

2024 Executive Pricing Survey

March 2024



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From our Managing Partners

We are pleased to release the much-anticipated Executive Pricing Survey. This second annual installment brings an expanded viewpoint, covering a larger geographic area and additional industries over the previous year. We reached out to over 500 executives in more than nine industries, and now have added the European market. The contributions and interest are a testament to the growing importance of pricing in today's competitive landscape.

The survey covered key 2023 benchmarks, revealing the pricing strategies that successful companies employed to drive performance. We also provide a 2024 outlook and benchmarks, providing a rare glimpse of how other companies are strategizing. The business insights ensure you are well-prepared for the challenges and opportunities that lie ahead.

We are happy to announce that this will be just the first in a series of reports we issue in the coming months. Industry-specific packages will soon be available, tailored to meet the needs of your sector with data-driven insights that will empower you to make informed pricing decisions.



AVY PUNWASEE
Managing Partner



MICHAEL STANISZ
Managing Partner

2024 Executive Pricing Survey

Demographics

520

9+

Participant Titles

Chief Executive Officer
Chief Financial Officer
Chief Revenue Officer

Chief Operation Officer
VP of Marketing
Finance Director

Industries

Consumer Goods
Business Services
Medical Technology
Pharmaceutical
Healthcare Services

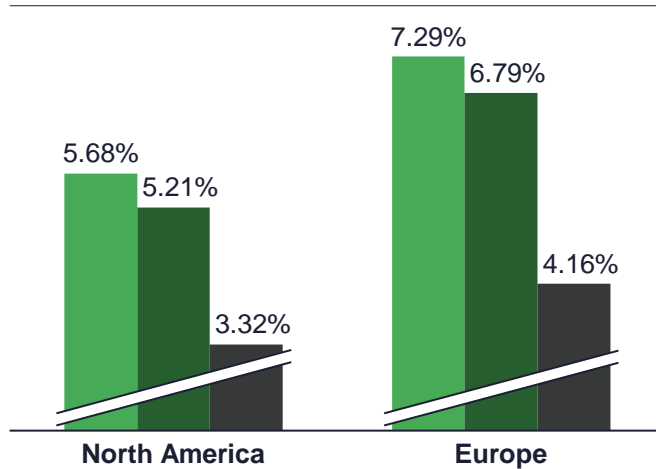
Manufacturing
Distribution
XaaS (Software)
Technology

Pricing Benchmarks

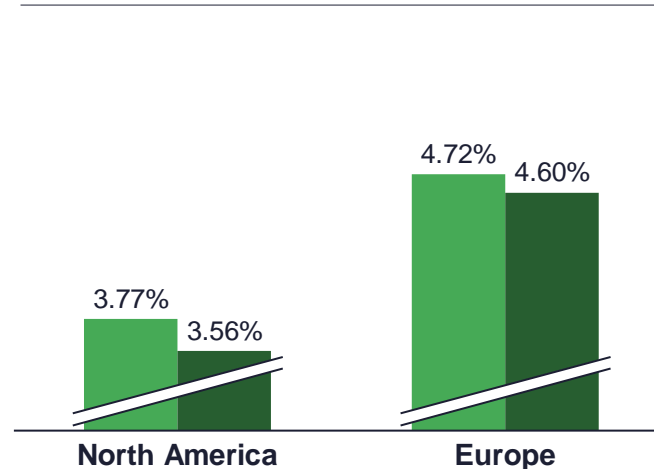


Region

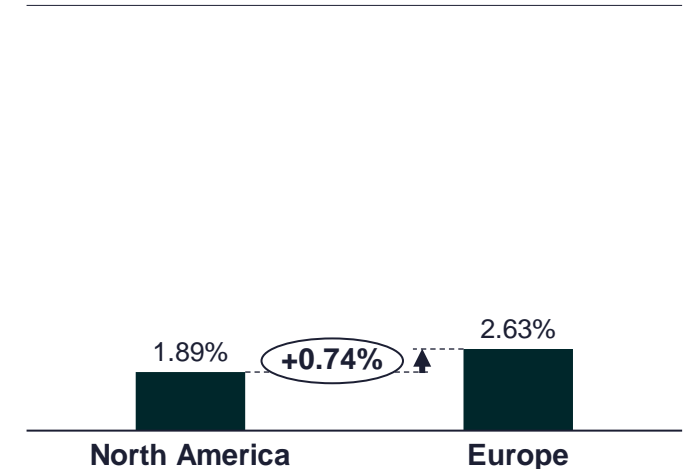
Price Increase



Revenue Growth



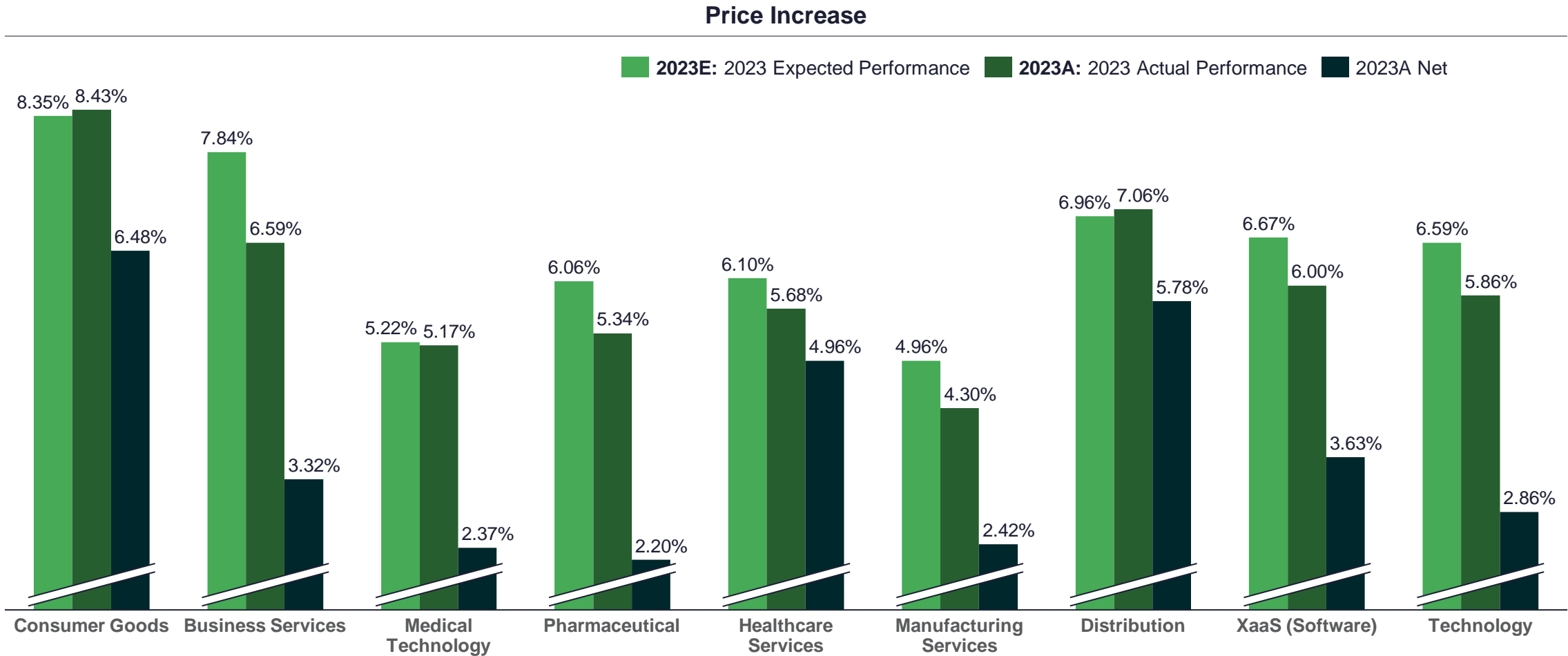
Discount Change



■ **2023E:** 2023 Expected Performance
 ■ **2023A:** 2023 Actual Performance
 ■ **2023A Net:** 2023A less Discount Change

- » Despite lingering inflation and steeper discounting, **Europe drove higher net price realization and revenue growth**
- » **Europe** was **more aggressive** with their **planning** and were able to **realize greater growth**
- » Both regions **missed price and revenue growth expectations**
- » **Increased discounting** stemming from rising **customer sentiment for concessions** combined with turbulent macroeconomic conditions

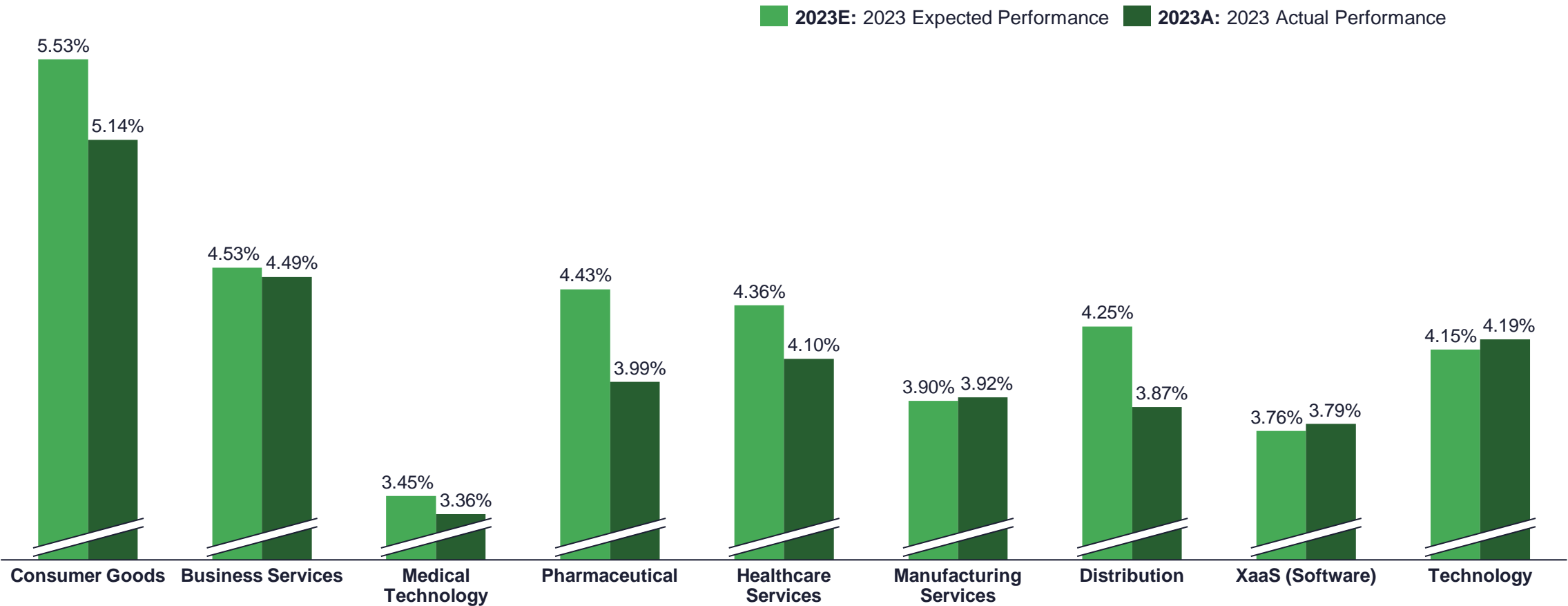
Industry (1/3)



2023 Inflation – [NA](#): 3.4% ; [EU](#): 3.4%

Industry (2/3)

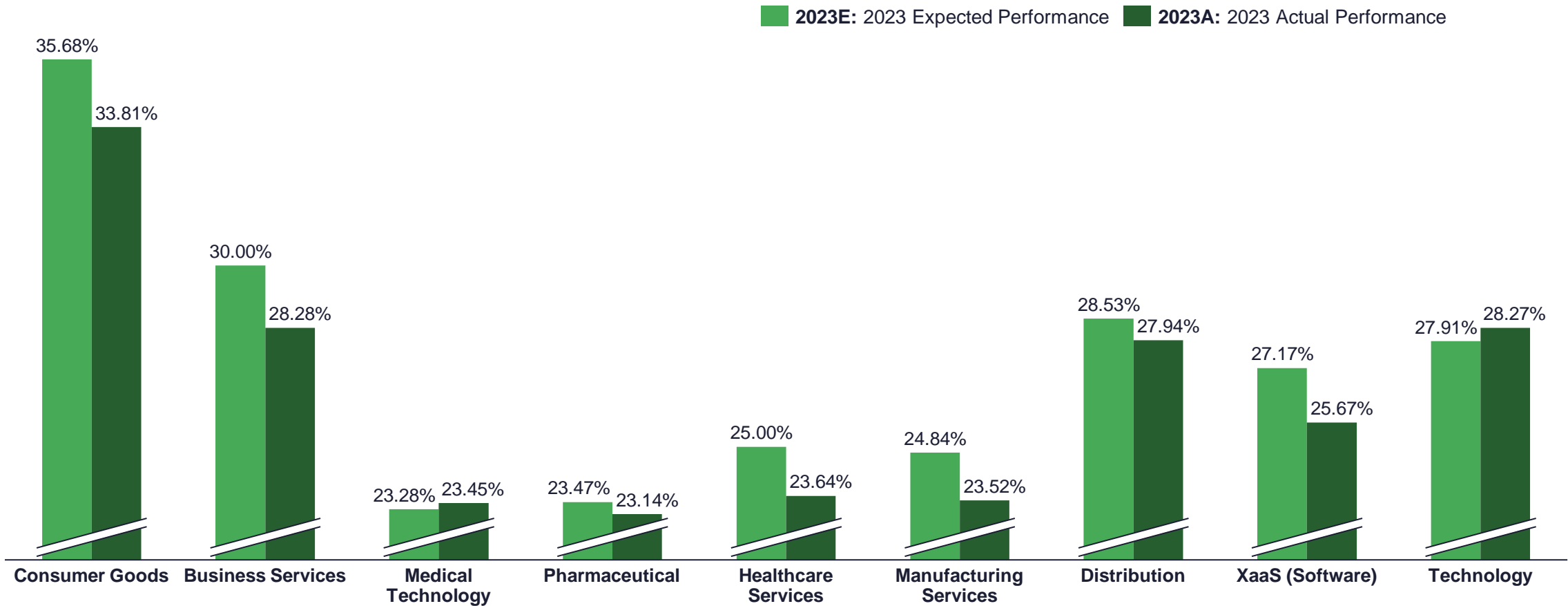
Revenue Growth



2023 Inflation – [NA](#): 3.4% ; [EU](#): 3.4%

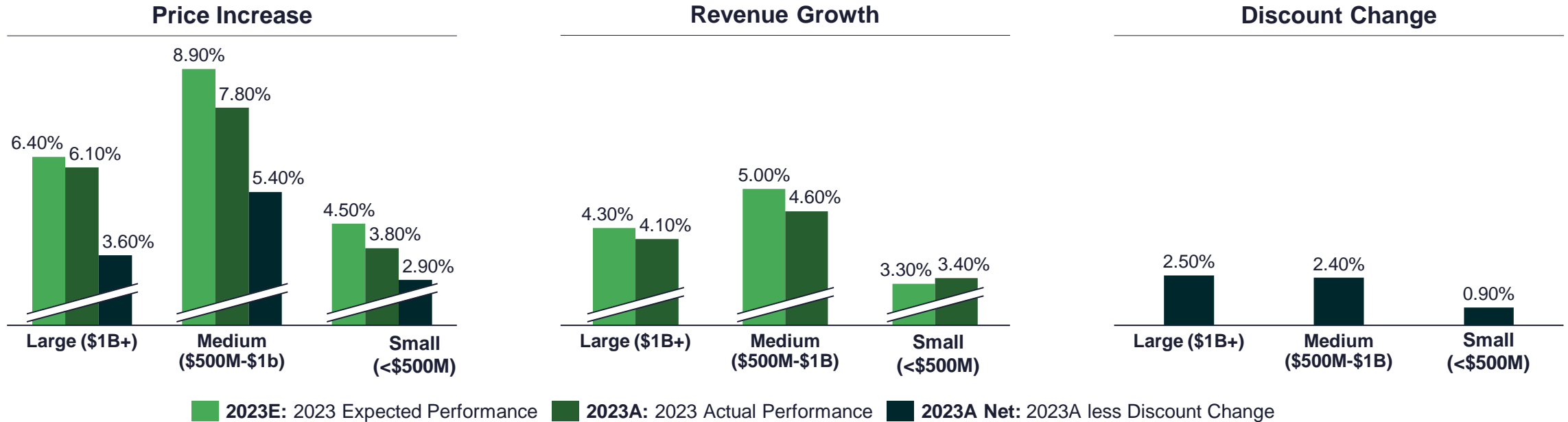
Industry (3/3)

Gross Margin



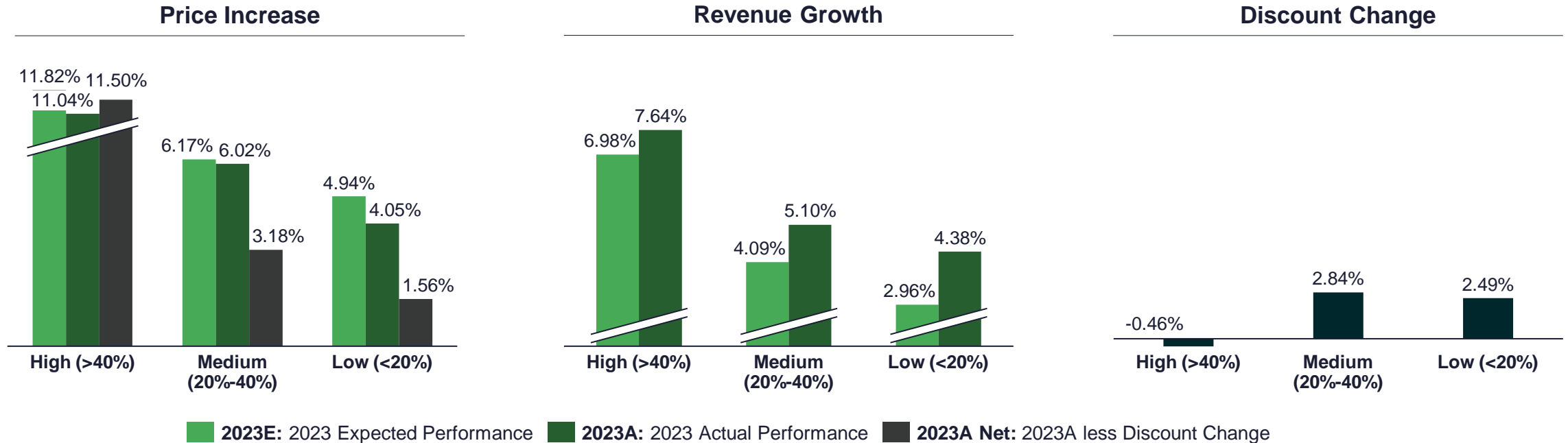
2023 Inflation – [NA](#): 3.4% ; [EU](#): 3.4%

Revenue Size



- » **Medium sized companies realized greater growth** (price, net price, and revenue) however, they missed their targets by the greatest amount
- » Interestingly, Medium sized companies' 2023 revenue growth is less than the achieved net price increase indicating that **volume was lost**
 - Large and Small companies both had **revenue growth greater than net price growth** indicating **volume increases**

Gross Margin



- » High margins *do* have a relationship with high price increases, but they *do not* translate into top-line growth
- » Companies with gross margins above 40% had **extremely high price increase targets** and almost achieved them
 - However, the large price increase did not translate directly into sales as seen through -3.86% differential between net price increase and revenue growth → represents volume being lost as a result

Six Pillars for Pricing Success in 2024



High performing organizations drive results by adopting **six** best-in-class pricing practices



C-Suite Engagement In Pricing Decisions



Review & Monitor Pricing Decisions On A Monthly Basis



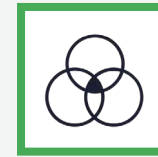
Instill Trust In Sales Team Through Greater Responsibilities



Invest In Artificial Intelligence & Machine Learning



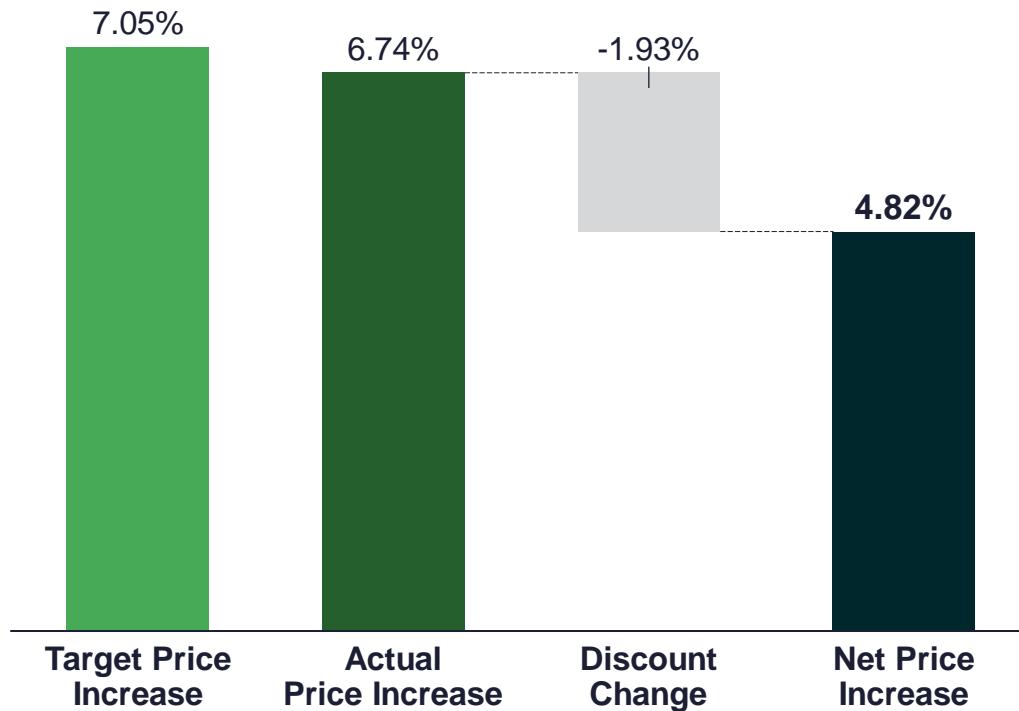
Have A Dedicated Pricing Team



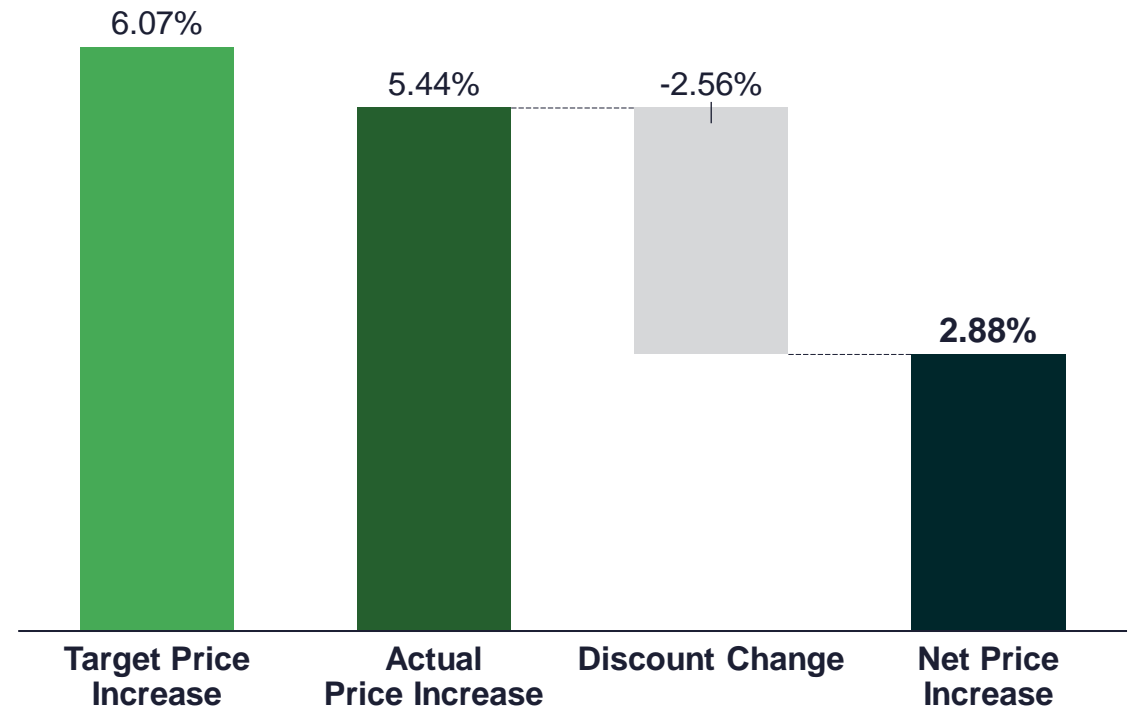
Have A Balanced Approach To Pricing Decisions

When the C-Suite is involved in pricing, targets are set higher, realized more frequently with less discounting and an increased net price realization of 67%

'23 Net Price *With* C-Suite Pricing Involvement

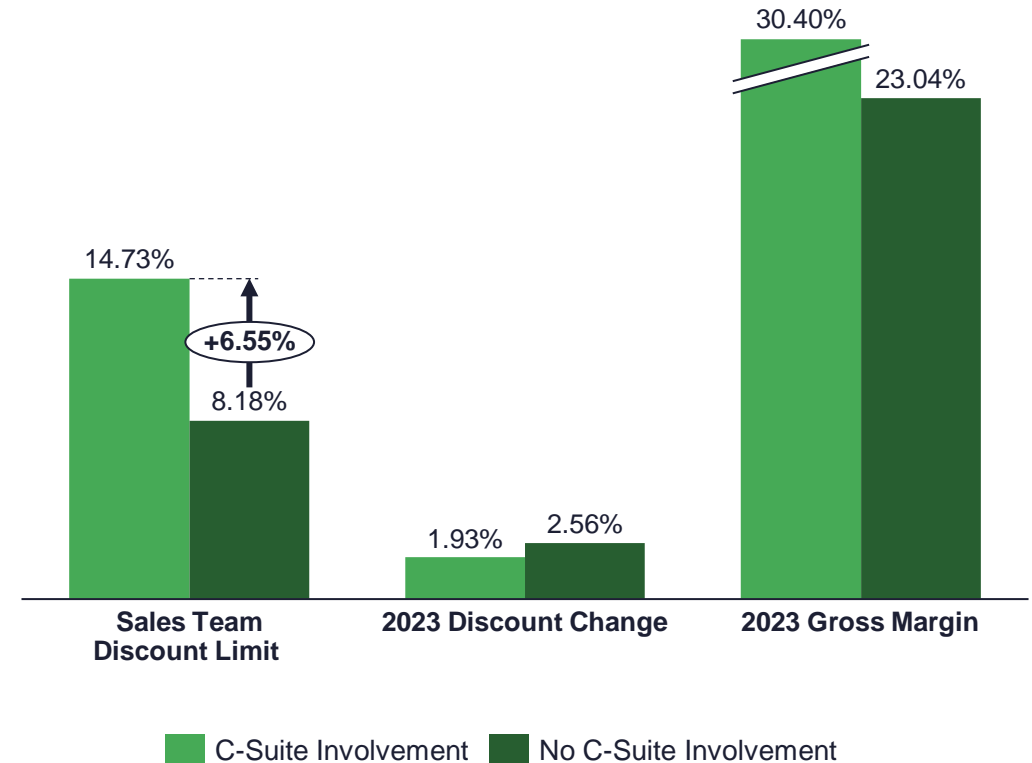


'23 Net Price *Without* C-Suite Pricing Involvement



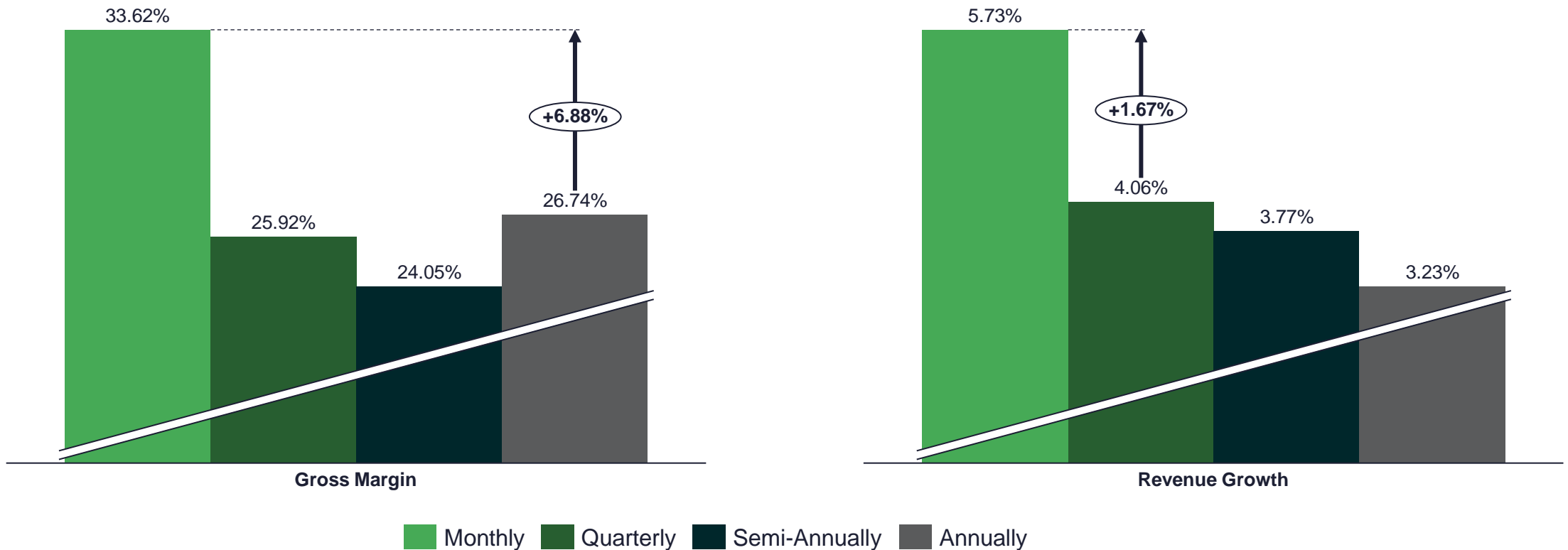
When the C-Suite is involved in pricing decisions the discount increases year-over-year were smaller

- Senior leadership encourages a more cohesive pricing strategy and a larger approach to standardization
- In addition, the **sales team has much more leeway to provide discounts** without management approval, leading to:
 - Quicker sales cycles
 - Controlled discounting
 - Higher gross margin achievement

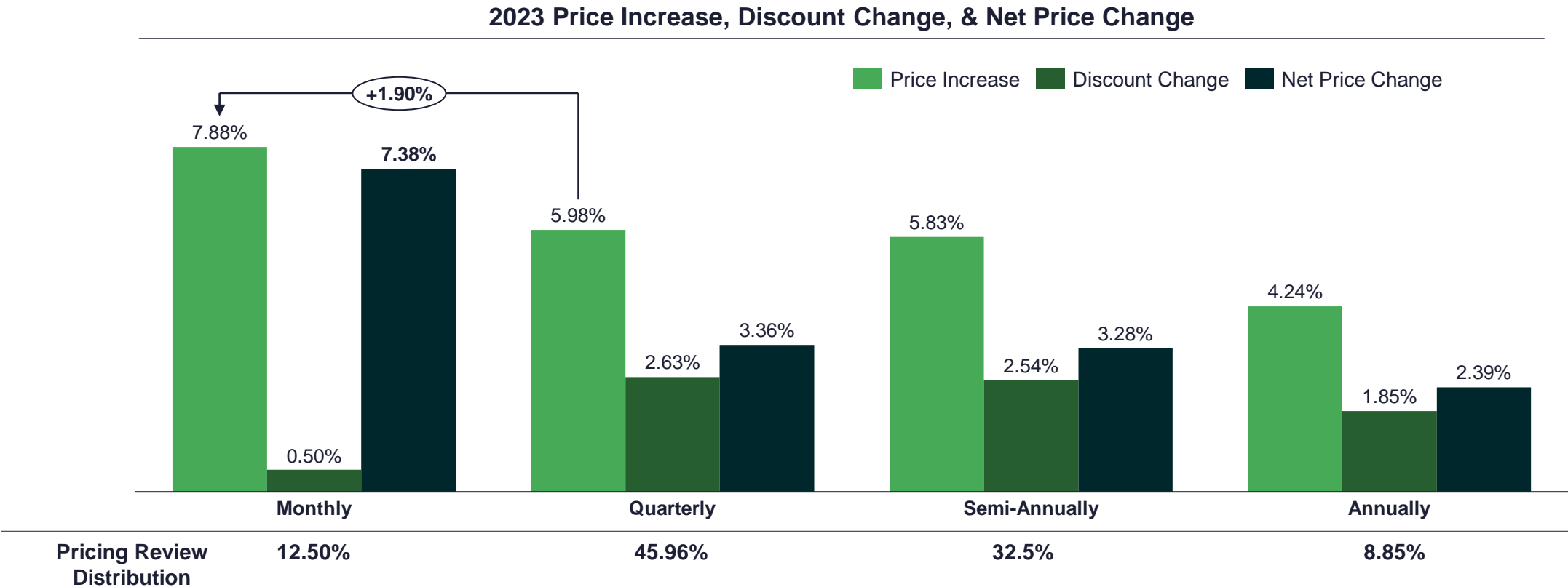


Companies that reviewed pricing more frequently drove significantly higher revenue growth and gross margin

2023 Revenue Growth & Gross Margin



Monthly pricing review drive the highest realization of gross and net price with superior control of discounting increases

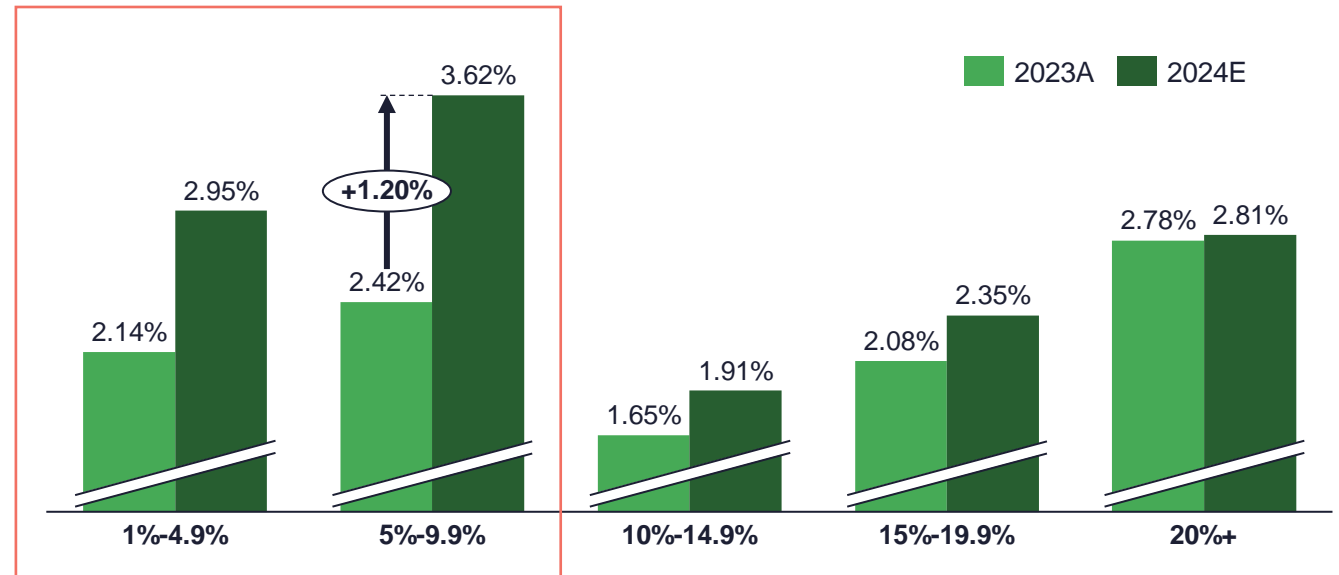


Companies with a more flexible discounting structure can expect smaller increases in discretionary sales team discounting

Continued pressure and professionalism of procurement teams are a significant driver to price concessions becoming the norm

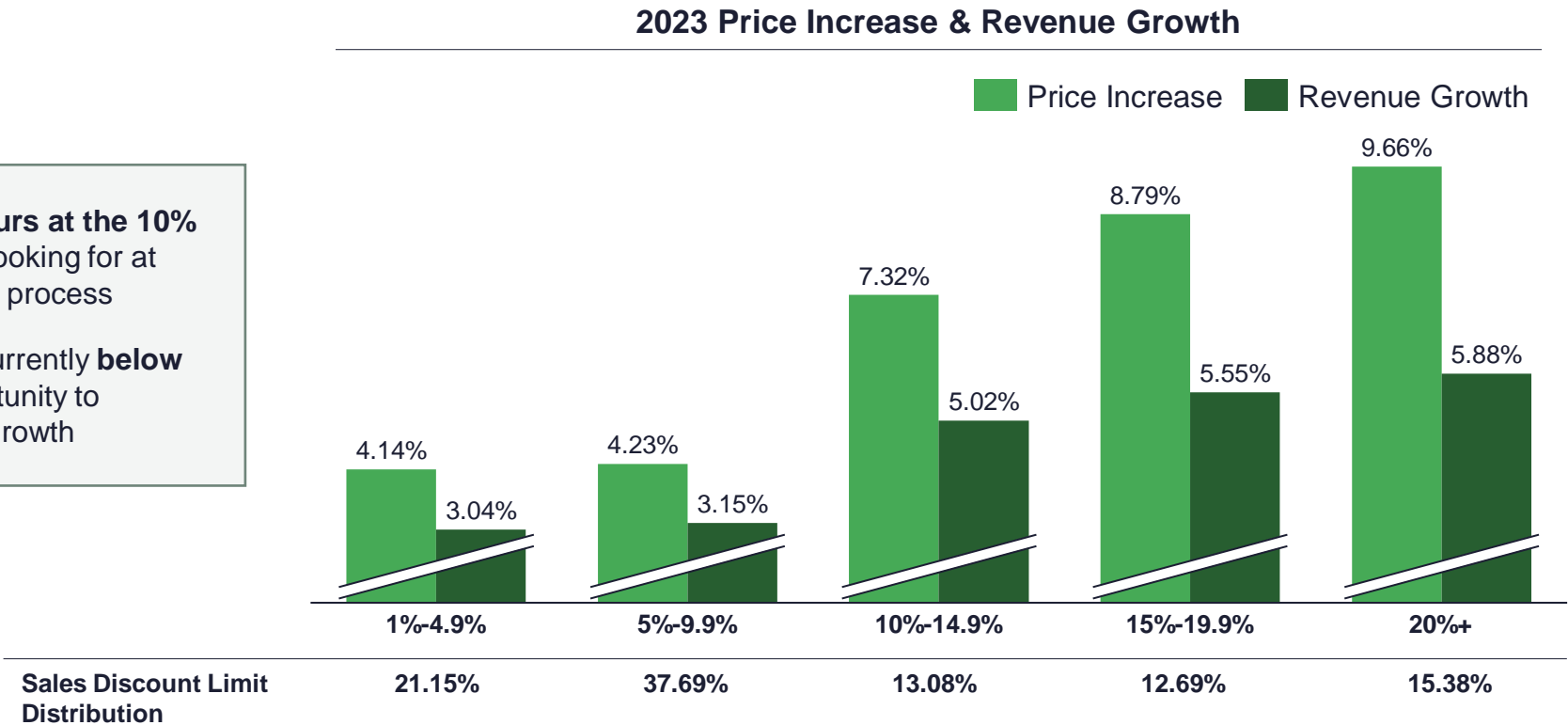
Companies *that limit sales team discounting to less than 10%* are seeing **significantly higher discount increases**

Discount Increase By Sales Team Discount Limit

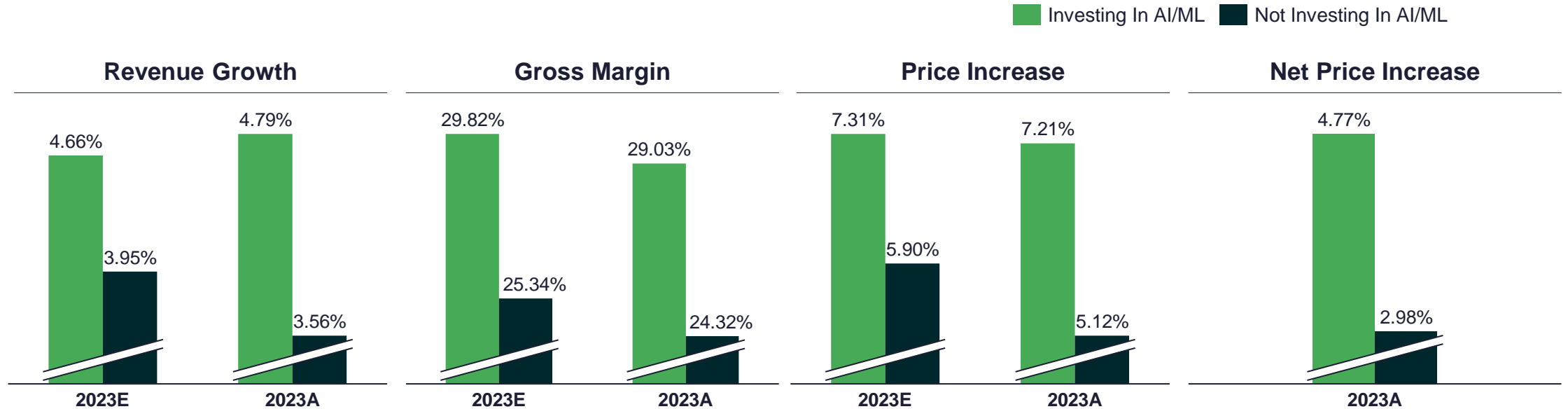


Companies with higher discount limits are anticipating spend back and taking higher price increases realizing significant revenue growth

- Interestingly, the **largest jump occurs at the 10% threshold**, suggesting buyers are looking for at least a 10% cut and a quicker sales process
- Almost **60% of respondents** are currently **below the 10% threshold** have the opportunity to enhance discounting and revenue growth



Investing in artificial intelligence and machine learning pricing capabilities is the only category that drives significant business results

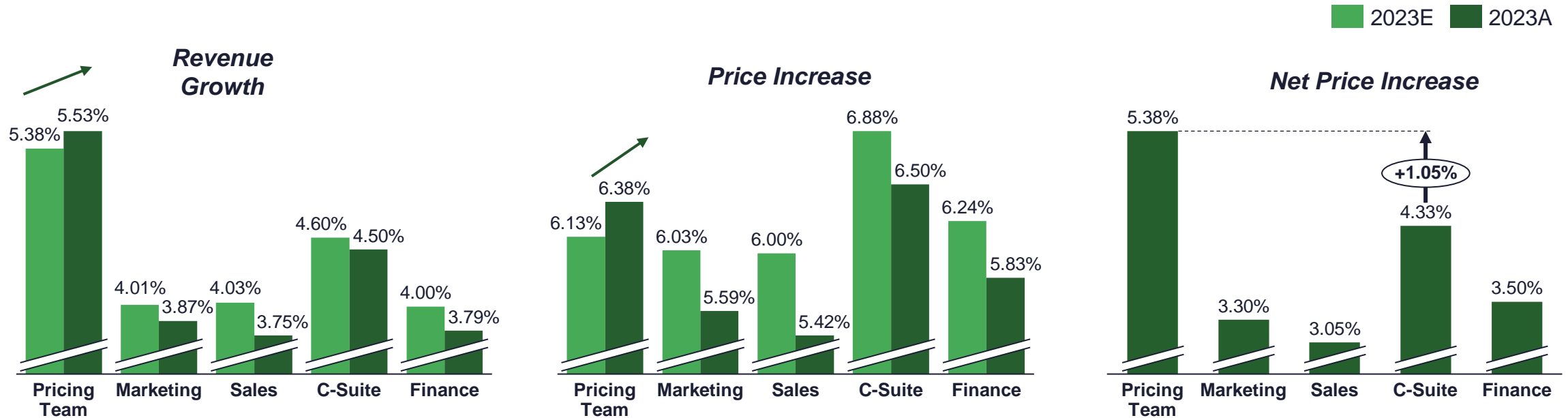


Upon analyzing the pricing efficacy of investing in AI and machine learning, data and systems, training, increasing headcount, research and consulting, AI and machine learning versus not investing in the innovation had the greatest trade-off

- Those not investing in AI and machine learning target their pricing investments towards data and systems, training, and research and consulting to assist with laying the pricing foundation capabilities

Typically, companies investing in innovative pricing solutions **already have the infrastructure and a dedicated pricing team** enabling them to continue sourcing **proactive pricing solutions**

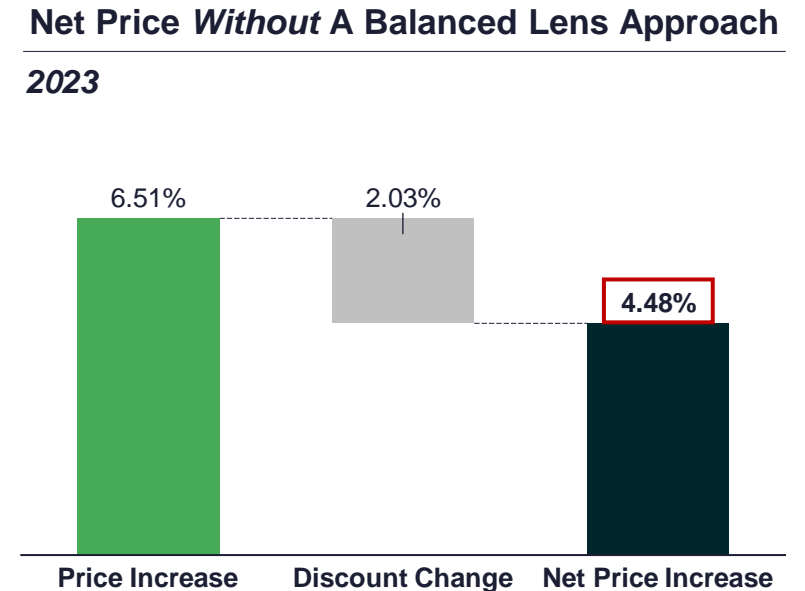
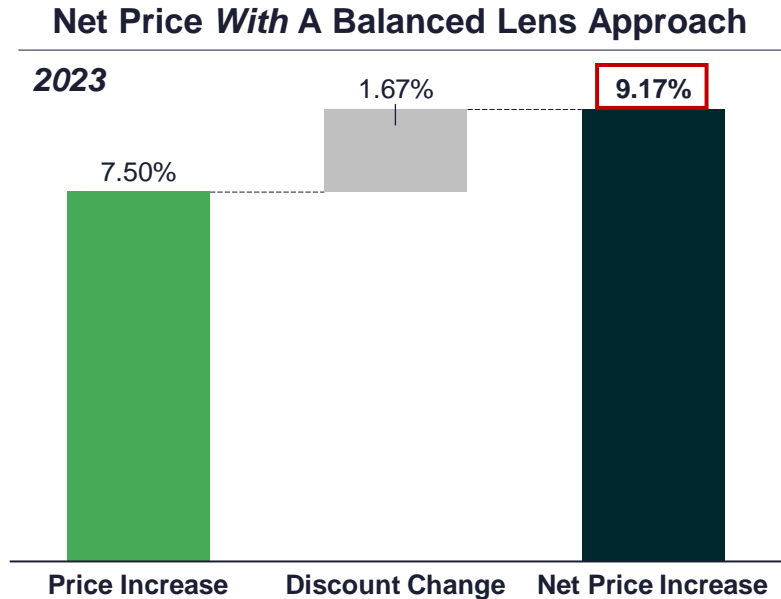
Companies with a dedicated pricing team consistently beat their targets



- All dedicated pricing team financial metrics **exceeded 2023 estimates**
 - Only pricing function ownership group to outperform targets

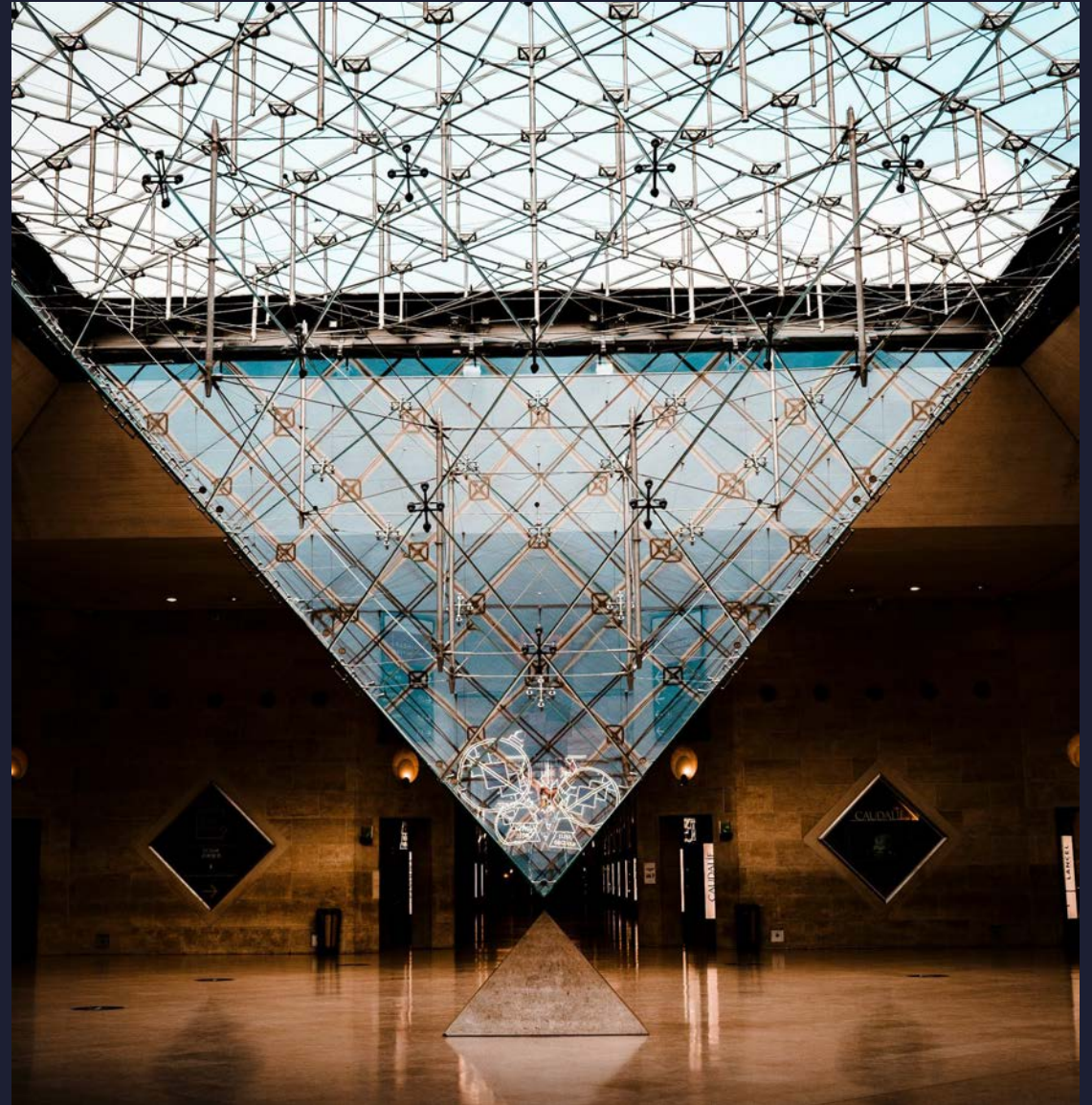
Empowering a standalone pricing team has proven to outperform other organizational functions

Taking a balanced pricing approach to understand customer value, internal costs, and the competitive landscape drives better performance



Able to reduce discounts through discount optimization (-2.03%) resulting in the ability to capture over 2x the net price increase

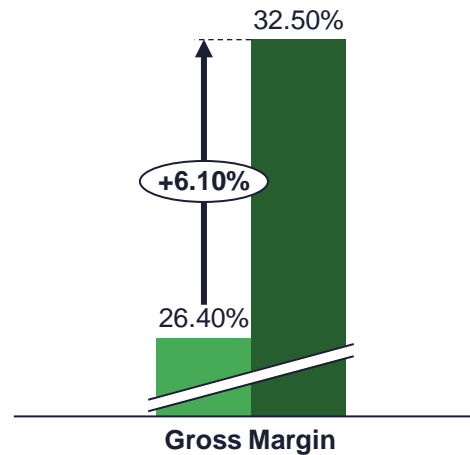
2024 Pricing Trends



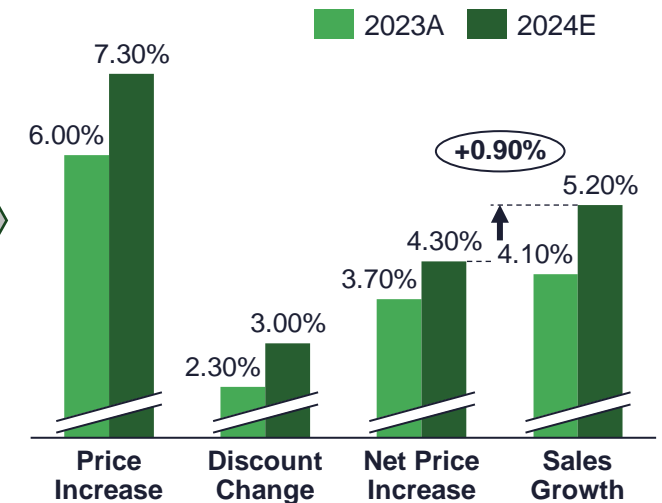
In 2024, companies expect considerable gross margin expansion (+6.10%) as businesses recover from a volatile 2023

- Anticipated higher price increases and net price increases, illustrating pricing as a means for gross margin expansion rather than merely offsetting costs
- An increase in expected 2024 discounting is being used to cushion increased pricing
- Executives anticipate increased volume in 2024, shown through higher sales growth compared to net price growth

Expected Margin Expansion



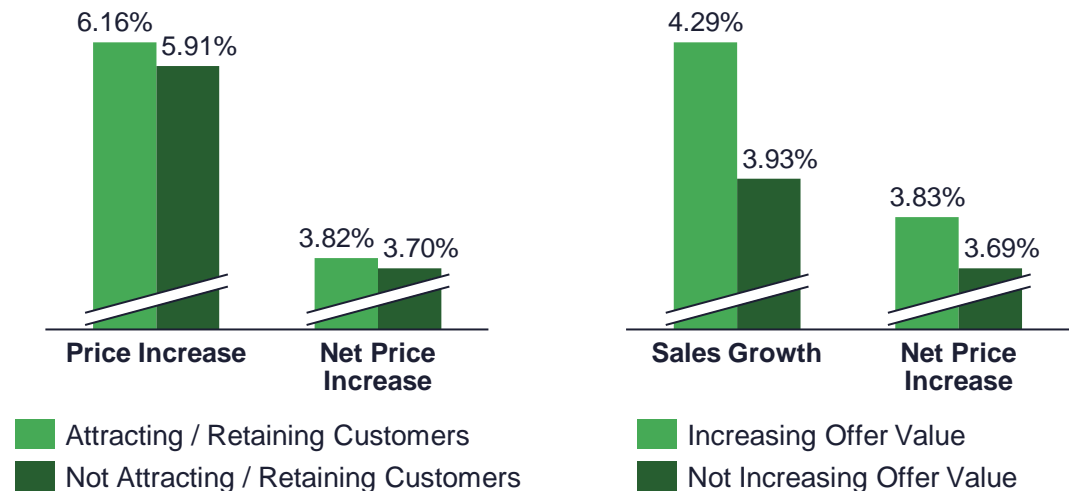
Partly Explained By Pricing



Two main factors explaining aggressive price increases in 2024: retaining and attracting customers, and increasing offer value

- Respondents considering attracting / retaining customers as a key factor took higher prices and achieved higher net price realization compared to those who did not
- Similarly, those who are making efforts to increase their offer's value attained higher sales growth and net price increases compared to those who do not

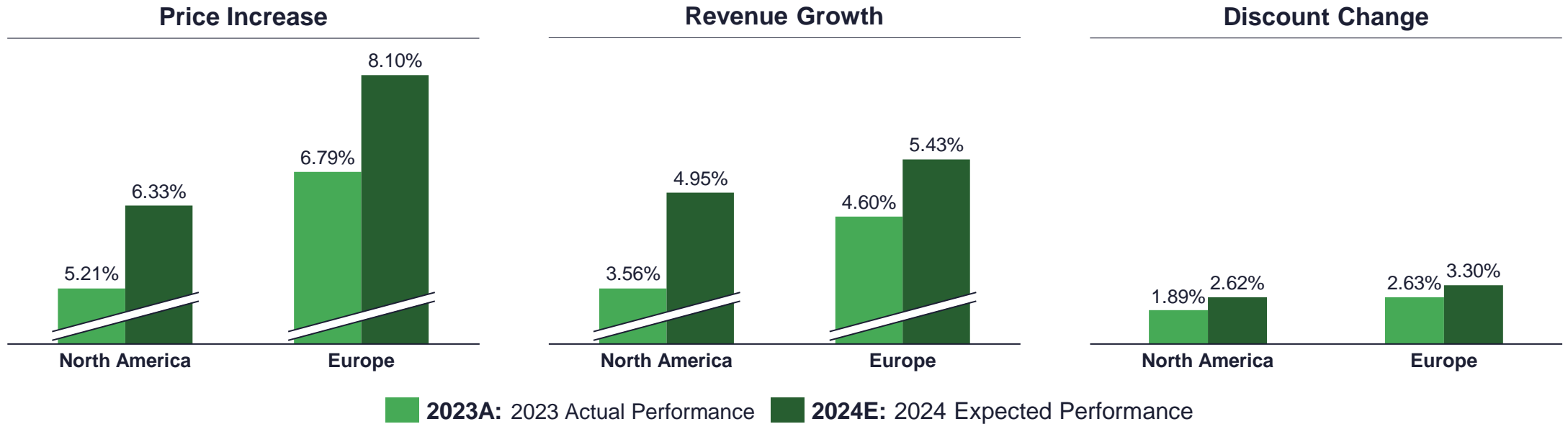
Factors Explaining 2024 Price Increases: Customer Retention and Attraction, and Increasing Offer Value



2024 Pricing Benchmarks



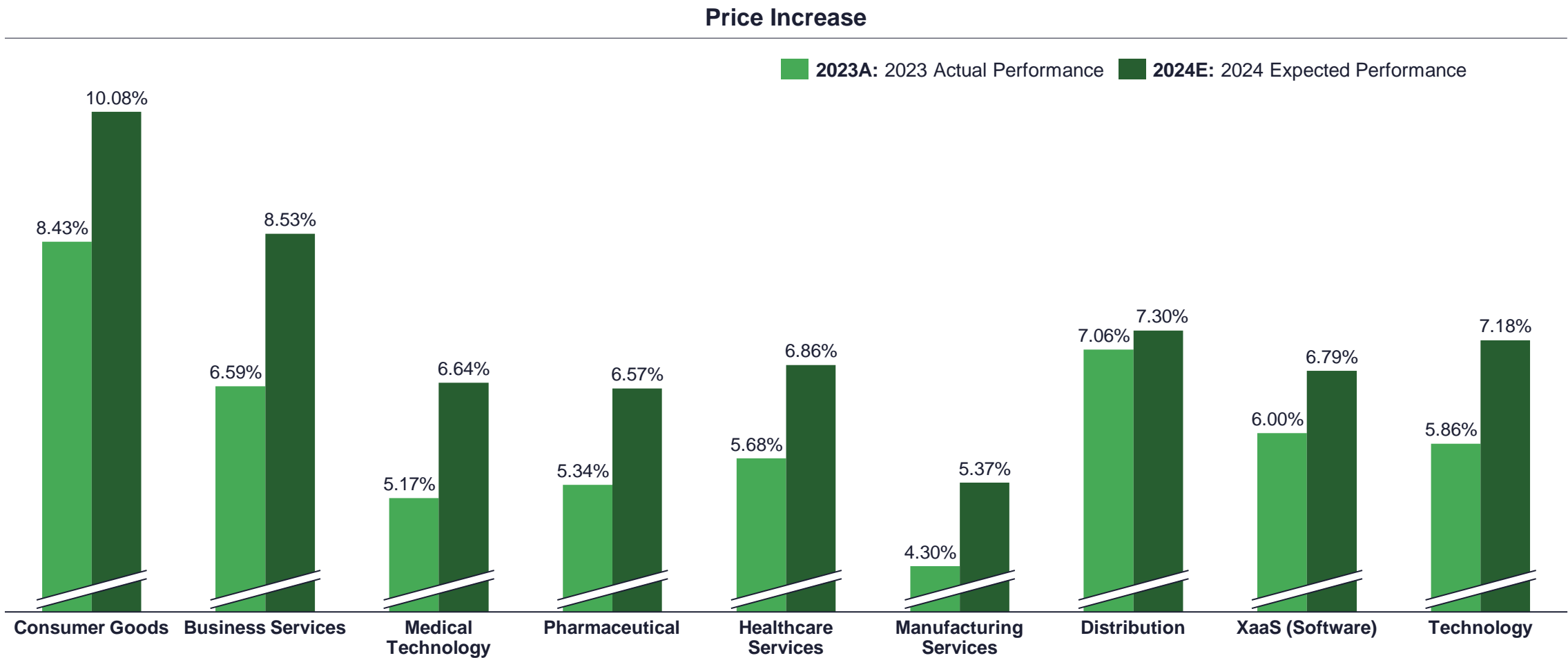
2024 Pricing Benchmark – Region



- » **Europe** continues with **more aggressive targets**
- » Both regions anticipate 2024 to be a healthy year of growth
- » **Discounting increases continue** stemming from a rising need **for concessions** combined with macroeconomic uncertainty

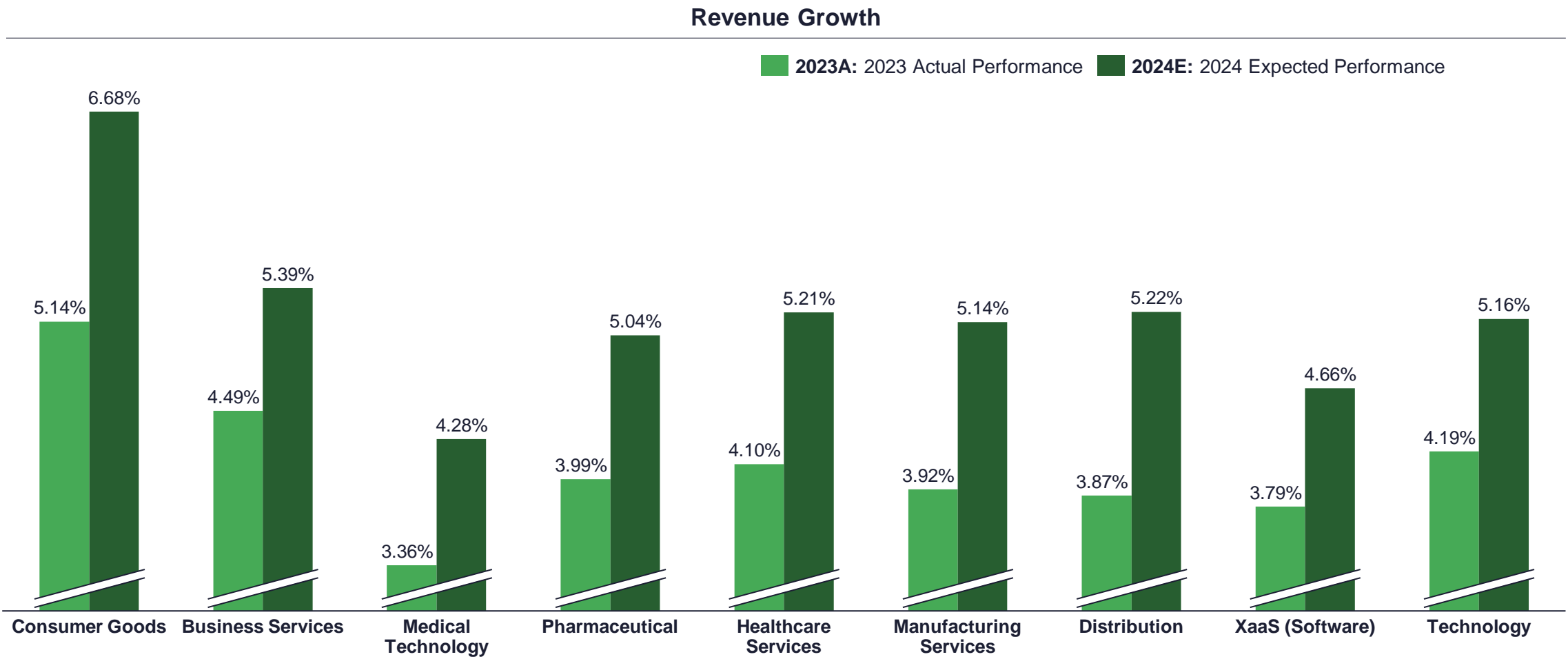
2023 Inflation – [NA](#): 3.4% ; [EU](#): 3.4%. 2024 Inflation – [NA](#): 2.4% ; [EU](#): 2.7%

2024 Pricing Benchmark – Industry (1/3)



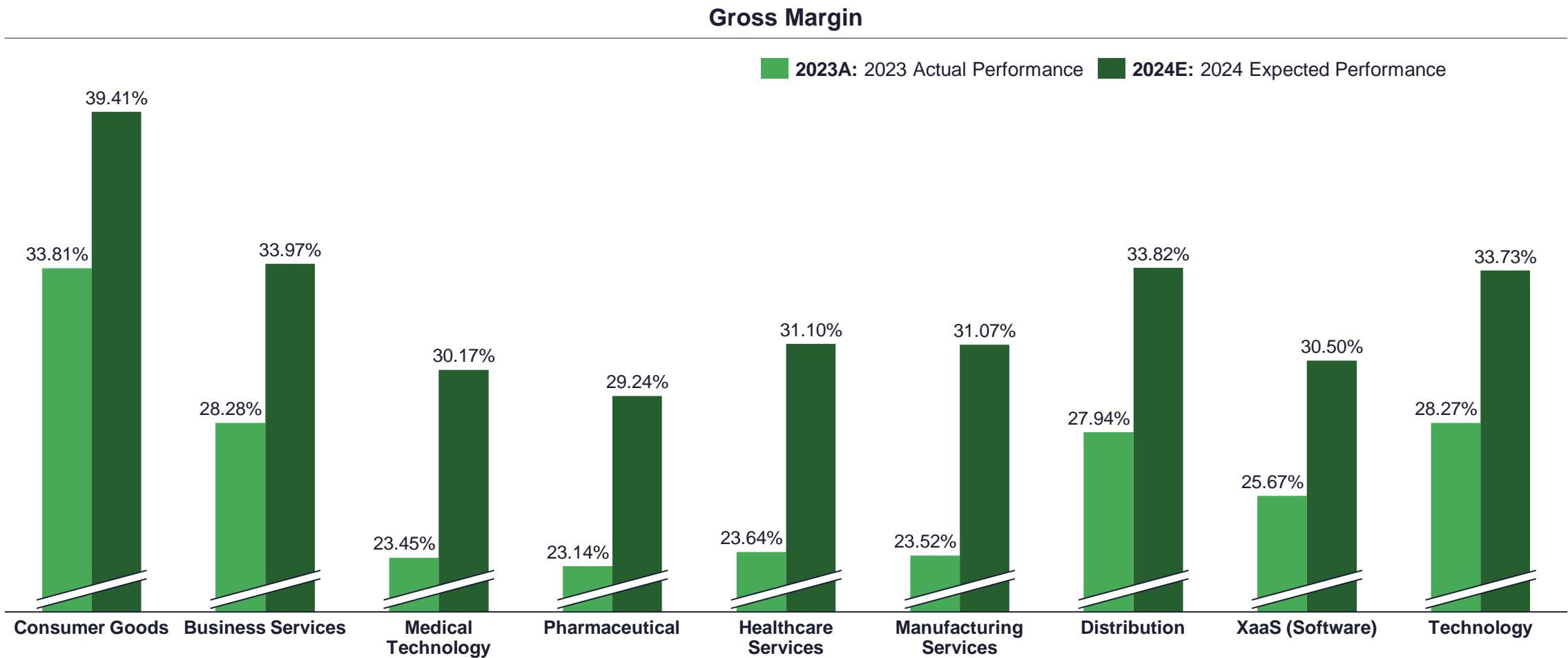
2023 Inflation – [NA](#): 3.4% ; [EU](#): 3.4%. 2024 Inflation – [NA](#): 2.4% ; [EU](#): 2.7%

2024 Pricing Benchmark – Industry (2/3)



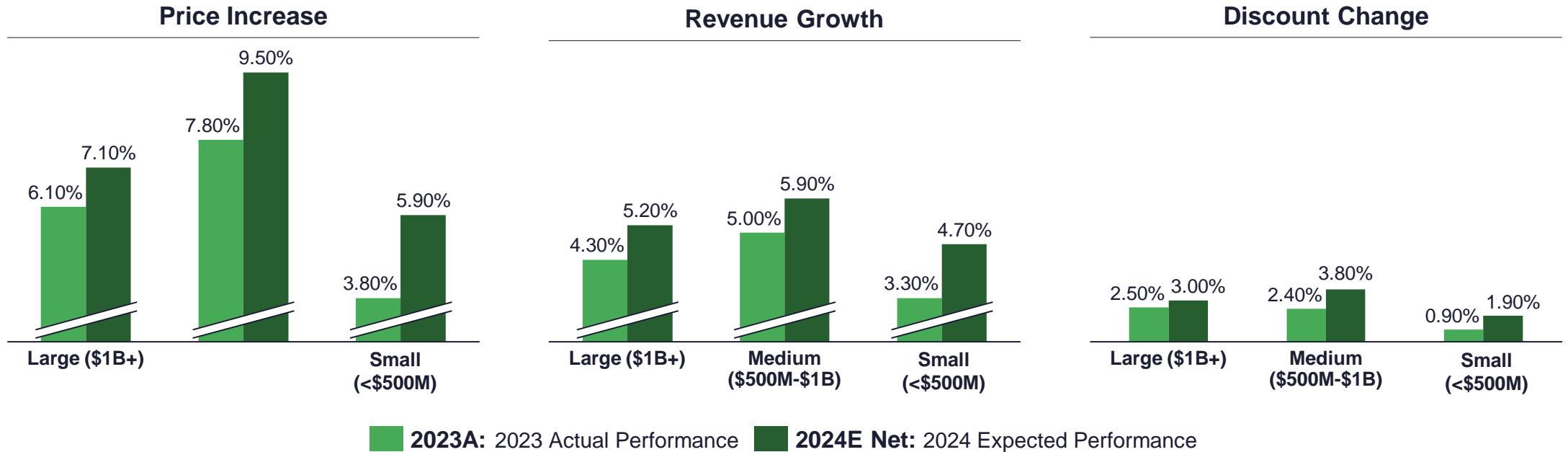
2023 Inflation – [NA](#): 3.4% ; [EU](#): 3.4%. 2024 Inflation – [NA](#): 2.4% ; [EU](#): 2.7%

2024 Pricing Benchmark – Industry (3/3)



2023 Inflation – [NA](#): 3.4% ; [EU](#): 3.4%. 2024 Inflation – [NA](#): 2.4% ; [EU](#): 2.7%

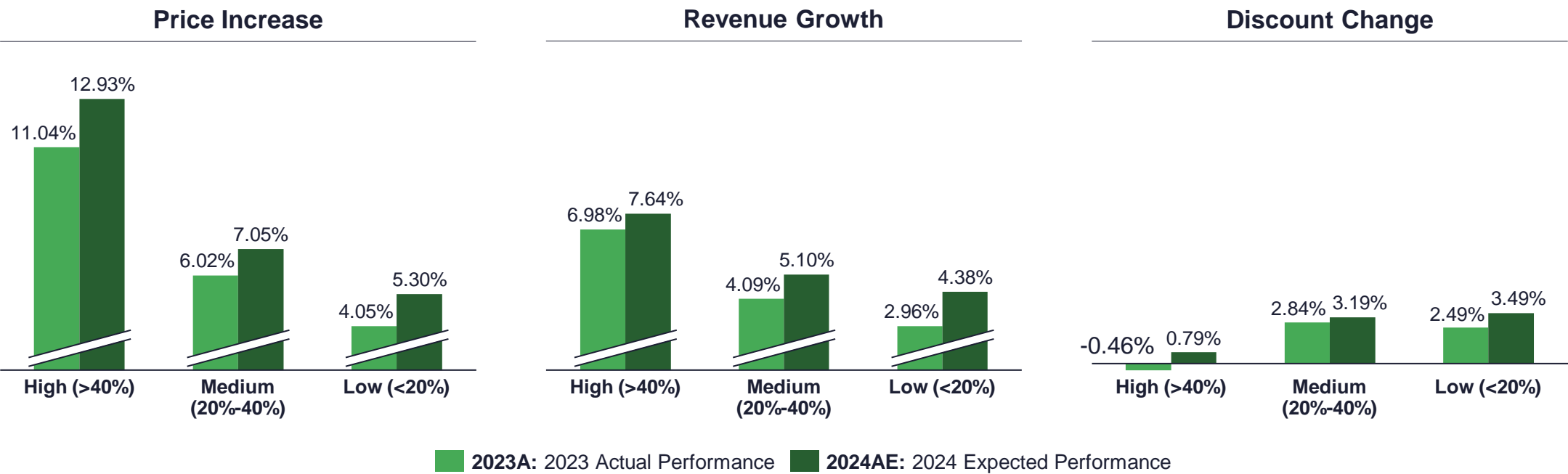
2024 Pricing Benchmark – Revenue Size



- » **Medium sized companies anticipate the greatest growth** (price, net price, and revenue) however, they missed their 2023 targets by the greatest amount
- » Medium sized companies anticipate 2024 net price increases to be greater than 2024 revenue growth representing volume loss
 - Large and Small companies both have expected **revenue growth greater than net price growth** indicating **volume increases**

2023 Inflation – [NA](#): 3.4% ; [EU](#): 3.4%. 2024 Inflation – [NA](#): 2.4% ; [EU](#): 2.7%

2024 Pricing Benchmark – Gross Margin



- » Companies with gross margins above 40% continue to have very high **price increase targets** approaching 13%
 - Much of the price increase is **not expected to translate into increased revenue** as shown through the lower revenue growth target
- » High margin companies are increasing discounting in 2024, after reducing in 2023, highlighting customers demand for concessions

2023 Inflation – [NA](#): 3.4% ; [EU](#): 3.4%. 2024 Inflation – [NA](#): 2.4% ; [EU](#): 2.7%

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Get actionable pricing strategy and transformative insights to meet your business targets. Our pricing experts enable better decisions and drive revenue growth.

If you would like to discuss the data or become a client, please contact us:

contact@revenueml.com

Learn more about Revenue Management Labs

revenueml.com

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