

# Pricing Agility: A Strategic Imperative

## Key Points

- Pricing adjustments are fast to implement and can unlock significant value when approached strategically
- When legacy “cost-plus” approaches are inadequate to account for fast-changing market and macroeconomic shifts, checking value perception and willingness to pay is especially crucial
- Incorporating fact-based customer insights can empower you to respond quickly to market shifts, align prices with real-world value perceptions, and maximize your value

## The Fastest Path to Unlocking Value

It takes years to build manufacturing capacity or establish supply chains, but there is one business lever that essentially requires the stroke of a pen: pricing.

Often quick to implement, yet seldom done well, pricing represents one of the most underutilized levers of business transformation. This paper shares our perspective born from years of experience helping organizations unlock hidden value through customer-driven pricing strategies.

## Why Pricing Often Falls Short

Changing pricing is often considered as a straightforward task for the P&L leader, and establishing market-driven pricing takes months, not years. Yet, the journey from intent to impact is fraught with challenges.

In **theory**, final prices should be determined by current assessment of a range of factors such as competitive pricing, market cyclicity, sales incentives, channel margins, etc.

In **reality**, we observed that many clients rely solely on qualitative historical considerations, and personal judgments—often in the absence of robust data. As a result, pricing decisions frequently default to “cost-plus” or “history-plus” methodologies, leaving significant money on the table.

Much of the existing material and strategies available in journal articles and consulting playbooks fail to address the nuanced realities of today’s dynamic and competitive market environments. They often rely on generic frameworks or historical case studies that may not reflect the unique contexts and drivers businesses face today. These approaches frequently overlook the importance of embedding direct customer feedback into pricing strategies. They fail to account for the complex interplay between perceived value and actual willingness to pay.

By relying on outdated or overly prescriptive methods, companies risk missing opportunities to align their pricing strategy more closely with customer expectations and market realities.

## A Customer-driven Solution

The biggest and fastest improvement opportunity lies in adopting customer-feedback-based pricing. By engaging directly with customers, asking the relevant questions in the right way, and collecting an adequate sample size of responses—all before entering sales conversations—organizations can:

- Validate value perception
- Accurately gauge willingness to pay
- Determine price elasticity

Behind every price adjustment lies a web of challenges: aligning stakeholders, managing customer expectations, and ensuring flawless execution across tools and teams. Without laying the proper groundwork, sales-rep-led conversations inherently devolve into price negotiations, even when that’s not the intent. However, shifting to an independent, data-driven approach reframes pricing as a value conversation, instead of a negotiation, and ensures that pricing strategies reflect true value generated by your products and services.

When approached thoughtfully, this shift transforms pricing discussions into value-driven dialogues while offering an opportunity to streamline internal execution and strengthen external stakeholder engagement.

## A Case in Point: The Decking Industry

Consider the market for composite decking, a material known for its superior strength, longevity, ease of maintenance, and aesthetic appeal. When first introduced, the assumption within the industry was that customers, even those owning high-end homes, had limited willingness to pay a premium for composite materials over treated wood. Based on these assumptions, industry players priced composite decking at a modest 20% premium.

However, a scientific survey of real customers revealed a different story. High-end homeowners, valuing the superior qualities of composite decking, indicated a willingness to pay premiums exceeding 50%. As awareness of composite decking’s benefits grew among the customer base, it started commanding 2-3x premium compared to treated wood with high customer satisfaction ratings.

This industry-wide misjudgment stemmed from the mental conditioning of contractors, who presumed that customers always prioritize the lowest price. Armed with accurate customer insights, we helped a leading composite deck materials company adjust its pricing strategy and achieve exponential growth in value with a simple “stroke of the pen.”

Area	Traditional Approach	Customer-Driven Approach
Value Perception	Assumed based on internal expectations and past experience	Customized and validated directly at customer and product segment levels
Market Responsiveness	Reactive and slow due to static assumptions	Proactive, agile and aligned with latest dynamics
Revenue Impact	Cost + margin approach left money on table	Maximizes producer surplus by identifying WTP at granular level

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This example highlights a broader truth: while supply chains and manufacturing footprints cannot shift overnight, pricing agility offers the fastest response to market dynamics. By incorporating the customer perspective, organizations can move beyond legacy pricing

models and capitalize on opportunities that align with true market demand.

This is not about universally raising or lowering prices. Instead, it is about precision—leveraging data to make informed pricing decisions that maximize value for both the customer and the business.

## Ready to Unlock Pricing Potential?

Effective pricing strategy requires a comprehensive approach—one that balances internal and external insights. Our methodology integrates three critical components to deliver a holistic pricing transformation:

### Internal Commercial Excellence:

We dive deep into your internal financials to assess account and product profitability, channel economics, and cost structures. This ensures your pricing strategy is aligned with profitability goals and operational realities

### Customer Willingness-to-Pay Research:

We gather direct feedback from the market to validate value perception, identify willingness to pay, and understand price elasticity. This external perspective ensures your pricing reflects real-world demand dynamics

### Salesforce Effectiveness:

We equip your sales team with the tools, insights, and training they need to confidently implement the new pricing strategy. This includes clear value understanding of value proposition and underlying drivers to ensure consistent execution across the organization.

By seamlessly integrating these internal and external elements, we deliver a pricing strategy that is data-driven, market-aligned, and actionable—empowering your organization to capture untapped revenue opportunities with confidence.

In today's fast-changing market environment, customer-backed pricing is not just a competitive advantage—it's a necessity. Interested in learning more about how this approach can help your organization adapt and thrive? Let's connect!

## Connect with us



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