PRICING FOR PROFITABLE GROWTH

WHITEPAPER 3 - SERIES OF 5

Why Pricing Initiatives Fail

And What CEOs and Commercial Leaders Must Do Differently

Jorge Olivares | Certified Pricing Professional (CPP) | Senior External Advisor at Vesper Commercial Excellence

EXECUTIVE SUMMARY

Many organizations invest in pricing programs such as consultants, software or tools, workshops, strategy reviews. Yet the majority of pricing initiatives fail to deliver sustained improvement. The problem is rarely a lack of technical insight; it is a failure of leadership focus, culture, or organizational alignment. This paper identifies the eleven most common causes of pricing failure, defines the CEO's irreplaceable role, and provides a framework for building the commercial culture and governance that pricing transformation requires.

4 in 5	23%	3×
fortune 500 companies have no dedicated pricing team - decisions are scattered and reactive	better success rate on price increases for companies with executive-level pricing ownership	higher margins at companies where pricing is a standing board-level priority

The Reasons Why Pricing Programs Fail

The most common diagnosis of pricing failure sounds technical: wrong strategy, wrong model, missing data, inadequate systems. These are real problems. But they are rarely the root cause.

Pricing programs fail, above all, because they are usually treated as projects rather than transformations, because the CEO is not the sponsor, and because commercial culture and sales incentives actively work against the strategy being implemented.

> ***"It is not a lack of pricing ideas. It is a lack of alignment, execution, and leadership involvement."***
>
> *- Jorge Olivares*

The Eleven Most Common Causes of Pricing Failure

1. Pricing is treated as a one-time project

The price list is updated. A strategy, model and process documents are written. A consultant delivers recommendations. And then the organization moves on.

Pricing is not a project with a finish line. It is a continuous capability that must be managed, measured, and improved on permanent basis. Organizations that treat it otherwise see early improvements erode within 12 to 18 months.

2. Misalignment with organizational culture and maturity

A value-based pricing strategy imposed on a Level 1 organization (see Whitepaper 1) is doomed to fail. Transformation must be calibrated to the organization's actual starting point. Attempting to skip maturity levels without building the underlying capabilities in process, governance, and mindset produces frustration and cynicism rather than results.

3. Losing momentum after launch

Pricing transformations launch with energy. Workshops are held, new processes are designed, early wins are celebrated. Then, the day-to-day pressure of sales targets, customer negotiations, and operational firefighting gradually consumes the bandwidth needed to sustain the change. Without active sponsorship from the top, pricing gradually reverts to its previous state.

4. Relying entirely on intuition or entirely on data

Both extremes are dangerous. A purely intuitive approach ignores the evidence that data provides about customer behavior, price elasticity, willingness to pay, and competitive position.

But a purely data-driven approach ignores the fact that purchasing decisions are ultimately made by human beings influenced by psychology, relationship, and context.

Effective pricing requires both analytical rigor and commercial judgment.

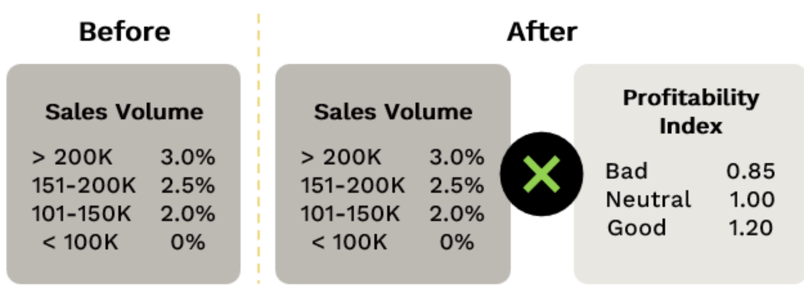
5. Cross-functional misalignment

Pricing sits at the intersection of Sales, Finance, Marketing, Product, and Operations. If these functions do not operate from a shared perspective, prices will be undermined at every level, for example, if Finance is optimizing margin while Sales is optimizing volume, and Marketing is positioning premium while Operations is cutting service.

6. Discount overuse and sales incentives misalignment

Based on my experience, this is perhaps the most pervasive and costly form of pricing failure. When sales incentives are based on revenue volume alone, salespeople are rationally motivated to close deals at whatever price is necessary. This generates internal friction and the result is systematic margin leakage disguised as commercial success.

Organizations that add a profitability index or a price-level index to their sales incentive structure see meaningful and rapid improvements in price realization. This could be easily achieved by multiplying the regular commission by a factor that rewards margin or price-level performance.



7. Letting competitors define the rules

A common failure pattern: a competitor reduces prices, and the organization responds by matching or undercutting. No analysis. No strategic intent. Pure reflex. This is how price wars start - not with intent, but with reaction. Most organizations involved in price wars believe, simultaneously, that the other side started it.

The antidote is a clear pricing strategy, pre-defined competitive response protocols, and a sales force trained to defend value rather than capitulate on price.

8. Delaying price increases

Price increases are uncomfortable. Sales teams resist them. Customers push back. Some organizations postpone them, waiting for the right moment, the right data, the right market conditions. The right moment rarely arrives. Margins erode quietly. And when the increase finally comes, it is forced and disproportionate, causing greater customer friction than a series of smaller, regular increases would have generated.

The discipline of annual price management is one of the habits a commercial organization can build for achieving higher value.

9. Insufficient pricing professionalization

Pricing decisions made without adequate tools, training, and structured frameworks are likely to result in suboptimal outcomes. This should not be interpreted as a reflection of individual capability, but rather as a structural limitation.

Organizations that invest in pricing capabilities, including knowledge development, governance, and professionalization, consistently outperform those that approach pricing as a general commercial activity.

10. No controlled testing

Many organizations move directly to full-scale implementation across the entire portfolio and subsequently interpret outcomes as validation of their initial assumptions. Without controlled testing, learning is slower and the cost of errors is significantly higher.

Best-practice organizations, by contrast, approach pricing as a hypothesis-driven discipline. They test pricing changes before full deployment, measure customer responses, and iterate accordingly — in essence, conducting controlled pilots wherever feasible.

11. No clear governance

Who approves a 35% discount? Who reviews the profitability of the top 20 customers? Who decides whether to hold or reduce prices under competitive pressure? In organizations without clear pricing governance, these decisions are often made ad hoc — frequently driven by urgency, incomplete information, or individual authority rather than structured criteria. The result is inconsistency, margin leakage, and a limited ability to learn from past decisions or improve over time.

By contrast, organizations that establish clear pricing governance consistently achieve superior outcomes. This usually includes defined roles, structured discount policies with approval thresholds, and performance monitoring, among others. They ensure that decisions are aligned with strategy, supported by data, and applied consistently across the organization. This not only protects margins but also builds organizational discipline, transparency, and accountability, enabling commercial alignment and continuous improvement in pricing performance.

Warning Signs that Pricing is Not a Priority

Leadership teams are often unaware of how deeply pricing has been deprioritized until they measure the consequences. The following signs usually reflect opportunities for improving pricing:

- Executive ownership of pricing is not clearly assigned.
- Price increases have been postponed for months or even years.
- Revenue, margin, and discount data are inconsistent across Finance, Sales, and Marketing.
- There is no documented discount policy, or the policy is routinely bypassed.
- The sales team's primary response to competitive pressure is price reduction.
- Pricing is absent from new product or service launch planning: price is set after go-to-market decisions have already been made.

The CEO's Irreplaceable Role

Pricing transformation cannot be driven by mid-level management alone. Without the active, visible, and sustained sponsorship of the CEO, pricing initiatives are outgunned by the daily pressures of sales targets, customer demands, and short-term volume thinking.

Pricing excellence requires active, non-delegable CEO leadership to ensure that:

- Pricing is positioned as a strategic capability, not a support function. This is a message that must be stated explicitly and repeatedly.
- A pricing leader is appointed with a direct line to executive decision-making.
- At least one pricing KPI, e.g., net price change, price realization rate, discount usage rate, is included in the monthly executive scorecard.
- A value-creation culture is built in which margin performance is celebrated as much as revenue growth.
- Last-minute price concessions that bypass governance without review are not allowed.

DHL Express Case

At DHL Express, pricing maturity was transformed over a period of 3 to 4 years, with another 5 years required to achieve full global alignment.

The critical turning point was the adoption of a comprehensive pricing KPI (Net Price Change) among the top three indicators managed directly by the Global CEO. Once pricing performance was visible at board level, local teams aligned their practices rapidly.

Building a Pricing Culture: The Commercial Committee

One of the most powerful structural tools for embedding pricing discipline is the Commercial Committee - a cross-functional body that reviews non-standard or high-sensitive pricing decisions, large tenders, and exception requests with a consistent analytical lens. There are other names for this committee: Pricing Board, Deal Approval Desk, Tender Committee, but the core principles remain the same.

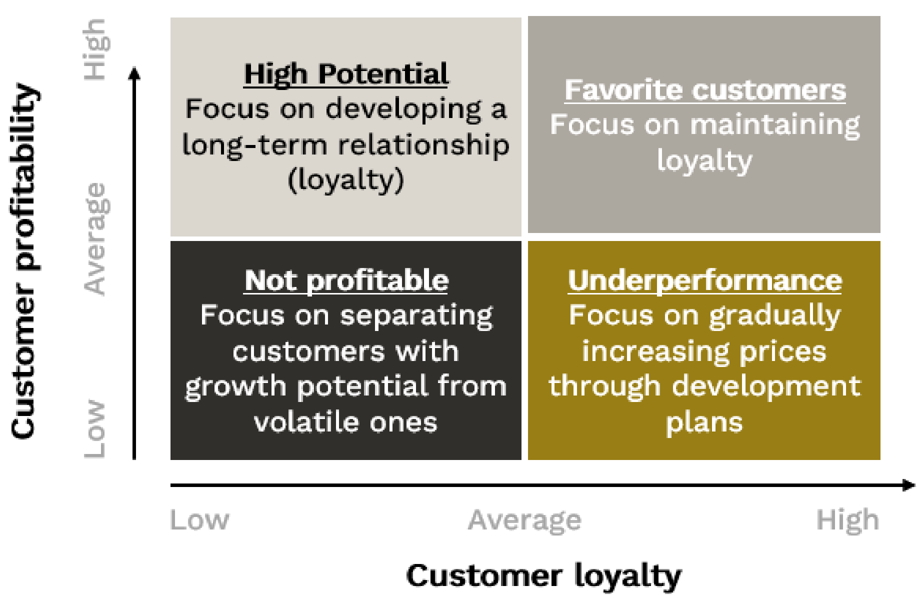
An effective Commercial Committee brings together:

- Sales (for commercial context).
- Finance (for P&L impact, including payment terms).
- Pricing (for strategy alignment).
- Operations, Legal or other functions as required.

It operates with standard templates, defined protocols, approval thresholds, and documented decisions. It is not a bureaucratic bottleneck; it is the governance mechanism that prevents isolated decisions from eroding the cumulative commercial position. It should be seen as a respected, collaborative body whose decisions are rarely challenged because the logic and consistency of the framework have earned organizational trust.

The Customer Loyalty-Profitability Matrix: Seeing Clearly

A pricing culture that is not grounded in customer profitability data is operating blind. The Customer Loyalty-Profitability Matrix is a simple but powerful tool for structuring commercial decision-making:



Stage	Recommended Actions
High Loyalty, High Profitability (Favorites)	Protect, deepen, invest in the relationship.
High Loyalty, Low Profitability (Underperformers)	Renegotiate terms, remove unprofitable concessions, or exit.
Low Loyalty, High Profitability (High Potential)	Develop the relationship, increase volume, invest selectively.
Low Loyalty, Low Profitability (Not Profitable)	Review continuation, restructure commercially, or exit.

The matrix is not a one-time exercise. It should be a quarterly management tool that keeps the commercial team honest about where value is being created and destroyed.

This whitepaper is the third 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.

Jorge Olivares | LinkedIn

Vesper Commercial Excellence | +31 (0) 853 039 482 | info@vesper-ce.com | www.vesper-ce.com