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Unlock Growth + Profitability

Pricing Excellence Report 2022

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About



Copperberg has been surveying pricing and commercial excellence leaders annually to understand how organizations handle their pricing objectives, teams, and needs. As a result of continuously collecting data, this paper reflects on the pricing function and its role of importance in organizations that must adapt to market changes.

Chapter 1

Organization and Skillset



Strong considerations and priorities in a previous paper that surveyed pricing professionals in 2020, included recruiting pricing talent to support recovery, improving profits, maximizing margin in times of economic slowdown.

In our most recent survey data, collected in 2021, many organizations understand that having pricing specialists on board or a dedicated pricing team helps them reduce pressure on the marketing, sales, or finance departments to come up with optimal pricing strategies and the related tactical execution. The ability to address pricing on a holistic basis for the entire business often exceeds capacities of functional teams already stretched thin. Instead, the preferred best practice is to employ an expert or a team of experts who can collaborate cross-functionally to determine the right prices for the right products at the right time, with agility that matches market dynamics. These pricing teams assist product lines, implement and operate new pricing tools and processes, collect accurate pricing data, monitor pricing effectiveness, and constantly provide context to drive decisions and action.



Despite understanding the benefits of dedicated pricing teams, only **21%** of our survey participants from the previous report (2020) were looking to hire pricing specialists while **54%** of respondents were not looking to recruit any new pricing professionals. Recruiting pricing talent is strongly considered, however, it isn't a top priority. For respondents, priorities come from their ability to expand their abilities to meet their business objectives and digitization needs and at the same time tackle the challenges of the ongoing pandemic and economic slowdown.

Digital transformation and digitization did come up repeatedly as a focus. Data-driven pricing practices surfaced as an important consideration. Using data or developing the skills of those in charge of pricing was an objective for most respondents including upskilling business lines (**27%**), marketing team (**25%**), sales team (**24%**), and the Chief Pricing Officer (**5%**).

Who owned pricing in 2021?

Only **5%** of our survey respondents in 2020 had a dedicated Chief Pricing Officer within their organization. In our most recent survey, more companies realized the value of having an executive driving pricing decisions and priorities with **13%** of 2021 respondents revealing that they now have a Chief Pricing Officer. That's a significant improvement from 2020.

Marketing teams also saw a small uptick in ownership regarding pricing in 2021. This increase is influenced, to some extent, by value-based pricing which has been a growing shift in recent years. Members in the Marketing department are well-placed to understand their customers and are often more involved in assessing the value that customers see in a product or service, evaluating the willingness-to-pay for it, and are obviously tasked with communicating this value to customers.

*Hiring and assigning pricing to Chief Pricing Officers and marketing teams has meant that fewer business line teams own organizational pricing. As our research reveals, the number of companies whose business line teams own pricing efforts has decreased from **26%** to **18%** over the past year, while the number of companies whose sales teams own pricing has stayed relatively the same.*

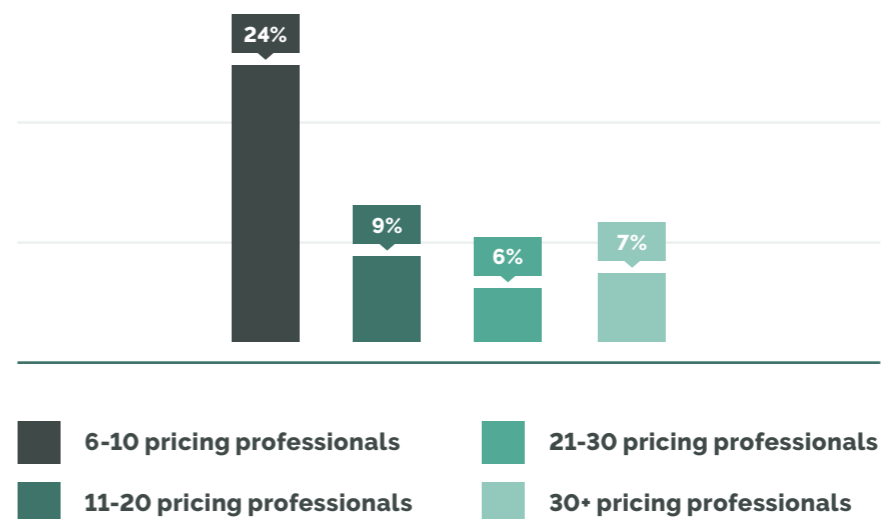
For the rest of our respondents, up to **21%** have revealed that their pricing efforts are managed by their company's merchandisers, finance, product management, services, directly by the CFO, or, as we saw in some cases, as a cross-departmental effort.



Sales is often the front line to the customer for price. They execute the pricing strategies and need clear guidelines to follow for the success or failure of pricing strategies. When there is a lack of central ownership of pricing we often see that the Sales team "claims" or "get passed" the pricing function as it is a vital tool for them in value communication. Companies that show a higher maturity in terms of commercial excellence or a more proactive approach to their pricing strategy often have a dedicated Pricing unit or CPO instead. Even though the sales department for many organizations is the very bread and butter, it is often hard to let sales own pricing as the structure and incentives tied to the individual sales representatives' performances often creates silos and ad hoc decisions based on sales cycles rather than harmonized with the overall financial targets. Most likely we will see a trend of the ownership getting moved from sales towards a commercial excellence unit or centralized unit as the market moves towards more mature pricing models and adhere to even more complex customer expectations.

[Commentary from Copperberg](#)

Pricing roles and teams are growing. Significantly, the number of companies that have more than five pricing professionals within their organization has increased from 54% (2020) to 68% (2021). Additionally, of our survey respondents note that within their organizations:



As we've seen more decisions in the past few years being made about where the pricing function sits and whether it will expand, we expect the trends to be similar in 2022. Not surprisingly, 22% of respondents revealed that they are

looking to recruit more professional pricers in the coming year, while more surprisingly, more than three-fourths are not sure if they will recruit new pricing talent or are not looking to recruit pricing talent. Given these expectations for 2022, pricing will be a priority for more organizations, but they will find talent within their company, whether that's an individual or a team to provide price setting and guidance to the larger organization.

What are the most sought-after pricing skills in 2022?

In 2021, most companies considered data-driven and analytical thinking to be the most important skill for pricing professionals in the coming year. In 2022, things are not predicted to be much different and most consider data analysis and analytical abilities to be the most important skills for pricing professionals. Companies are on the lookout for pricing experts who can review and analyze data to derive accurate insights and create concrete action plans — all data-driven.

Alongside analytical capabilities, our survey respondents are also interested in the following skills for pricing professionals in 2022:

- Commercial and business acumen for efficient decision-making and favorable outcomes;
- Cross-functional management to ensure smooth collaboration between different departments such as sales, marketing, product, and more;
- Value thinking, value modeling, and ability to quantify the added value of a product within customer operations;



Pricers “can have great ideas but it will not be efficient if the data analytics is poor.”

Survey respondent

- Market awareness and business understanding for effective synthesis between product, size, feature, costs, planned earnings, and competitive advantages;
- Effective pricing management and change management capabilities;
- Power BI and Excel skills, digital skills, ability to work with relevant ERP systems;
- Deep understanding and knowledge of proprietary products and services;
- Strategic thinking and ability to devise effective action plans;
- Soft skills for communication and smooth collaboration across the board, as well as interpersonal skills for influence and persuasion;
- Ability to evaluate the competitive landscape, identify similarities between peers, and perform proper benchmarking.



Companies are looking for pricers who understand “interdependencies between market situation, product features, costs, planned earnings, mathematics.”

Survey respondent

Vendavo's perspective



While it may not be improving as quickly as pricing specialists would like, the skills and experience pricers bring to organizations are becoming increasingly indispensable. Companies are recognizing the importance that pricing teams and individuals have for their business objectives and the general function has become more prioritized year over year. Based on the data for the past few years, strong pricers have a combination of data analysis skills, market understanding, Excel and digital expertise, effective pricing management, and are able to communicate across the organization. Someone with this combination is in high demand with companies seeking to add pricing specialists to their teams. Whether companies decide to recruit new talent or expand the abilities of their existing pricing talent, this expertise will be critical in streamlining their pricing practices. —

Chapter 2

The Current State of Maturity and Adoption of Pricing Models



A good pricer needs “to be close to the market and offer fast solutions/responses that customers can trust.”

Survey respondent

In recent years, the digitization of organizational processes, including pricing, has become a priority for companies that want to ensure business continuity across successful periods and times of disruption, such as a global pandemic, supply chain breakages, or general market volatility. This elevated priority is just one of the reasons why digital skills are already in high demand among pricing professionals, and the demand will only increase in 2022. Driven by digitization and the need to optimize pricing and ensure accuracy, companies are seeking expert pricers who are not only tech-savvy but who can also ensure the success of software implementation and usage while staying agile and ready for any market change or disruptor thrown their way.

As many as **59%** of our survey respondents are already using software to set global reference prices, which is an increase from **53%** of companies who had pricing-specific software in the previous year. The importance of technology is increasing year over year among companies looking to implement a more data-driven pricing approach.

Additionally, **44%** of respondents are currently using software to provide guidance for negotiated pricing decisions and **27%** offer product suggestions and context for pricing decisions to their sales teams.

Streamlining collaboration between pricing and sales

With pricing professionals using software to inform sales teams for better decision-making, the collaboration between these two departments is expected to evolve in order to support value-based pricing and selling methods. A unified approach can more easily streamline the process of creating and adding more value for customers and creating greater revenue.

A combined **60%** of respondents have revealed that there is good or mostly good communication between their sales and pricing teams and that they are able to sell value. Only a few claim that communication between their teams was great. Alarming, about **35%** claim little to somewhat little collaboration between their sales and pricing teams. Overall, most of our respondents are situated on the positive side of the collaboration spectrum, with pricing and sales teams working together to provide more value to customers. There is an addressable gap for organizations to create a more synchronous environment for pricing and selling departments as the business needs both groups.



It is continuously important to “make [different business units] understand that pricing is not the enemy of sales performance and that it is a team's work.”

Survey respondent

The ongoing trend toward a more unified approach that involves pricing and sales teams is good news for companies looking to transition to a value-based pricing model. Just like last year, value-based pricing continues to be the top pricing model as respondents move into 2022.

The value-based model continues to shape the future of pricing

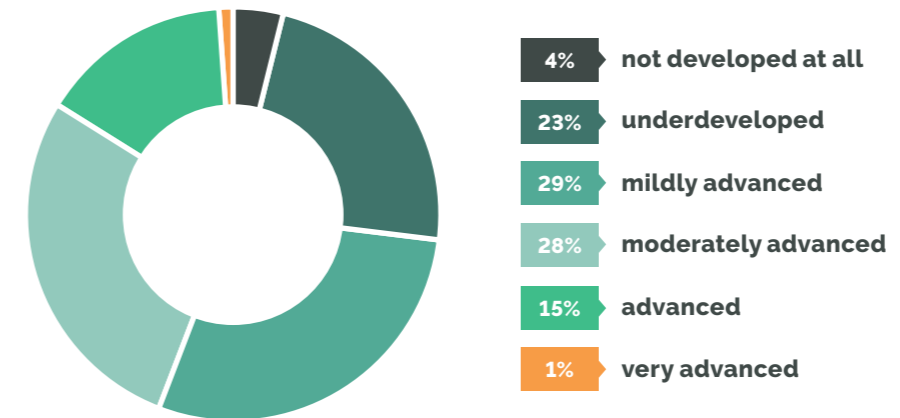
Value-based pricing and selling has been the key pricing model based on recent data. The customer-centric model has helped many businesses navigate for better success during the economic slowdown created by the global pandemic.

There was uncertainty at how business between companies could improve given the pandemic and economic shifts, but companies have been able to retain and even achieve new business. Organizations are able to achieve this because of the shifting focus on selling value rather than holding on to outdated, crystalline pricing models that don't reflect current market reality. The value-based pricing model requires an agile mindset for it to work effectively, and in building the needed flexibility, businesses are also building resilience, which is critical to business continuity.

Organizations are well-positioned to build and base themselves on the value-based model. A combined **16%** of respondents shared they have advanced or very advanced value-based pricing in place. The other **84%** are split between somewhat advanced (**28%**), mildly advanced (**29%**), underdeveloped (**23%**), and not developed at all (**4%**). This



is an improvement for companies whose respondents previously noted that they didn't even have a strategy to develop value-based pricing within their organizations the year before.



For most, advancing value-based pricing is still a work in progress. The efforts invested in developing this model are intertwined with the efforts put towards streamlining collaboration between sales and pricing teams—a collab-



oration that also relies on the expertise of pricers who can leverage interpersonal skills, data analysis capabilities, and tech-savviness to bridge the gap between the two teams.

Although value-based pricing continues to be the preferred choice for companies moving forward, pricing techniques such as market-based pricing, cost-based pricing, and segmented pricing are other options that companies are considering for 2022. Those are all key strategies to achieve pricing optimization. These other models are centered on competitive market position or product-market fit, which means pricing is set on par with or close to the competition without too much emphasis on the customer's perception of value or consider their willingness-to-pay.

Segmented pricing — which involves charging different prices for identical or similar products or services based on various criteria — is a lucrative customer-centric alternative that can provide a base for the more advanced value-based pricing. For that reason, it can prove to be more successful than the other options in a world where the customer's willingness-to-pay plays an integral role in pricing for their need and expectations.

Vendavo's perspective



Companies are spending more time understanding different pricing models and what makes the most sense for their organization and overall business. In the last few years, and predicted in 2022, value-based pricing is, and will be, a primary model for companies to use as it considers customer expectations of value. Organizations are finding success in retaining and signing customers or maintaining margins based on this method. Better pricing is also increasing the collaboration between pricers and sales teams. Pricers can stay agile to pricing changes and share the analysis and reasons for their pricing guidance allowing sales to provide better justifications for stronger negotiations. Overall, companies are getting more serious about their pricing methodology, digitization and digital transformation, and maturity in their markets. —

Chapter 3

The transformation journey and the future



Organizations are transforming into value providers who put customers at the heart of their decisions and pricing practices. From expanding their skillsets and pricing capabilities to implementing a value-based pricing model, about **30%** of respondents have a proactive pricing function within their organization today.

These pricing functions inform strategic decision-making for leadership and commercial purposes based on key data like margins, discounts, cost, and more. Respondents also revealed that they have established cross-functional collaboration within their organization.

As many as **56%** of survey respondents have an active pricing function that is part of their ongoing sales activities and it runs parallel to marketing and sales efforts. The remaining **20%** of our participants still have a reactive pricing function that involves working in different units, with sales strategies being decided per deal even when reporting and data is available.



Across all respondents, organizations as a whole are aware that pricing optimization is needed. Efforts put towards more proactive functions that feature the necessary capabilities for pricing agility are increasingly a priority.

By being agile and using the right pricing technology, businesses can maintain sustainable and profitable growth across the organization even when market conditions shift. Today, nearly **48%** of respondents shared that their pricing function was prepared for changes required in the last few years, but recognize they could be more agile going forward. Only **18%** noted they were prepared for the changes that were required in the past few years and are ready for other market or global disruptions should they arise.

The rest had pricing functions that were unprepared for the changes required during the pandemic. They are split between needing more capabilities for agility and those who have built their pricing priorities and thus have sufficient capabilities for agility. Often the inability to be agile when it comes to pricing is due to poor data analytics which are necessary to support pricing models. Others are hindered by scarce resources, insufficient support, or a lack of pricing understanding or maturity.

Major pricing trends for 2022

Despite the challenges that many companies are facing due to market volatility and economic slowdown, many are looking forward to evolving their pricing strategy in 2022. Focus and alignment in the coming year consists of:

Pricing logic and the customer's willingness to pay	Pricing and sales performance	Sales and operations
Products, product lines, and factors for value-based and logic-perceived pricing		Usage-based pricing and value
The global market and the availability and pricing of raw materials	Price increase and margin realization	Recovery costs and market price level

Aligning and streamlining collaboration with sales is a priority. Not only can pricing help sales deliver more value, but sales can provide more robust data to pricing teams that will lead to pricing optimization and agility in 2022 and beyond.



Value-based pricing, closely tied to sales alignment, is another trend for 2022. Survey participants understand that business success is reliant upon the customer's perceived value of products and services more than ever before. Whether they want to transition from their current model or expand their existing value-based model, value pricing and training sales to efficiently communicate value are top of the list.

Another major insight and trend for 2022 is Digital Transformation. The implementation and integration of pricing software tools with ERP and AI-powered solutions will continue to build more accurate price recommendations. These solutions pull from recommendations based on data and the ability to decrease the number of manual operations in pricing processes.

To operate this technology, many are looking to create dedicated pricing roles. These roles not only make sense to focus on pricing and sales data but are also proactive to achieve company KPIs and goals.

Vendavo's perspective



Alongside these trends, the ability to monitor and manage inflation and economic influences, introduce commercial management processes, and implement pricing frameworks will become increasingly more essential to success. Pricers — and those responsible for profitability — should recognize that enterprise pricing very much leverages the ongoing efforts to support the general trend of digital transformation. By calling out improved pricing performance as a specific outcome of the trend, organizations can make 2022 and the future very productive and profitable. —

Chapter 4

Summary

SUMMARY

Disruptions over the last few years have had impacts across the global economy. This is not limiting or stopping companies from understanding their markets and environment and proceeding with positive business outcomes and continuity. In this survey, we found that overall, businesses continue to face the same challenges year over year when it comes to pricing. However, the positive trend we see is that companies are being more deliberate in prioritizing pricing efforts and acting on these.

Major efforts that drive pricing professionals and pricing within companies include:

- Companies are focused on dedicated pricing talent. This is more likely to be pulled from individuals and teams within the organization, however more companies are expected to hire pricing specialists in 2022.
- Aligning sales and pricing teams creates better prices, communication, and negotiations.
- Allowing teams to be agile in pricing methods is a key to success in light of unknowns and possible immediate and further disruptions.
- Value-based pricing is the preferred pricing method based on survey results. The emphasis on providing value based on customer expectations and willingness-to-pay is a driver for this push.
- Digitization, Digital Transformation, and tool dexterity for price setting and price analysis is a necessity. The integration of pricing software and tools presents a more accurate price recommendation and removes the manual operations of managing thousands, or in some cases, millions of SKUs, regions, discounts, and other variables affecting pricing.



Good practice: “Revise the road map, manage pricing across different channels, improve guidance to and interaction with sales organization, get attention from c-level management.”

Survey respondent

Vendavo's perspective



The trends continue — digital transformation remains a top trend and priority because businesses have recognized the need for commercial agility. The work done in digitalization provides a platform ripe for cross-functional alignment because of the ever more urgent need for action in dynamic environments.

The pricing function is best-positioned to drive profitable growth by combining analysis and business insights that are timely and situation-specific, and not burdened by bureaucratic functional friction. Pricers now have the commercial platform to provide agile guidance for actions that win more profitable deals. Business leaders that truly want their organization to be sustainable are acting accordingly.

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About Copperberg

COPPERBERG

Herbert Spencer once said: "The great aim of education is not knowledge, but action".

Copperberg creates physical and digital platforms bringing together the manufacturing community in order to grow and build relationships globally. During the recent global pandemic, we have been focusing on virtual events and digital content — ensuring our community remains connected. So, how do we actually do that?

On a daily basis, we work hard to improve, develop and innovate our concepts and original content in order to ensure the best hands-on, real-life strategies for all our community members. Our ambition is to provide ideas, networking, and industry exchange between peers, that inspires and leads to action.

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About Vendavo

 **VENDAVO**
Unlock Growth • Profitability

Vendavo powers the shift to digital business for the world's most demanding B2B companies, unlocking value, growing margin and accelerating revenue.

With the Vendavo Commercial Excellence platform, companies develop dynamic customer insights and optimal pricing strategies that maximize margin, boost sales effectiveness, and improve customer experience. With an annual margin improvement totaling more than \$2.5 billion across companies in chemicals, distribution, high-tech, and manufacturing, Vendavo delivers cutting-edge analytics and deep industry expertise that help companies stay one step ahead.

Vendavo is headquartered in Denver, CO, and has offices around the globe.

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