



PRICING FOR PROFITABLE GROWTH

WHITEPAPER 2 - SERIES OF 5

From Strategy to Execution

Pricing Models, Settings & the Revenue You Didn't Know You Were Losing

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EXECUTIVE SUMMARY

Choosing a pricing strategy is only the beginning. The more difficult and commercially critical task is turning that strategy into an effective pricing model and refining the configurations that shape how customers ultimately experience your prices. This paper guides business leaders through the landscape of pricing strategies, models, and settings and introduces price optimization as the discipline that turns pricing intent into maximum commercial value.

6

most common pricing strategies, each suited to different market positions and business objectives

7

pricing models that define how value is charged and captured over time

5-15%

margin improvement achievable through disciplined price optimization in B2B organizations

The Architecture of Pricing: Strategy, Model, and Setting

A pricing strategy defines the competitive position you aim to hold in the market. A pricing model defines how you charge the commercial structure of the transaction. And pricing settings are the precision instruments that fine tune the commercial outcome. Confusing these three layers could lead to incoherent pricing that neither protects margin nor captures value.

Layer	The question it answers
Pricing Strategy	What position do we occupy relative to value and competition?
Pricing Model	How do we charge (by unit, time, use, distance, tier, or outcome)?
Pricing Setting	What adjustments fine tune price for each customer context?

The Six Most Common Pricing Strategies

Each pricing strategy reflects a distinct commercial logic. The choice of strategy must be driven by your value proposition, competitive position, and market maturity not by status quo, convention or convenience. This paper talks about the 6 more common pricing strategies.

A question I hear frequently from clients is whether pricing strategies can be combined; something many pricing authors leave unanswered. The short answer is yes. Different strategies can coexist within the same organization: one for a core product category, another for premium or commodity lines.

What matters is that each choice is deliberate, commercially coherent, and clearly understood by those responsible for execution. The real risk is overengineering. A simple combination, well executed, will outperform a sophisticated one that the organization cannot apply consistently.

- Jorge Olivares

1. Cost-Based (Cost-Plus) Pricing

This approach, one of the two most common and easy-to-use methods, involves establishing a price by applying a margin to cost. Although straightforward to implement, it presents two limitations:



- First, actual costs may not always be accurately determined at the product, service, category, or customer level.
- Second, and more importantly, cost-plus pricing ignores customer willingness to pay and often undervalues differentiated offerings.

While it provides an appropriate baseline for products or services with minimal differentiation, it sets a strategic upper limit for businesses positioned to deliver authentic value.

2. Competitive / Market-Based Pricing



Company A: \$10

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Company B: \$8 to \$10

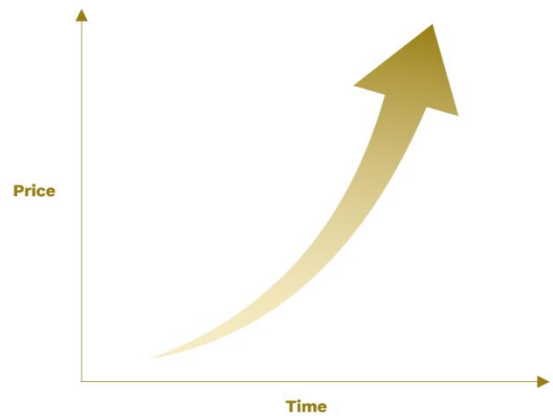
The second most common approach sets prices relative to competitors: at parity, at a premium, or, more often, at a discount. This approach is rational in markets where products are genuinely comparable, but dangerous when applied without distinguishing perceived value.

A company with superior service, reliability, or innovation that prices at parity leaves margin on the table. Competitive pricing should inform positioning, not determine it.

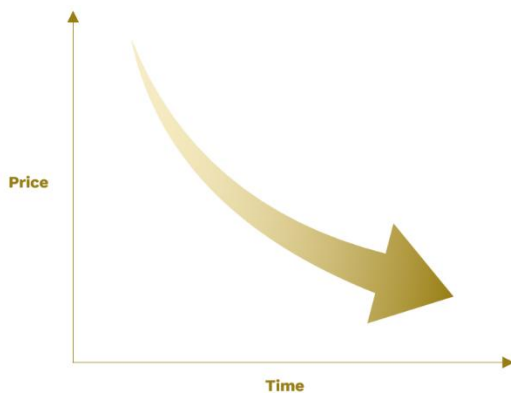
3. Penetration Pricing

A deliberately low entry price to capture market share quickly. It is effective when network effects are important, when switching costs are high once adopted, or when the business model depends on future revenue streams (SaaS and subscriptions, consumables, upgrades).

The risk: becoming structurally underpriced if volume growth fails to materialize or if later price increases meet resistance.



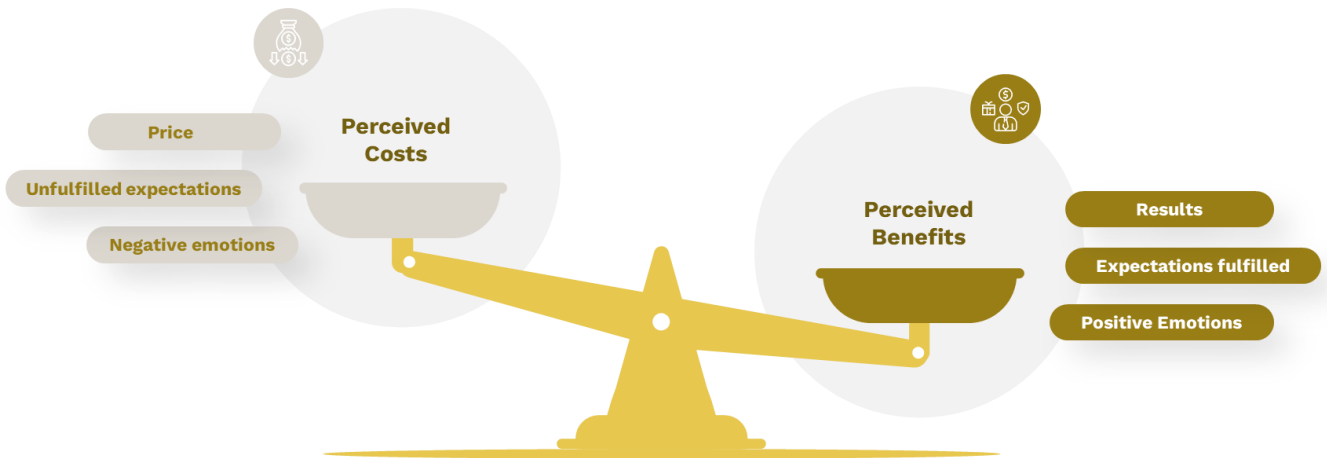
4. Price Skimming



The inverse of penetration: launch at the highest price the market will bear, then reduce over time as demand from price-insensitive early adopters is satisfied. Common in technology and innovation-led categories, typically supported by a strong brand or significant marketing investment. It requires a credible perception of exclusivity or a clear first-mover advantage.

5. Value-Based Pricing

Price is set based on the value perceived by the customer not on cost - not on competition. This is the most commercially sophisticated and margin-accretive strategy, and the aspiration of any organization that is serious about pricing excellence. It requires deep customer understanding, segment-level willingness-to-pay analysis, and a sales force capable of articulating value in commercial conversations, also called 'Value-Based Selling'.



6. Premium Pricing

A sustained high-price position that signals quality, exclusivity, or brand superiority. The price itself communicates a message. Premium pricing is only sustainable when brand perception, product quality, and customer experience are consistently exceptional. Inconsistency, even in a single interaction, can erode the premium position.

Strategic Principle

No pricing strategy is inherently superior. The right strategy is the one aligned with your value proposition, your competitive position, and your customer's decision-making criteria. Mixing strategies without intent or applying cost-plus as a default for a differentiated product is where most margin is lost.

Seven Pricing Models: How You Charge Matters as Much as What You Charge

A pricing model is the commercial architecture of a transaction. Two companies with identical strategies can have radically different outcomes depending on the model they deploy.

These seven pricing models capture the primary ways organizations translate strategy into commercial structure.

Tiering	Different value and price options are offered together, each with different type or quantity of products / services (usually up to 3 options), each higher tier should include more benefits.
Dynamic	Prices change based on demand, service availability or customer profile (e.g., urgency, seasonality, special events, among other reasons).
Subscription	Also called a “retainer” in professional services and “SaaS” in iCloud software. It is a recurring fix payment for continue access to a product or service, usually independent of volume.
Pay-per-Use	The customers pay for each transaction or session made, or per unit consumed; generally, requires pre-registration for having access to (exclusive) products or services.
Uniform	Equal (uniform) price for all type of customers regardless of segment, location, purchase volume, purchase behavior, etc.
Freemium	A free basic version is presented, with the option to pay for extra attributes or functionalities; it is commonly used in digital products such as streaming.
High Prices	Significantly higher prices than the competition are presented to attract customers' attention (+10%, 20%, 30% or even more).

Pricing Settings: The Precision Instruments

Beyond the model, pricing settings allow organizations to fine-tune commercial outcomes without changing the overall structure, yet they remain underutilized in many B2B organizations.

Bundling and De-bundling

Bundling combines multiple products or services into a single price to create perceived value. De-bundling takes the opposite approach: it separates a core product or service from complementary elements that are priced individually as optional add-ons, enabling a lower headline price while preserving or even increasing total revenue. Both are powerful tools for shaping customer perception of value.

Anchoring: Shaping Perceived Value Through Reference Prices

Anchoring works by presenting a higher-priced option first, establishing a reference point that makes subsequent options appear more reasonable and attractive.

Example:

A winery offered two products: Bottle A (€24), representing 80% of sales, and Bottle B (€36), with 20% of sales but higher margins. To increase the share of Bottle B without changing prices, the winery introduced a premium option: Bottle C (€72).

As a result, customer perception shifted: Bottle B was no longer seen as expensive, but as the “sensible” choice. The sales mix evolved from 80/20 to 50/40/10, significantly increasing revenue per transaction.

In B2B environments, anchoring is often reflected in the initial commercial position set before negotiations begin. Organizations with well-defined walk-in (entry), target, and walk-away (also known as red-line) price approaches consistently achieve stronger pricing outcomes.

Price Rounding & Precision

Price rounding involves adjusting final prices to simpler or psychologically appealing levels (e.g., multiples of 5, rounded figures, or specific endings). While widely used in B2C, it is often overlooked in B2B. When applied systematically, it can enhance margins without materially affecting customer perception, delivering small but cumulative profitability gains.

Price precision, on the other hand, signals rigor and intent. In B2B environments, where decisions are usually more rational and process-driven, precise pricing (e.g., €994.70 instead of €999 or €1,000) conveys that the price is the result of a deliberate calculation or structured cost logic.

Across Vesper client engagements, the disciplined application of rounding and precision practices in B2B contexts has delivered margin improvements of 1.2% to 3.7%.

Segmented Pricing

Different customer segments have different willingness to pay. Charging them the same price means systematically overcharging price-sensitive segments and undercharging value-sensitive ones. Segmented pricing, also known as walk-in pricing, applies a differentiated commercial starting point for each defined segment, maximizing value capture without creating friction.

Price Optimization: From Good Pricing to Maximum Value Capture

Having the right strategy and pricing model is necessary, but not sufficient. Price optimization is the discipline of continuously refining pricing decisions by segment, customer, product, channel, or timing. It ensures that the value defined by strategy is fully captured in execution; it is the bridge between pricing intent and realized outcomes.

In practice, many organizations leave significant margin on the table, not because their strategy is flawed, but because execution is too uniform. They apply the same prices to customers with different willingness to pay, maintain static pricing despite changing demand signals, or grant similar discounts to accounts with very different profitability profiles.

Price optimization systematically addresses these gaps, enabling more precise, data-driven, and value-aligned pricing decisions.

The Three Levers of Price Optimization

Effective price optimization operates across three interconnected levers:

- **Willingness-to-pay calibration:** Using customer data, segment analysis, and controlled price testing to identify the maximum price each segment will accept without friction. This is not guesswork, it is a structured, evidence-based process that requires ongoing refinement as market conditions evolve.
- **Mix optimization:** Revenue and margin are jointly determined by what you sell and to whom. Companies with broad product portfolios can significantly improve margins by actively steering customers toward higher-margin configurations, bundles, or service tiers without changing a single list price.
- **Discount optimization:** Unstructured discounting is the most common source of preventable margin leakage. Optimized discounting links approval thresholds to customer profitability, deal size, and strategic importance, ensuring that every discount has a commercial rationale and a defined boundary.

Optimization in Practice

During a Vesper engagement with a B2B industrial distributor, it was found that the top 20% of customers by revenue generated lower margin per unit than the bottom 20%. This was driven by account managers systematically offering higher discounts to top customers as a relationship gesture.

A structured optimization of discount bands by customer profitability tier, implemented over two quarters, improved overall gross margin by 6.4% with no customer attrition.

Price Optimization and Technology

Manual price optimization has a natural ceiling: the volume and complexity of commercial decisions quickly exceed what human judgment can handle consistently. This is where technology becomes essential. Modern pricing tools, from basic CPQ (Configure, Price, Quote) systems to AI-driven optimization engines, automate the application of optimization logic at scale: enforcing discount limits, flagging outlier deals, recommending prices by segment, and simulating the margin impact of proposed changes before they are committed.

The sequence, however, is non-negotiable: optimization logic must be designed before it is automated. Organizations that deploy pricing technology on top of unoptimized processes do not optimize faster - they entrench current inefficiencies at greater speed. Strategy and commercial logic must come first; technology is the mechanism that enables them to scale.

The Pricing Roadmap: Translating strategy into action

A pricing strategy without an execution plan is just an intention. The Vesper Pricing Roadmap structures the journey from assessment to world-class execution across seven elements:

Stage	Action
Initial assessment	Evaluate current pricing practices, identify key pain points, and establish a baseline.
Define desired strategy	Align on the commercial position the business intends to occupy.
Model design and price settings	Build the commercial architecture that operationalizes the strategy.
Internal capability assessment	Identify gaps in people, processes, systems, and governance.
Implementation plan	Define sequenced priorities, resource requirements, and timelines.
Change management and communication	Align the organization, especially sales, finance, and leadership.
Metrics, and continuous improvement	Establish the KPIs that will tell you whether the strategy is working.

This whitepaper is the second in a five-part series by **Vesper Commercial Excellence**, covering the full spectrum of pricing strategy, execution, and transformation.

ABOUT THE AUTHOR

Jorge Olivares is a Certified Pricing Professional (CPP) with 22 years at DHL Express, the last 16 in pricing, concluding as Sr. Director of Customer Pricing for EMEA. He holds an Industrial Engineering degree from IPN Mexico and a Master's in Project Management from Keller Graduate School of Management. He has also held roles at PwC, marchFIRST, TSYS, and Banamex. Jorge is currently a Senior External Advisor at Vesper Commercial Excellence, based in the Netherlands, where he helps B2B organizations build sustainable pricing capabilities that drive profitability.

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