involves not only the pricing team but also marketing, market intelligence, and, crucially, the sales team. Salespeople must be well-prepared to understand and communicate the value being offered, and they need the right tools and training to present that value effectively to customers. In fact, sales teams should act less like traditional "salespeople" and more like "consultants" who understand customer needs and offer solutions accordingly. This mindset shift is essential for ensuring that the value proposition is clearly communicated and that customers understand the full value they receive.

A key part of successful value-based selling is understanding the unique differentiators of your offerings. Salespeople must be able to clearly articulate what sets the product or service apart from competitors and explain why it is the right choice for the customer. For example, Cisco shifted its sales approach years ago by moving from a technical focus on product specifications to understanding customer needs, particularly in terms of minimizing downtime. By focusing on these customer priorities, Cisco was able to effectively present its products’ value and achieve significant sales success over the last decade.



(Exhibit 7.0)

In addition, frameworks like the value map and customer profile are invaluable tools in this process. These tools help sales teams map customer pain points and align product features as pain relievers, illustrating the value the product provides. By understanding what pain points customers face and how your product can alleviate them, salespeople can more effectively communicate the value to the customer. This process may not always directly correlate with the price of the product but allows sales teams to justify higher prices by demonstrating the relief provided from the customer's perspective.



(Exhibit 7.1)

This approach highlights how pricing is not just a financial function, but an integral part of value proposition development. In many organizations, pricing is often seen as part of the finance function, but it's essential that pricing is aligned with value proposition and customer insights. A clearly defined value proposition is essential for the success of value-based pricing because it allows the entire organization — especially the sales team — to communicate the value in a compelling way. Without a strong value proposition, sales teams will struggle to convey why the product is worth the price.

Moreover, the success of value-based pricing depends on cross-department collaboration. Pricing strategies should be linked with the broader organizational strategy, ensuring that marketing, sales, and finance are aligned on how value is defined and communicated. If salespeople cannot convey the value to the customer, value-based pricing will fail, regardless of the strategy's technical accuracy.

In summary, successful value-based pricing requires a well-rounded approach that includes clear value propositions, effective sales training, and ongoing collaboration across departments. When these elements come together, companies can effectively communicate the value of their products or services and maximize customer perceived value.

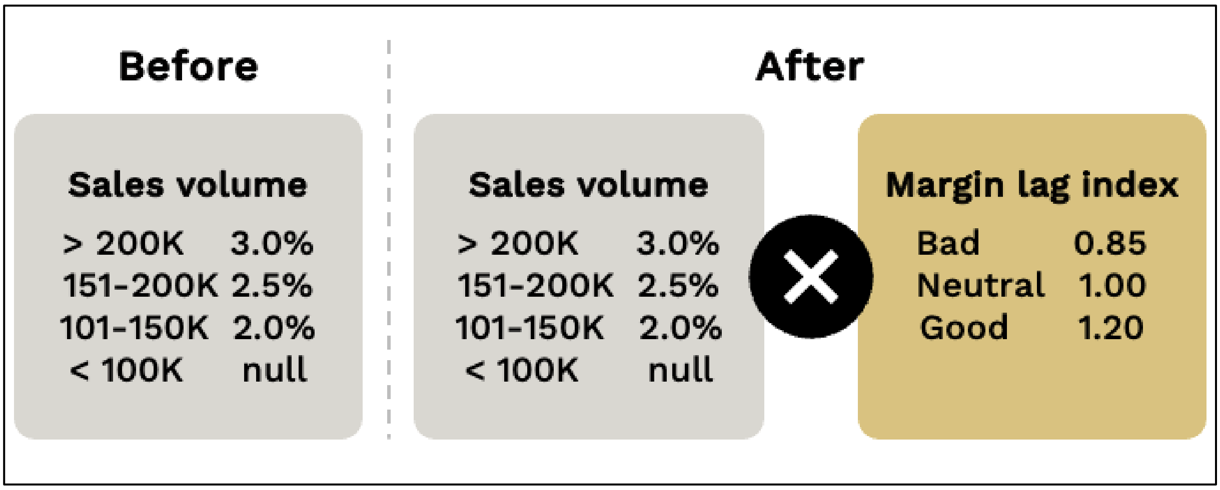
Manage pricing with internal stakeholders: culture of profit

Aligning internal stakeholders on pricing is not just about processes and numbers — it's about fostering a culture of profit across the entire organization. This cultural shift ensures pricing isn't confined to a single department but becomes an organization-wide mindset that prioritizes sustainable profitability.

While it's essential to have clear pricing responsibilities — whether through a dedicated pricing manager or a combined role — long-term success relies on spreading ownership and awareness of pricing throughout all departments. Sales, customer service, and finance, in particular, must internalize the importance of profitability in their daily decisions.

For instance, customer service teams often face pressure to provide discounts or extras to appease customers. While customer centricity is important, this shouldn't translate into giving away unnecessary value. Similarly, finance teams may offer discounts for early or late payments without fully considering whether such incentives are necessary or profitable. These habits, when unchecked, erode margins and send conflicting messages about the value the company provides.

In the sales department, aligning pricing behaviour with profitability is especially critical. Most sales incentive schemes are built around volume or revenue targets. However, to support a culture of profit, incentive models must evolve to also reward profitability. A practical way to do this is by integrating a profit or price index into commission schemes. For example, if a salesperson achieves high revenue but with deep discounts, their profit index would be lower — potentially reducing their bonus. Conversely, a smaller deal with better margins would score higher, offering a fair reward and reinforcing good pricing behaviour.



(Exhibit 8.0)

This approach encourages salespeople to consider both volume and value, which is essential for sustainable growth. Importantly, keeping the model simple (e.g. using a pricing index rather than complex margin calculations) ensures it's understandable and actionable for the salesforce.

Beyond incentives, building a culture of profit also requires support and guidance. Salespeople need the confidence to hold firm on pricing. This can be achieved by providing clear analytics and pricing insights — such as historical deal success rates and recommended pricing ranges — so they understand where they can win without excessive discounting.

Additionally, companies must set clear pricing guidelines and thresholds. Without strict boundaries, sales teams will naturally drift toward the lowest allowed price — often not out of malice, but simply because it's the path of least resistance. Even top performers will default to easier discounting unless properly guided.

Lastly, in cases where exact cost or margin data is difficult to track, companies can still set clear price corridors (e.g. €80-€99 on a €100 list price) to guide acceptable deal making without overcomplicating the process.

In summary, building a culture of profit means:

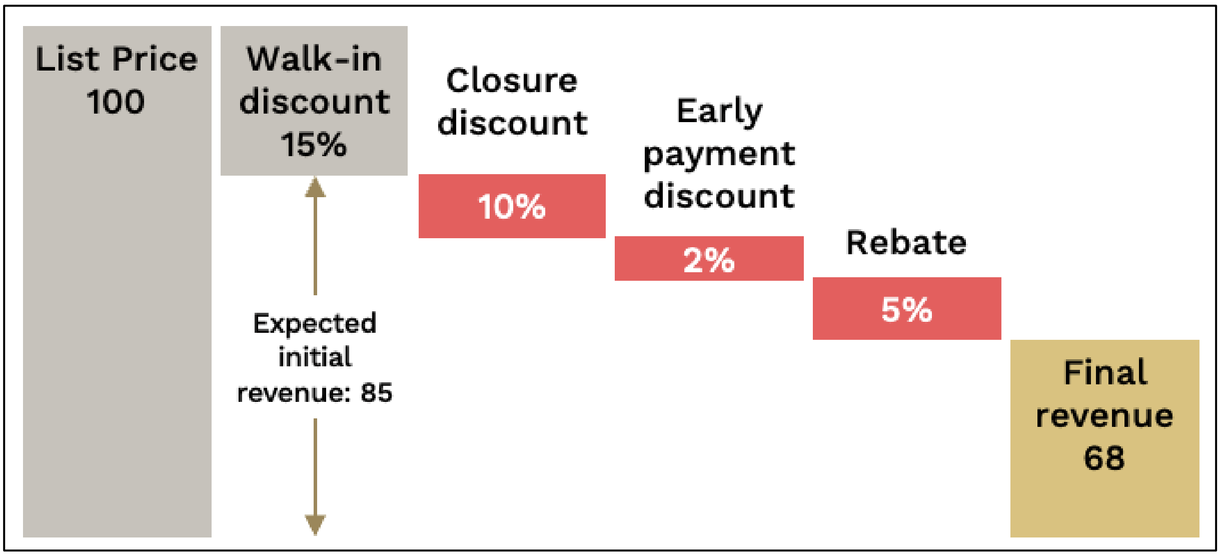
- Broadening pricing ownership beyond the pricing team
- Aligning incentives to reward profitable behaviour, not just revenue
- Providing insights and confidence to sales teams to uphold value
- Setting clear guidelines and thresholds to prevent unnecessary discounting
- Keeping pricing processes simple and transparent

This cultural shift is foundational for any company aiming to sustain a value-based pricing approach and achieve long-term profitable growth.

Manage pricing with internal stakeholders: culture of profit

One of the major challenges in pricing is the lack of visibility into where and how companies are losing money across the sales process. Often, organizations unknowingly leave money on the table through uncoordinated discounts, inconsistent rebates, and unchecked customer concessions. A powerful technique to gain insight into this is the price waterfall.

The price waterfall is a straightforward yet highly effective tool that maps how revenue erodes from the initial list price down to the net pocket price — the actual amount your company retains after all deductions. This includes visible discounts, but also often-overlooked elements like rebates, early payment discounts, free shipping, or extra services.



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By visualizing each step where margin is lost, organizations can clearly identify their main source of revenue leakage and take data-driven actions to address them.

For example, in the case of a furniture parts manufacturer, applying the price waterfall revealed that a significant portion of revenue was lost through widespread rebate usage. While rebates are not inherently bad, this company was offering them to nearly all customers — big and small — without clear criteria. The solution was to define eligibility thresholds, such as only granting rebate entitlements to customers generating more than €250,000 in annual revenue. Importantly, entitlement did not guarantee automatic approval; it simply introduced a structured, rules-based approach.

Similarly, the analysis uncovered early payment discounts that were routinely granted — even in cases where they were not needed. The company opted to replace them with late payment fees, shifting from a concessions-based mindset to one that reinforces financial discipline.

Another common leak was free shipping, which was offered as a blanket benefit across the customer base. Revisiting these policies allowed the company to better manage logistics costs and protect margins.

The strength of the price waterfall lies in its ability to:

- Visualize revenue erosion across all pricing components
- Highlight non-obvious discounting practices
- Encourage internal accountability across departments (e.g. finance, sales, logistics)
- Enable targeted corrective actions based on evidence

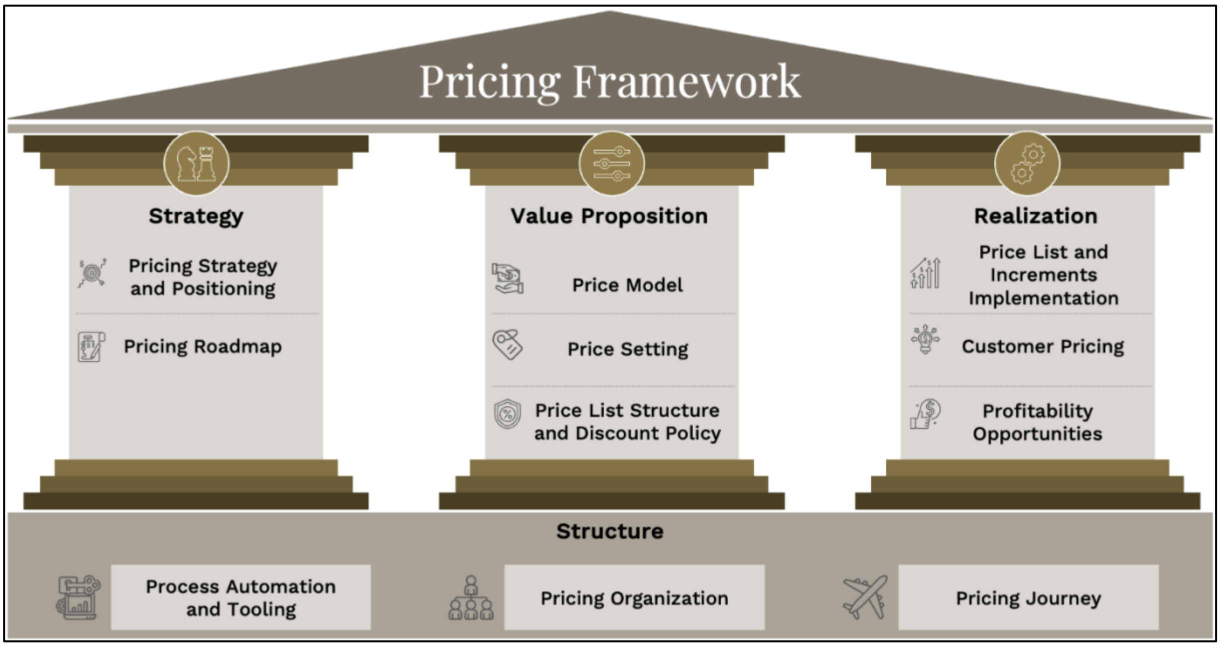
In summary, to manage pricing effectively across internal stakeholders, companies should:

- Use the price waterfall to identify where margin is lost
- Map out all price-related components beyond list-to-deal price (e.g. rebates, logistics, payment terms)
- Introduce clear rules and thresholds for discounts and rebates
- Shift from automatic concessions to value-justified incentives
- Create a common language and framework for cross-departmental alignment

With these steps, organizations can transform pricing from a reactive function into a strategic lever for profitability.

What is the pricing approach to manage revenue growth?

The pricing framework



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As pricing is increasingly recognized as a strategic lever for business success, many companies struggle with where to start and how to structure their pricing efforts. To help organizations navigate this challenge, Vesper Commercial Excellence developed a pricing framework — a practical tool to guide companies in structuring, optimizing, and embedding pricing in a sustainable and scalable way.

While this framework is used by Vesper in client engagements, it can be adopted by any organization seeking to bring clarity and structure to its pricing efforts.

1. Pricing Strategy

The journey begins with defining a clear pricing strategy. Without strategic alignment, short-term pricing actions may yield temporary gains but often result in long-term inconsistencies. This step involves setting the desired price positioning in the market and developing a roadmap to achieve it. Questions addressed here include:

- How do we want to be perceived in the market?
- What role should price play in our competitive positioning?

2. Value Proposition & Price Model
Next, the organization needs to define the value proposition and translate this into a pricing model. This includes choosing among or combining various models such as:

- Subscription vs. transaction-based pricing
- Usage-based pricing
- Tiered or freemium models

Additionally, this phase covers price setting — deciding how and when prices will be determined and updated.

3. Price Structure & Discounting
The third layer focuses on the price structure:

- Will there be segmented price lists for different customer types or regions?
- What discount policies will apply, and how will these differ by country or customer tier?

While it's important to localize pricing where appropriate, creating completely divergent structures across countries can create complexity and operational challenges. A balance must be struck between international consistency and local relevance.

4. Price Realization
Once the strategy and structure are defined, the focus shifts to price realization — ensuring that pricing actions are executed effectively in the market. This includes:

- Applying price increases in a structured way
- Managing quotations and negotiations
- Handling customer-specific pricing
- Implementing revenue management practices

It also includes identifying profitability opportunities or "quick wins," such as reducing revenue leakage through tools like the price waterfall.

5. Pricing Infrastructure
At the base of the framework are the foundational enablers:

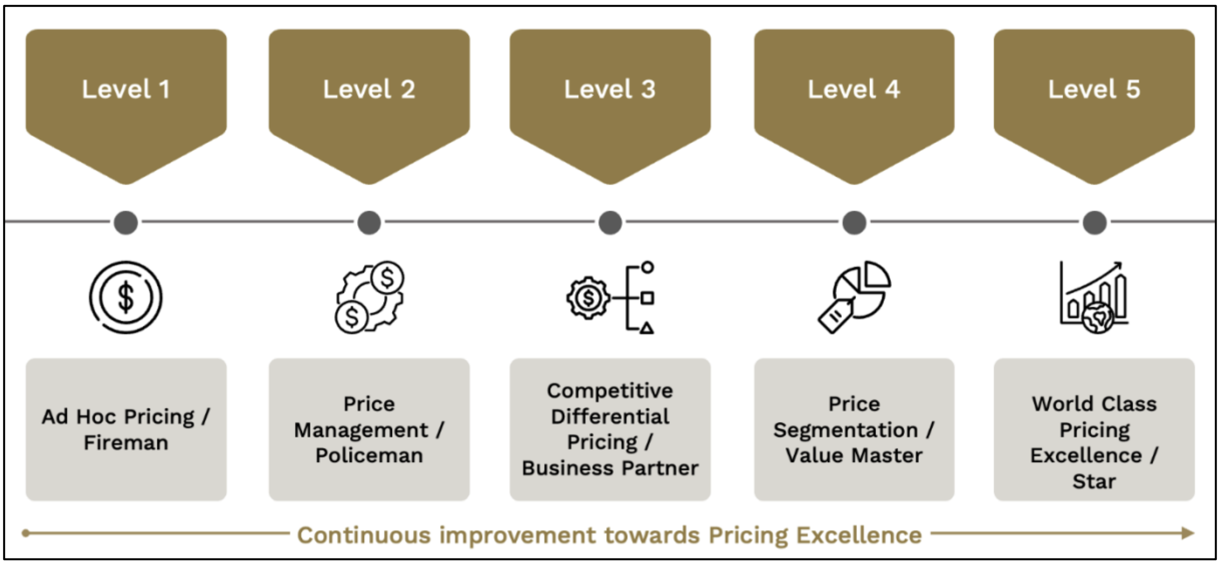
- Process automation: Ensuring pricing processes are repeatable and scalable
- Simple toolsets: Full-scale pricing software isn’t always needed, but there should be tools for maintaining price lists, monitoring discounts, and evaluating performance
- Pricing organization: While not every company needs a dedicated pricing team, someone must own pricing responsibilities — whether it's part of finance, sales, or product management

6. The Pricing Journey
Finally, the framework recognizes that pricing transformation is a journey. The first step Vesper often recommends is a pricing assessment to evaluate the current state — identifying both strengths and areas for improvement.

From there, the journey is customized depending on each organization's maturity and ambition, with the framework serving as a guiding blueprint to structure the steps ahead.

The pricing maturity model: pricing journey

Effective pricing doesn’t happen overnight. It’s a journey — one that requires structure, tools, insights, and commitment. To help organizations understand where they currently stand and what the path forward could look like, Vesper Commercial Excellence uses a Pricing Maturity Model. This model outlines five stages of pricing capability development, offering a structured path towards pricing excellence.



(Exhibit 11.0)

Level 1: Ad Hoc Pricing
At this entry level, companies may have set list prices, but there's no formal price management in place. This often leads to:

- Profit leakages due to inconsistent discounting and ad hoc decision-making
- Lack of visibility and control over price execution
- Pricing teams (if they exist) operating under constant pressure without structure

Most organizations, particularly in less mature industries or fast-growing SMEs, tend to start here.

Level 2: Basic Price Management
The next step involves implementing a price management system that begins to bring discipline to how prices are set and managed. At this stage, organizations:

- Gain better control over price realization
- Introduce simple guidelines or approval processes
- Begin capturing data for analysis

Moving from Level 1 to Level 2 alone can generate 5–12% in profit gains, simply by reducing revenue leakage and improving consistency.

Level 3: Market-Oriented Pricing
This stage marks the shift from inward to outward-focused pricing:

- Companies begin analysing the external environment — including competition, market size, and customer dynamics
- Pricing decisions are informed by market data and competitive benchmarks
- Customer segmentation becomes part of the pricing playbook

Profit gains from this shift can add another 5–8% and are often easier to realize than gains at later stages.

Level 4: Segment-Based Pricing Optimization
Organizations at this level tailor their pricing based on deeper segmentation:

- Pricing is adapted not only by product or region but also by customer behaviour, value potential, or willingness to pay

- Share-of-wallet strategies come into play
- Pricing becomes an enabler for commercial growth and margin expansion

Level 5: World-Class Pricing
This is the final stage, where pricing becomes a core strategic capability:

- The organization is fully aligned on pricing strategy and governance
- Pricing decisions are proactive and even individualized (as in the case of some airline and hospitality leaders)
- Advanced analytics, dashboards, and automation support continuous pricing optimization
- Every commercial function understands and acts in accordance with pricing principles

At this level, companies can predict and shape market behaviour, offering tailored prices even within the same segment.

Key Takeaways
- Most companies are still at Level 1 or 2. Moving up even one level can yield significant returns
- You can’t jump from Level 1 to Level 5 overnight — progression requires time, typically minimum 6 months per level
- The largest returns often come from early-stage improvements, such as implementing basic price controls or market analysis
  The goal is not perfection, but progress — moving steadily toward a system where pricing becomes a growth driver

Closing

In an increasingly dynamic and competitive market, pricing is no longer just a commercial function — it’s a strategic lever for growth. As we’ve outlined throughout this paper, companies that manage pricing in a structured and deliberate way are better positioned to drive profitability, ensure internal alignment, deal better with turbulent economic times or inflation, and create lasting value for their customers.

By using a clear pricing framework and assessing your maturity across key dimensions, organizations can move from reactive pricing to a proactive, insights-driven approach. Whether it's aligning stakeholders, optimizing discounting practices, or professionalizing your pricing structure, each step in the journey offers tangible opportunities for improvement.

At Vesper Commercial Excellence, we work with commercial leaders to bring structure and momentum to this journey. If you're looking to understand where your organization stands — or ready to take the next step toward world-class pricing — let’s start the conversation.

VESPER® Commercial Excellence.

Sales Effectiveness, Igniting Growth

+31 (0) 853 039 482
info@vesper-ce.com
www.vesper-ce.com
Keurenplein 41 Box A5343
1069 CD Amsterdam
The Netherlands