

COPPERBERG



Pricing Excellence Report and Outlook 2023

Content



Introduction **3**



Chapter 3 **35**

The Transformation Journey and the Future

Preparing for Change **39**

Pricing Challenges and Opportunities **42**



Chapter 1 **5**

Organization and Skillset

Pricing Talent and Ownership in 2023 **13**



Conclusion **47**



Chapter 2 **21**

The Current State of Maturity and Adoption of Pricing Models

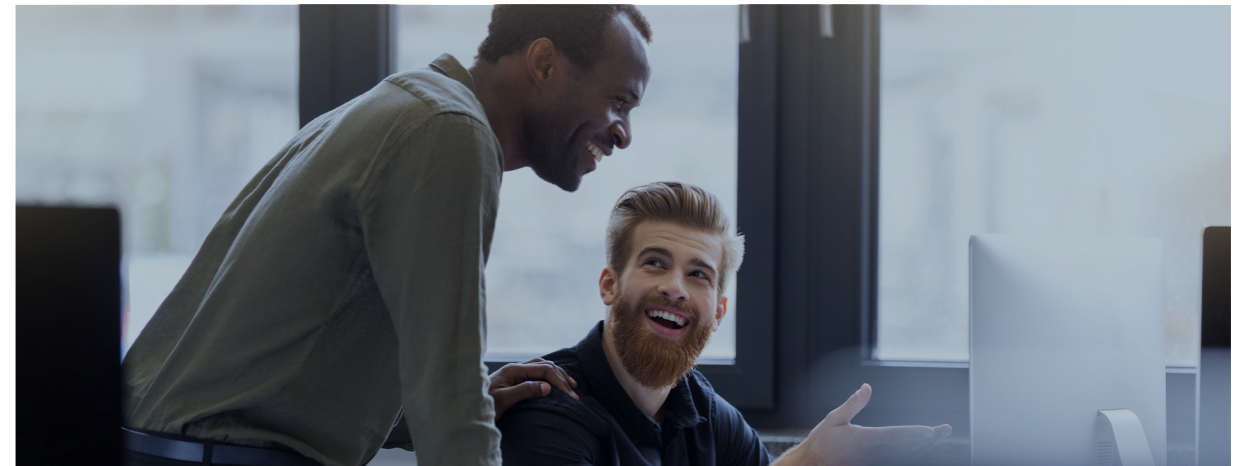
Challenges in Achieving Pricing Agility **27**

Pricing Tools and Software **29**



About **49**

Introduction



In the last 3 years, we have collected hundreds of responses from pricing professionals across many industries about their views toward pricing talent, pricing maturity, common challenges, pricing models, and more. Results from our annual surveys yield both expected and unexpected trends.

The way organizations are approaching their pricing and selling initiatives is fundamentally shifting. Companies are pivoting through the volatile economic and internal organizational changes.

Inflation, fears of recession, and abrupt starts and stops to supply chains are only some of the factors that are forcing pricing-related individuals and teams to pivot and foster agility. Through all of this, what does hold is that companies are working to improve their pricing agility, implement software solutions, and streamline collaboration year over year.

Copperberg and Vendavo surveyed 122 pricing professionals in 2022 through an online quantitative survey. This report includes a summary and analysis of the results and commentary from Copperberg and Vendavo experts. —

Chapter 1

Organization and Skillset



Pricing and the ability to modify and provide the right pricing for revenue and margin targets is mandatory for companies to succeed. In the most recent survey, the importance of pricing management has grown considerably within the manufacturing industry, including after-market and distribution businesses.

Far too often different people and teams own a piece of pricing. However, many organizations have come to realize that having a dedicated pricing team can help decrease the pressure put on other teams like marketing, sales, and finance departments, whose capabilities are often stretched thin and who are often unable to appropriately focus on pricing strategies.

Because pricing is a multidisciplinary function that relies on cross-departmental collaboration for success, organizations need to ensure that execution is overseen by a central team that has the capacity to not only drive decisions and action but also respond with agility to constantly shifting market dynamics.

**Additional
Vendavo
Commentary**



This data indicates that the pricing function doesn't own margin, pricing strategies are not generally being prioritized, or that sales teams need further justification on the pricing they are presenting. In the last year, finance has largely taken charge in pricing decisions, and the opportunity remains to be seen. Pricing teams are advantageous to deliver improvements in margin to the organization.

Survey respondents shared that pricing is owned most often by either sales (24%), marketing (21%), or a business line (18%). Followed by a Chief Pricing Officer at the C-suite level (11%) or within finance (8%). Sales and marketing departments, which have been influenced by value-based pricing in recent years, have developed a fundamental understanding of the customer's perception of value and their willingness to pay for it. Thus, the two departments are equipped with unique insights that inform the decision-making process and help establish prices that accurately reflect the customer's perceived value of a product or service.

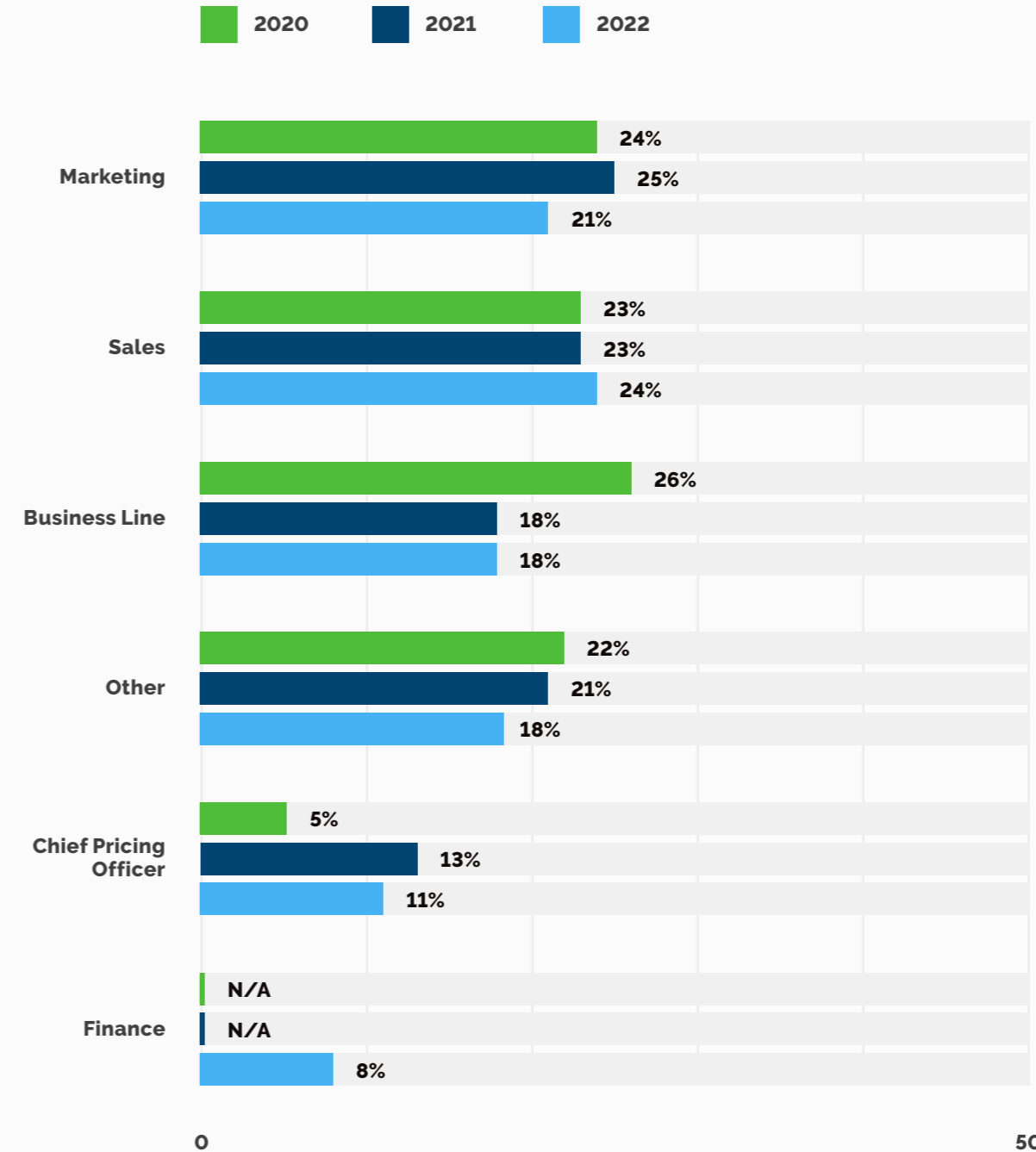
However, in many organizations today, pricing continues to be owned by multiple stakeholders. As 18% of our survey respondents revealed, their pricing function is commonly split between product management, sales, or aftersales, with regional variations for global companies that need to decentralize ownership.

Yet, compared to last year, the number of marketing teams responsible for pricing has decreased by 5%, while the number of sales teams responsible for pricing has stayed essentially the same. Business line teams also saw little to no change. Regarding the Chief Pricing Officer, the position experienced an increase in ownership last year from 5% in 2020 to 13% in 2021. Yet, this year, the number of reporting Chief Pricing Officers as responsible and owning pricing has decreased to 11%.

Interestingly, the team that did see an increase in pricing ownership is the Finance department. The role of finance in pricing has always been an influential one but considering global inflation and rising costs this year, the finance department seems to be ideal to prevent revenue loss. Traditionally, finance teams are the ones that have the highest stake, so their pricing strategies are



Who owns Pricing in your organization?





With a resource constraint in the pricing department, pricing officials shall strongly stress upon and rely upon cross-functional collaboration. For example, a strong support from data team and BI team can make analytics and price management easier. Pricing officials may focus more on the price transparency and margin leakage than price optimization.



Lehrasib Ali, Principal Pricing Consultant at Vendavo

developed keeping profit and pricing in their businesses in mind. It makes sense why they are suddenly experiencing an increase in pricing ownership.

Although for some companies finance teams can help them navigate inflation, the reality is that they lack insights regarding the value of a service or product and how the customer perceives it. In today's inflationary environment, calculating costs and adding a margin is not enough. In fact, such an approach can even hurt and compromise customer relationships.

To turn a potential loss into profit, finance teams should work closely with sales and marketing departments that not only understand the customer but are also responsible for communicating value to them. Such a collaborative cross-departmental effort managed by a pricing specialist or a pricing team ensures that there will be no knowledge gaps or ad-hoc decisions that can jeopardize the communication and selling of value.



Key Takeaways on Organization and Skillset:

1.

Many organizations still have an undefined pricing owner, as 18% of respondents say ownership is split between product management, sales, or after sales.

2.

More and more, the finance team is taking the lead in pricing decisions and proves key to preventing revenue loss in volatile market conditions.



3.

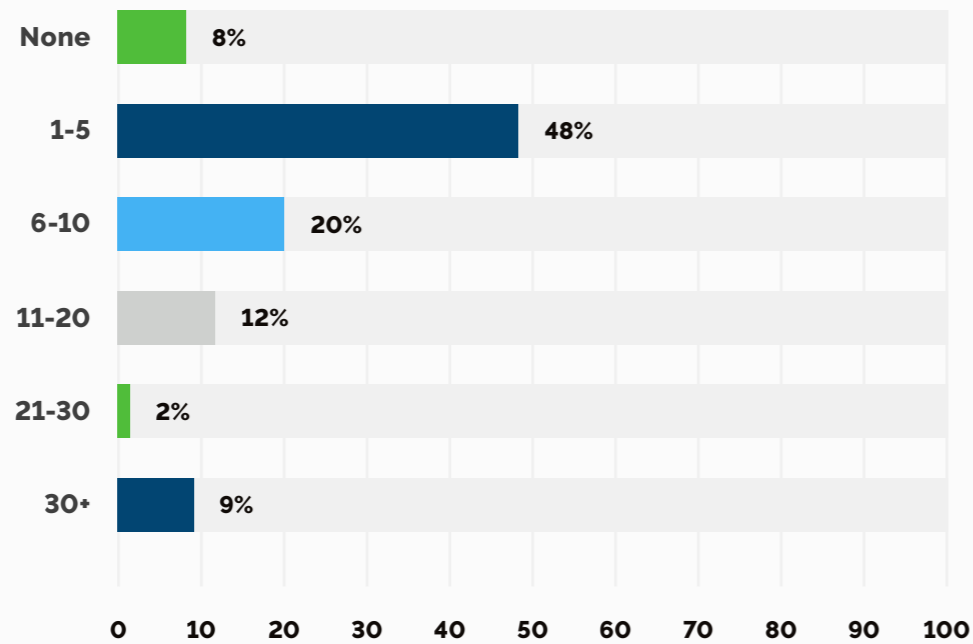
Appointing a pricing specialist or team to own pricing while fostering cross-departmental collaboration will be key to success in 2023 and beyond.

Pricing Talent and Ownership in 2023

Between 2020 and 2021, we saw organizations with five or more pricing professionals increase from 54% to 68%. What's more is that while pricing has gained traction as a stand-alone position and essential cross-functional effort, the number of companies with more than five pricing professionals has decreased to about 44% in 2022. So, there are fewer pricing members on teams but still 92% of respondents shared that their organizations have at least one dedicated professional. Only 8% of respondents have no pricing professionals or roles at their companies.



How many pricing professionals currently work in your organization?



Additional Vendavo Commentary

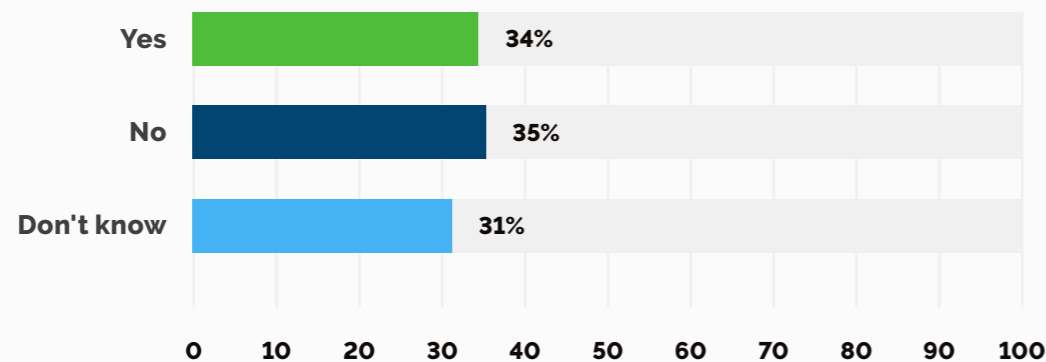
Cutbacks are a clear miss for the organization and the general inability to clearly communicate value is having effects. Having a systematic approach to identifying the pricing effect and differentiating it from volume and mix effects is critical to consistently deliver value in the company.

These insights indicate that pricing ownership can both be centralized and decentralized depending on multiple factors, such as business growth, global pricing activities, and shifting market dynamics. The bigger a company grows, the more pricing professionals are involved. On the one hand, especially on a global scale, the trend is to decentralize pricing ownership and distribute to multiple regional pricing leaders. On the other hand, considering the macro-environmental changes over the last year, including disrupted supply chains and the rise of inflation, many industry players have centralized ownership to smaller teams.

Fortunately, things look promising for 2023 as the number of organizations looking to recruit pricing professionals has increased to almost **34%** from **22%** last year. This still leaves many survey respondents unwilling (**35%**) or unsure (**31%**) regarding the further recruitment of pricing talent. Undoubtedly for global organizations, those decisions depend on the success of upskilling sales, marketing, and finance teams to be better equipped to incorporate strategies and pricing decisions.



Will you/your organization be looking to recruit more professional pricers in 2022?



Like last year, organizations are focusing on a more data-driven approach to making pricing decisions, and analytics continues to be the most important skill expected from pricing professionals in 2023. All pricing decisions will need to be backed up by accurate insights and analytics, to not only navigate market volatility but also facilitate a level of forecasting. Additionally, companies expect effective price management skills (**39%**) from their pricing specialists, meaning that, once again, centralized ownership over a cross-departmental pricing process is a top priority for organizations.

The top three most sought-after skills for 2023 are:

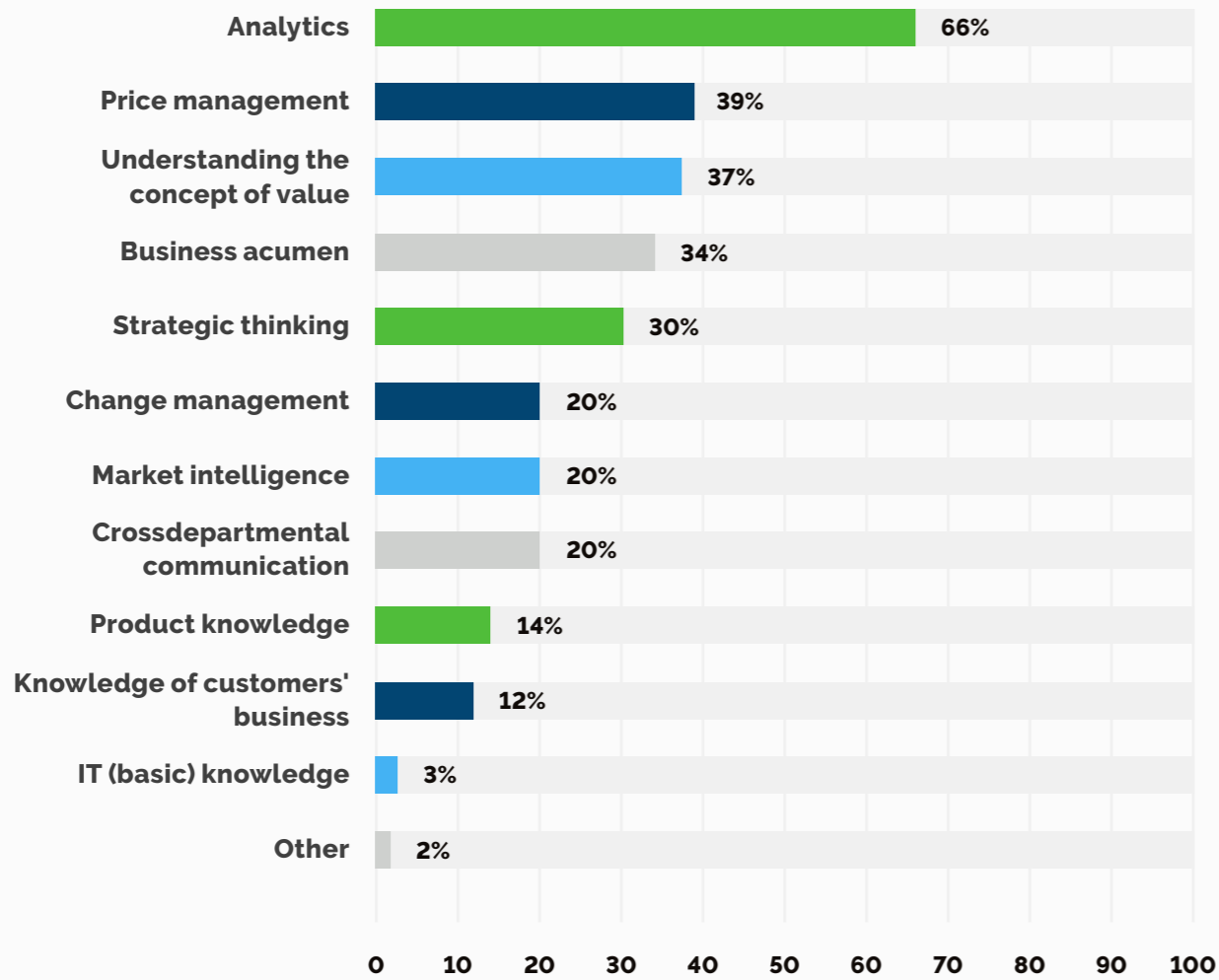
- Analytics (**66%**);
- Price management (**39%**);
- Understanding of the concept of value (**37%**).

Closely following is business acumen (**34%**), and strategic thinking (**30%**). Companies expect their pricing professionals to use analytical skills ahead of most others to understand and drive price management and critically protect value. Following closely is an all-encompassing understanding of the business and strategic context to steer pricing practices.

Organizations are looking for experts who are aware of their business model, the customer's willingness to pay, and the overall commercial environment. Companies are positively looking for talent that can help them achieve commercial excellence through cross-functional collaboration and data-driven decisions. —



Top 3 skills when recruiting pricing professionals



Pricing needs to be a thought leader in their business, and they need to have the solutions in place to do that. Advocate for that change, justify it with cold, hard data, and bring others along on your pricing journey. Help them understand why what you're doing is the most important thing the business can do. It's easy to forget in the milieu of inflation, revenue reductions, hiring freezes, but pricing is the most powerful lever a business has.



Chris Kennedy-Sloane, Business Consultant at Vendavo



Key Takeaways on Pricing Talent and Ownership:

1.

Recruitment for pricing professionals is growing, the number of organizations looking to recruit for pricing climbed to 34% from 22% last year.

2.

Analytics is the top most sought after pricing skill.



3.

92% of organizations have at least 1 dedicated pricing professional.

Chapter 2

The Current State of Maturity and Adoption of Pricing Models



Additional Vendavo Commentary

Based on the research conducted over recent years, value-based pricing has become a ubiquitous business model for manufacturing, aftermarket, and distribution firms. Even today, it continues to be the top pricing model for our survey respondents (**26%**), as it helps them unlock new revenue streams and consolidate customer trust through added value.

The value-based model drives agility and flexibility, making organizations more resilient to changes and market volatility. But for all its benefits, the value-based model can create some challenges for organizations who have fallen behind, especially when it comes to communicating added value.

In today's inflationary environment, those who haven't had the chance to consolidate their value-based pricing strategy, are having a difficult time increasing prices and justifying them to customers. Although the high inflation rates are as obvious to customers as they are to suppliers,

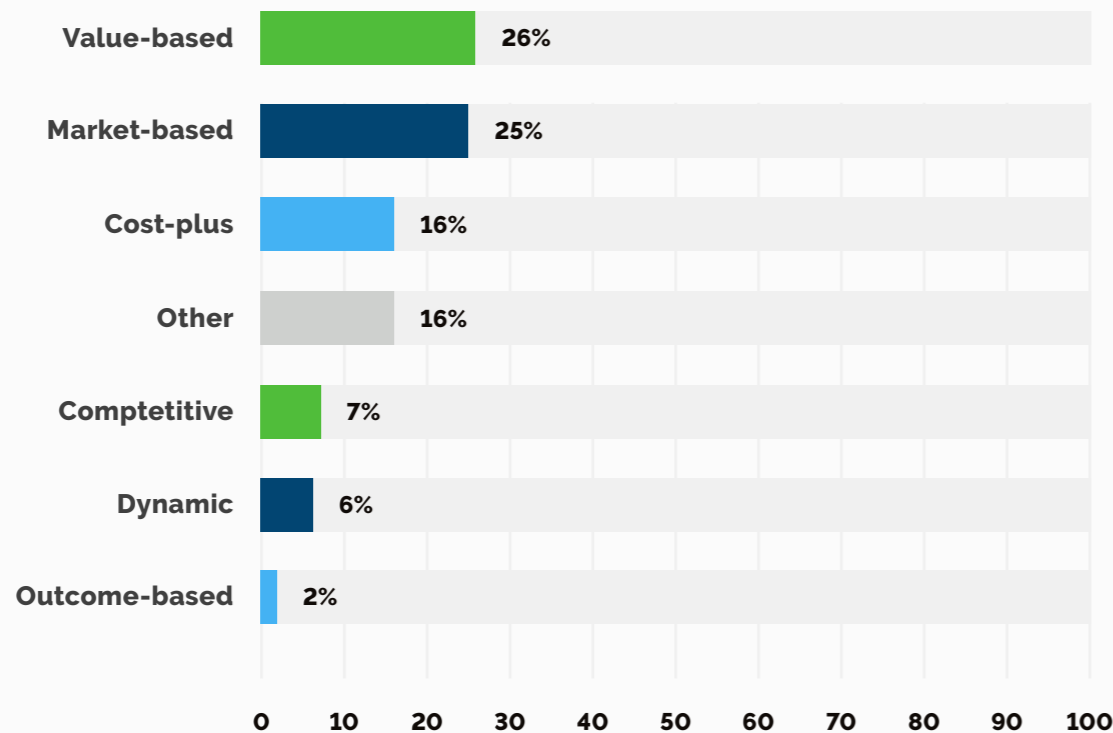
Pricing technology is one of the main drivers of agile pricing responses to market changes. Using software solutions to automate pricing functions, exchange data insights across different departments, and aggregate data on manufacturing costs, customer behavior, transaction history, and more, is a fool-proof way to not only accelerate responsiveness but also ensure accurate price recommendations, free from human error or bias.

marketing and sales teams are struggling to efficiently communicate the value to customers. One of the biggest factors behind this conundrum is misalignment between marketing, sales, and pricing, which are often working as separate units that don't have a consistent flow of information exchange.

That is one of the reasons why market-based pricing (25%) is still named as the second most used methodology. Rather than focusing on the customer and their willingness to pay, the market-based model focuses on the value of the product as compared to the competition. For many companies, market-based pricing is a legacy



What is the pricing technique you are currently using?



model, meaning that outdated and counterintuitive as it may be, it is the only pricing know-how that provides a sense of consistency in the context of high inflation and disruptive macro-environmental changes.

Taking a more hybrid approach between legacy models and innovative ones, a few of our survey participants (16%) have personalized their pricing models as hybrids of cost-plus pricing based on market intelligence and competitive positioning, or are using different pricing models, including value-based, market-based, and outcome-based, according to local market demands and different product lines.



There is no one size fits all for pricing. Different situations will require different strategies, even within the same company. However, the less diverse your offerings are, the more likely you are to have just one core strategy.



JT Bowlin, Sr. Director, EMEA Professional Services, Pricing at Vendavo



Key Takeaways on Pricing Models:

1.
—

Value-based pricing has become a ubiquitous business model for manufacturing, aftermarket, and distribution firms.

2.
—

26% of respondents prefer the value-based pricing model as it helps them unlock new revenue streams and consolidate customer trust through added value.



3.
—

25% of respondents focus on the value of the product as compared to the competition, leveraging market-based pricing models.

Challenges in Achieving Pricing Agility

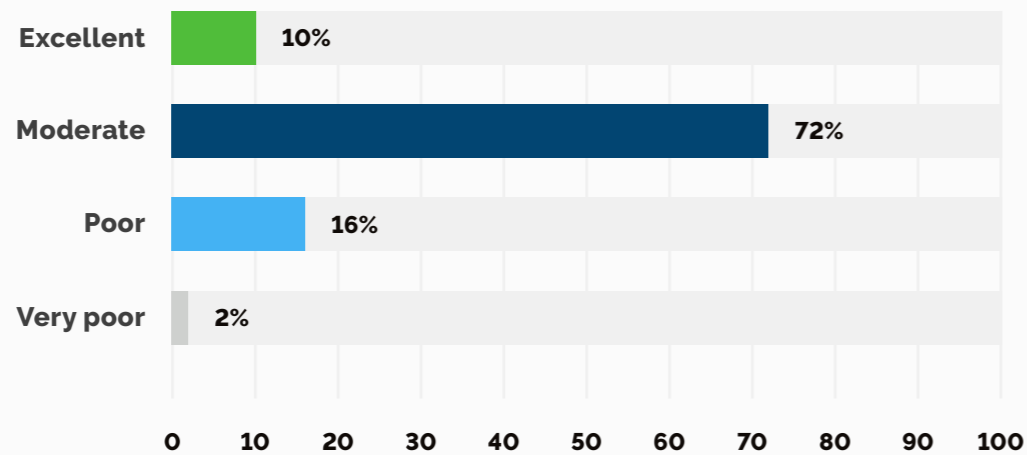
The value-based pricing model is known to be more agile than its other counterparts. Those who have advanced their value-based pricing strategy over the last year state that their organization's agility in pricing is excellent (10%), followed by the majority of survey respondents who have revealed that their organization's agility in pricing is moderate (72%).

Indicating that progress has been made since last year and suggesting that there is always room for improvement, with some survey respondents commenting that they have achieved a degree of agile pricing through active communication with their customers.

Others have commented that their challenges lie in increasing prices as quickly as costs increase, observing and reacting to market trends rather than anticipating them, and learning to operate with new systems and technology.



How would you rank your organization's agility in pricing?



Key Takeaway on Pricing Agility:



72% of respondents believe their organization's agility in pricing is moderate, suggesting there is always room for improvement.

Additional
Vendavo
Commentary



The increase in pricing software usage plays a big role in streamlining collaboration and expected to improve in 2023 given the ongoing initiatives for fully integrating pricing tools. In late 2021, Gartner estimated "that at least 10,000 B2B companies globally might benefit from a PO&M deployment" which means there is ample opportunity for organizations to modernize and move to software solutions to manage margin and price consistency within the economic environment.

Pricing Tools and Software

Pricing software is indispensable within an increasingly digital-first industry, enabling companies to streamline the otherwise time-consuming and daunting manual process of setting new prices that match the market dynamics and reflect the customer's willingness to pay.

Of our survey respondents, **22%** have fully integrated software solutions for setting global reference prices. The majority of the respondents (**78%**) report that they are not using fully integrated software solutions. Those who use software, partially and moderately, to set global reference prices, have commented that their in-house solutions, although not fully integrated, have sufficient capabilities. Other respondents commented that they are looking to fully integrate software solutions in 2023, and only use them partially at the moment to set global reference prices for parts, not equipment.

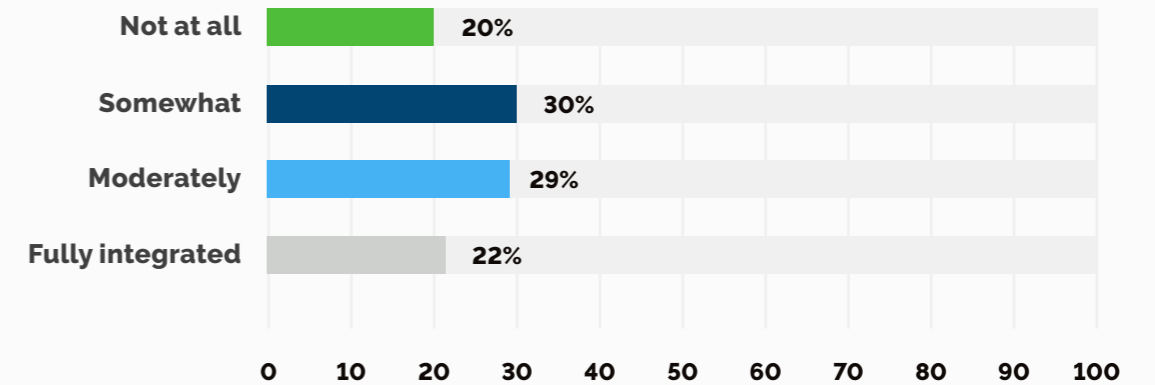
When it comes to using software to inform negotiated pricing decisions, numbers tell a slightly different story. Only **10%** are fully using software to inform their negotiated pricing decisions. This means there is ample room for improvement and work to be done for the **90%** who either do not use, partially, or moderately use software for their negotiated pricing decisions.

For many organizations, pricing guidelines are set manually and communicated internally, outside of enterprise systems. Others don't see the need for such a use case as their prices are fixed without room for negotiations. However, some are using software partially or moderately, while working in the background on fully integrating it for negotiated pricing decisions.

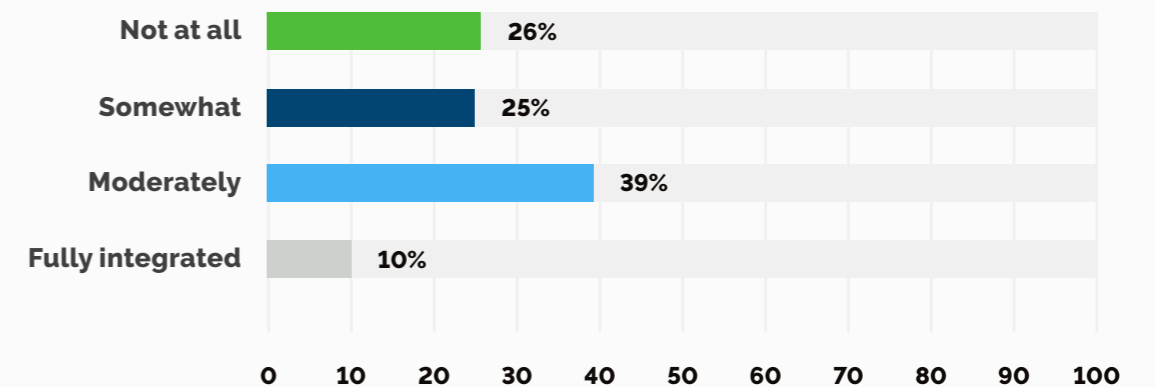
The same can be said about using software to provide pricing recommendations and suggestions for sales



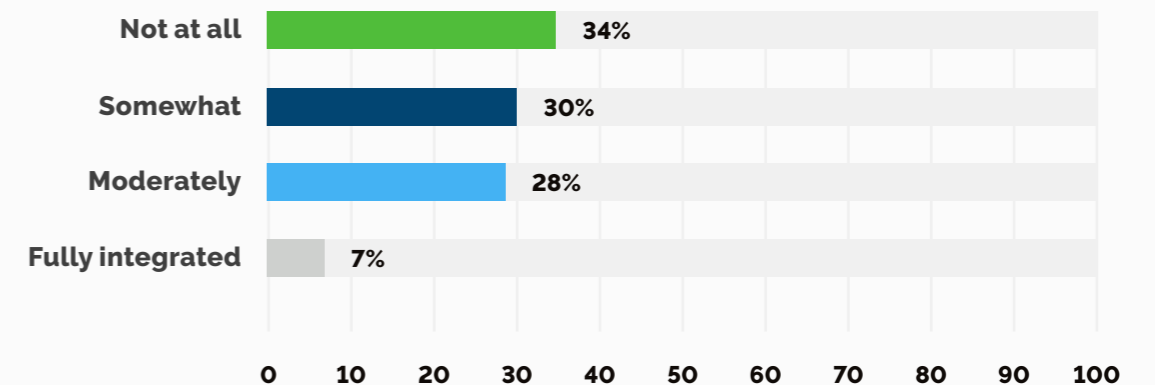
How are you using software to set global reference prices?



How are you using software to set guidance for negotiated pricing decisions?



How are you using software to provide product suggestions and context for pricing decisions to your sales teams?



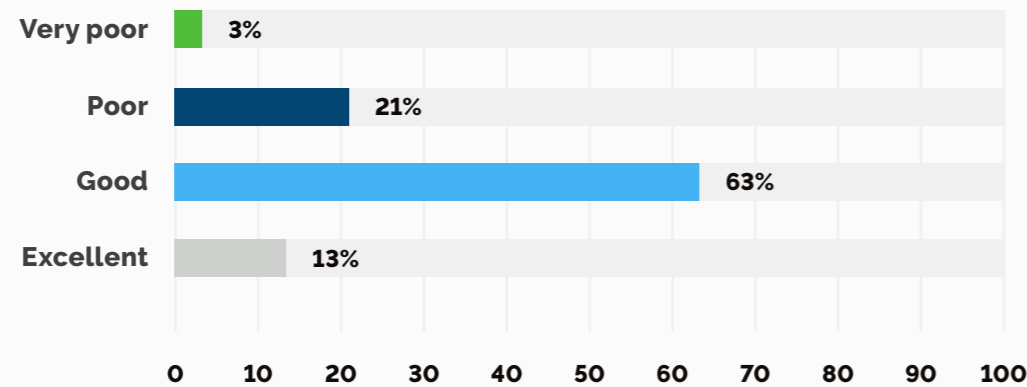
teams. Only 7% have fully integrated this function, while the rest are either not using software for this at all (34%), partially (30%), or moderately (28%). A few survey participants indicated that they were running pilots, at the time of response collection, and testing this function for complete integrations and data-driven sales for 2023.

Fully integrated pricing software helps set global reference prices, informs negotiated pricing decisions, establishes pricing guidelines, and provides pricing recommendations and context to sales teams. Pricing software is a necessary tool for achieving commercial excellence and unlocking cross-departmental collaboration.

As our research shows, only 13% of our survey respondents rate the relationship between pricing and sales within their organization as excellent, revealing a clear connection between fully integrated pricing solutions and smooth collaboration. With a slight increase of 3% since last year, the majority of survey respondents (63%) rate the relationship between their pricing and sales teams as good. —



How would you rate the relationship between Pricing and Sales within your organization?



Invest in the technologies that suit your business needs, apply an AI to your data, and equip yourself to complement your analytical skills and pricing strategy. The right pricing solutions can help B2B companies price with confidence and precision as economic conditions continue to change.



Lehrasib Ali, Principal Pricing Consultant at Vendavo



Key Takeaways on Pricing Tools and Software:

1.
—

78% of respondents report that they are not using fully integrated pricing software solutions.

2.
—

Less than 10% of organizations are fully using software to inform their negotiated pricing decisions, meaning there is ample room for improvement.



3.
—

Less than 15% of respondents rate the relationship between pricing and sales in their organization as excellent, revealing a clear connection between fully integrated pricing solutions and smooth collaboration.

Chapter 3

The Transformation Journey and the Future



Most pricing organizations have transformed, at least partially, over the last two years. From barely using pricing software for any use case at all, many companies are now using it to set global reference prices, provide price recommendations to their sales teams, and close other pricing gaps. Although the increase in moderate software usage has led to an increase in good collaboration between pricing and sales, there is still room for improvement.

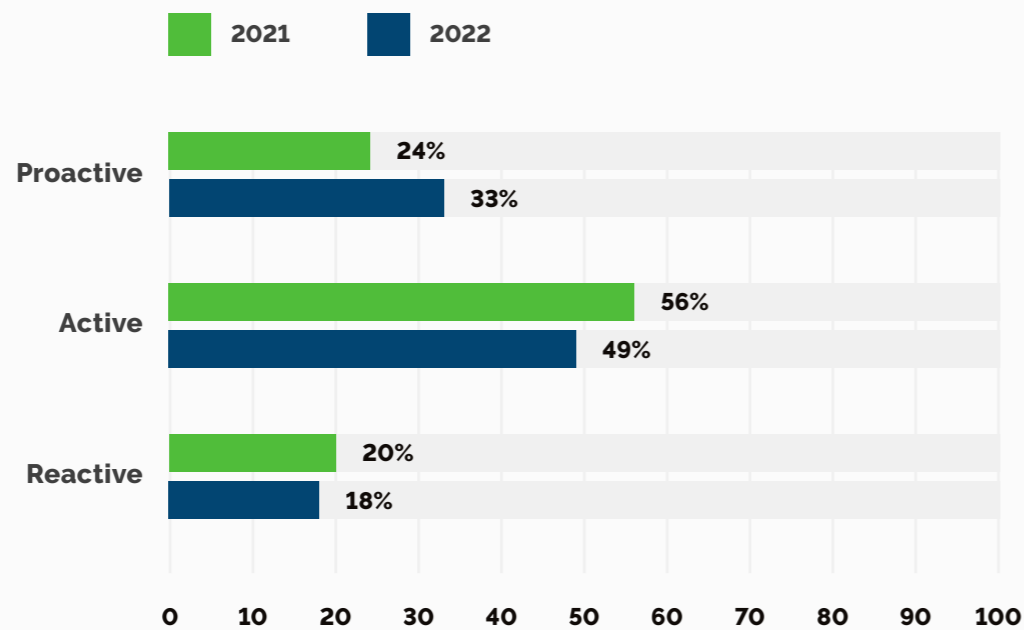
At the present, almost **49%** of our survey respondents describe the current state of pricing within their organization as active, part of the ongoing sales efforts, working in parallel rather than together with marketing and sales. This is a rather significant decrease from the **56%** of survey respondents who described their pricing function as being active last year. Likewise, the number of survey respondents who describe their pricing function as reactive, in which sales strategies are decided mostly without pricing input, has decreased from **20%** to nearly **18%** over the past year.

The decrease in the number of respondents who feel they are less reactive than previously, likely occurred because some organizations have evolved to active pricing in 2022. While the active state has decreased because some organizations evolved to proactive pricing. Today, as many as **33%** of survey respondents have described their pricing function as proactive, enabling strategic decisions, formulating commercial strategies based on key data, and collaborating across the organization with relevant stakeholders.

Further, based on the data, the trend toward proactively managing pricing has continued. Organizations are generally doing a better job year over year confidently proactive in their pricing state. They are transitioning toward proactive pricing and employing more data-driven methods for predicting trends and market dynamics.



The state of the pricing in your organization



Key Takeaway on Pricing Transformation:



Organizations are getting more proactive in managing pricing, with as many as **33%** of respondents describing their pricing function as proactive.

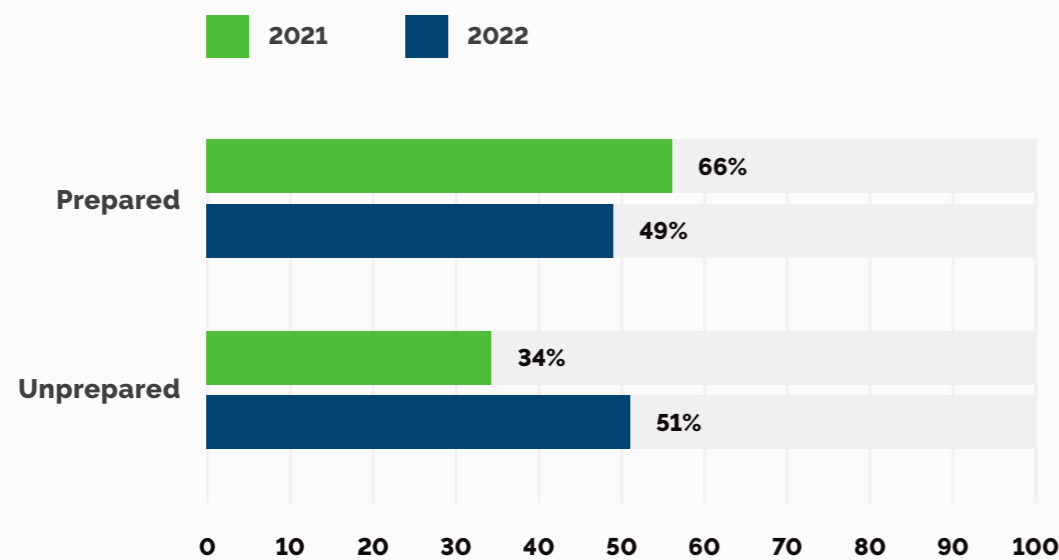
Preparing for Change

Considering the progress that has been made in terms of automating pricing and creating dedicated roles or teams to manage the different stakeholders involved in the decision-making process, companies are now looking forward to expanding upon their newfound capabilities, focusing on resilience, agility, and data-driven pricing strategies.

Of our survey respondents, **51%** found they were unprepared for the changes, even when they noted sufficient capabilities for agility. Looking ahead, **73%** still feel the need for more capabilities to address agility.



The description that best fits your pricing organization



The main challenge in the next 12 months will be in relation to the current challenges with the economy. For some customers, they may be falling behind on financial targets and there will be pressure to either do a price increase or drop prices to fuel growth. Fundamentally, you should continue to understand the value of your products and services, identify any value shifts, and react accordingly. If value isn't changing, your price likely doesn't need to change.



JT Bowlin, Sr. Director, EMEA Professional Services, Pricing at Vendavo



Key Takeaway on Preparing for Change:



73% of organizations still feel they need more capabilities for pricing agility, an organizational characteristic that will be needed to survive economic distress or disruption.

Pricing Challenges and Opportunities

Drawing from recent events that have put pressure on pricing, companies are undertaking major initiatives, from shifting to value-based pricing and implementing pricing software solutions, to envisioning post-inflation prices. Although the road ahead is expected to be challenging, companies are hopeful that their cautionary measures will enable them to maintain their margins as well as customer relationships.

Looking at the open-ended responses, **34%** of respondents are concerned about the future. A lot of responses include concepts of inflation, volatility, market conditions, pandemic, material cost changes, global shifts, supply chain concerns, challenges, fluctuations, possible recession, and the need for agility through it all.

The tone is still optimistic as pricers and teams find ways to adapt no matter what. According to our survey respondents, another major challenge in the next 12 months will be the implementation and integration of new pricing strategies. Market volatility is demanding organizations to undergo the time-consuming task of setting new prices and communicating them to the customer while also devising additional and unplanned, but rather necessary, price rounds in case of future disruptions.

Likewise, in an effort to maintain customer relationships and achieve organizational alignment, implementing pricing software solutions, integrating them, or updating them to be accessed by global organizations or regional pricing leaders seems to be a top priority for international companies.

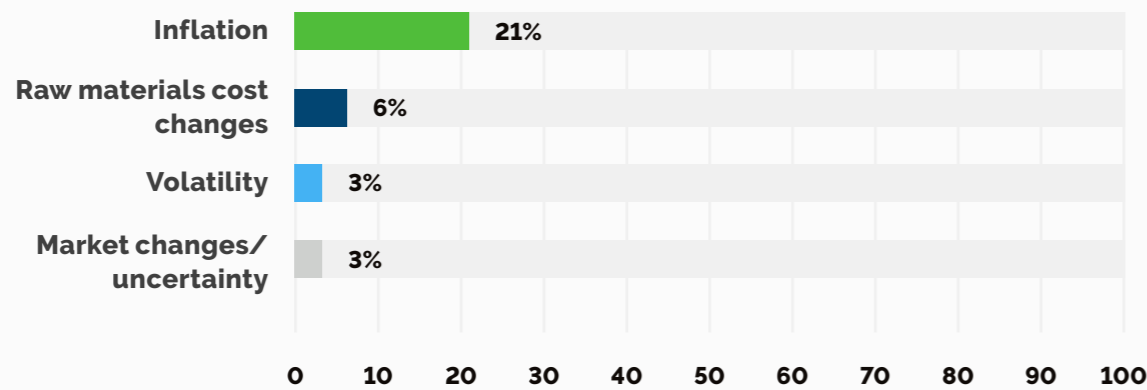
Many are also preparing for multiple product launches, which means that value communication must be consistent and efficient to ensure a profitable outcome. Taking into account the high level of price sensitivity that is currently affecting customers, a significant number of survey respondents are shifting toward value-based pricing, also hoping to cope with the current inflationary environment as a result of the paradigm shift.

Inflation is, undoubtedly, one of the biggest challenges for our survey respondents that will impact them and their customers well into 2023. From deploying pricing technology to implementing value-based pricing strategies, there is no shortage of solutions that organizations are working on in the background.

However, many are concerned that the speed at which they will be able to execute their strategies and come up with reasonable prices will not be sufficient to keep up with the high inflation rates. As the costs of raw materials are rising, they are also forced to increase prices.



Main expected challenges in 2023, when it comes to Pricing



Additional Vendavo Commentary

Many organizations are of the consensus that more preparation is needed to be ready for what the market may bring in the future. Companies are working on improving their pricing agility, implementing pricing software, automating further, and streamlining collaboration. As recent history shows, events such as a global pandemic, war, or accidents that disrupt the supply chains are not easily predictable, although consequences such as inflation are recognized as natural developments of such circumstances. Thus, it is always best to be resilient and agile in case of unforeseen situations.

Because of rapid inflation, many are tempted to use the peanut butter approach and increase prices across the board, but that often results in loss of customer trust and leads to customer churn.

Between upskilling sales and marketing teams, recruiting pricing talent, mining through mountains of pricing data, digitizing the business, automating pricing, and finally making pricing decisions, there is little time and even fewer resources to employ strategic and sustainable measures. —



Key Takeaways on Pricing Challenges and Opportunities:

1.

Inflation remains a major challenge, with 21% of respondents noting it as a challenge heading into 2023.

2.

34% of respondents are concerned about the uncertainty of the future, proving that characteristics like agility will be key to success.

3.

Companies are undertaking major initiatives, from shifting to value-based pricing and implementing pricing software solutions to envisioning post-inflation prices.



Conclusion



In this year's survey, we've seen challenges still surfacing in pricing departments who are being spread thinner with fewer team members and even less ownership from C-Level Pricing Officers. More Finance-driven pricing is happening with fewer centralized pricing strategies so it could be seen that things look bleak heading into 2023. However, this is not stopping pricing teams from being optimistic and finding alternate ways to address their pricing decisions and strategies in the inflation-heavy, volatile environment we are in today.

By working more closely with sales, using pricing software and solutions to build global pricing and negotiations, building the right pricing methods for agility (for years of inflation and the aftermath), and finding ways to be more proactive year over year, pricers are finding their successes. Now is the time to centralize and pick up the mantle of pricing leadership. —

Additional Vendavo Commentary

Looking to better understand where you fall on your Commercial Excellence journey?

Vendavo has developed a **Commercial Excellence Maturity Assessment** to help you do just that.

[Take the Assessment](#)

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.

info@copperberg.com

copperberg.com

About Vendavo

 **VENDAVO**
Unlock Growth • Profitability

Vendavo's AI-embedded pricing and sales solutions power the shift to digital commerce for the world's most ambitious B2B companies, unlocking value, growing margin and accelerating revenue.

With the Vendavo SaaS Commercial Excellence platform and our best-in-class CPQ and price optimization solutions, our users develop dynamic customer insights and optimal pricing strategies that maximize margin, boost sales effectiveness and improve customer experience.

Vendavo has offices in Denver, Dallas, Düsseldorf, Prague and Stockholm.

info@vendavo.com

vendavo.com



COPPERBERG

 **VENDAVO™**

Unlock Growth + Profitability