

**EPP is the global business community for pricing  
and revenue growth management professionals.**

# 4<sup>th</sup> Global Pricing Maturity Study

## edition 2022

In partnership with  **VENDAVO**



Authors

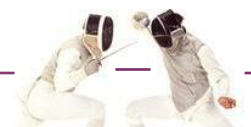


Pol Vanaerde  
President - EPP

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# EPP Pricing Maturity Model

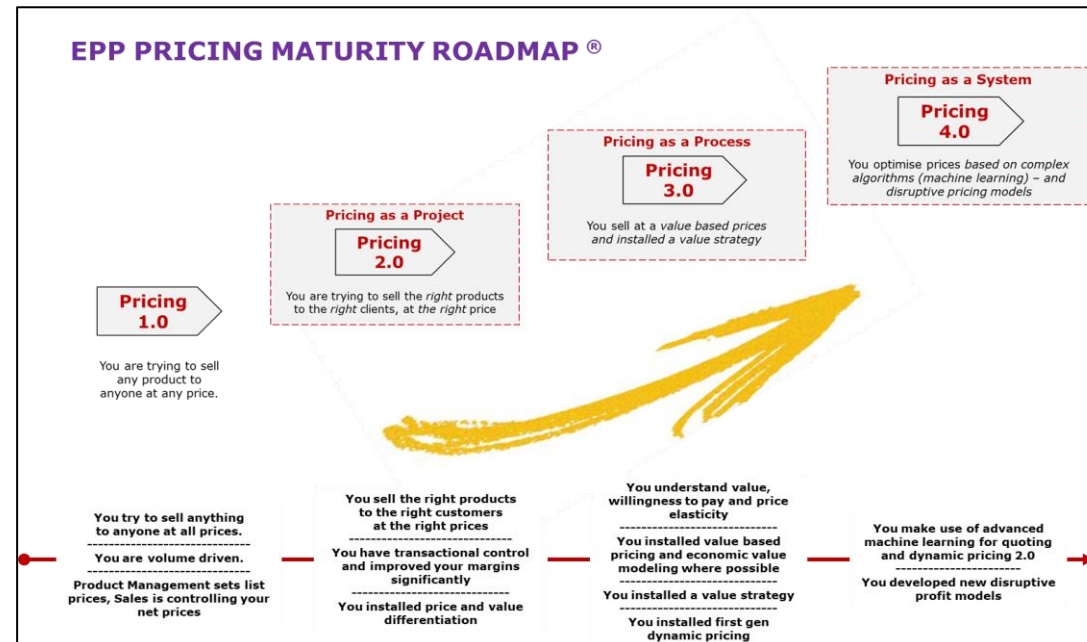
The EPP Pricing Maturity Model helps you not only to determine which maturity level you are operating on today,

but also how to prioritize your future pricing roadmap.

EPP consolidated real-life best practices and advice from pricing leaders, experienced in pricing maturity development, across all industries into the EPP Pricing Maturity Model®. Each stage in the pricing maturity roadmap has its own challenges and some companies operate at different maturity levels across regions or business units. Wherever you are in your pricing maturity, the model functions as a compass needle to guide you through the journey.

The model consists of 4 stages :

- Level 1: Price list maintenance
  - Level 2: Gaining transactional control
  - Level 3: Achieving full value capturing
  - Level 4: Deploying pricing science
- > PRICING AS A PROJECT  
 -> PRICING AS A PROCESS  
 -> PRICING AS A SYSTEM



“The newcomers in the assessment found out that they overestimate their pricing maturity.”

“As usual, many companies find out that reaching level 3 (value strategy) is not an easy process.”

1. Quite close to the 1.92 score of 2019 **the 2022 overall pricing maturity score is 1.83.**

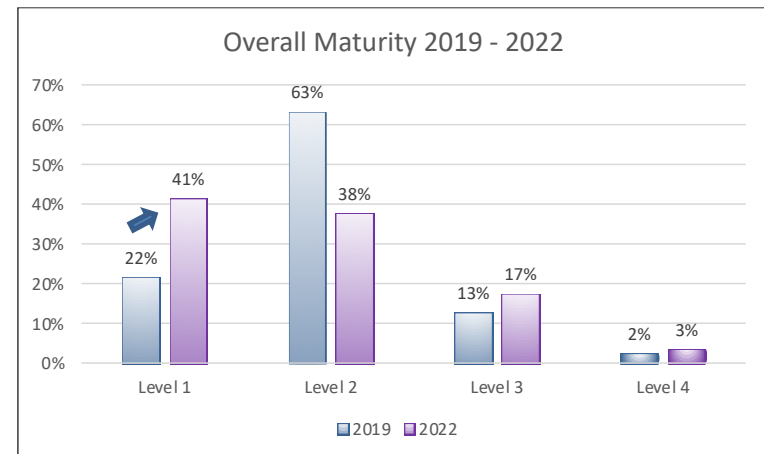
2. The **first interesting observation** from the 4<sup>th</sup> EPP Global Pricing Maturity is that **far more organizations than in the previous survey operate on the lowest pricing maturity level 1.**

41% of the organizations in the 2022 survey operate on a maturity level 1, while in the previous survey (2019) only 22% said to be on level 1....

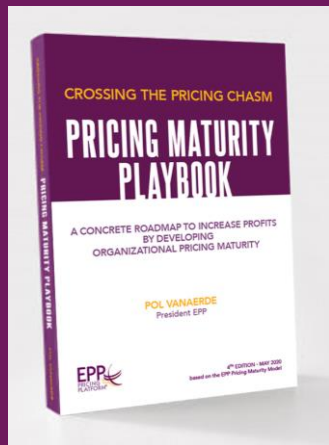
When we look deeper in the analytics, **we see that quite a lot newcomers joined the PMI survey and those companies seem still at the early stage of their pricing journey.**

**It means that more and more companies invest in their pricing capabilities !**

All those ‘newcomers in pricing’ will have to install their vital reports and start margin improvement projects in order to gain transactional control.



“This book has helped hundreds of pricing practitioners to build their own pricing maturity roadmap”



*Recommended reading*

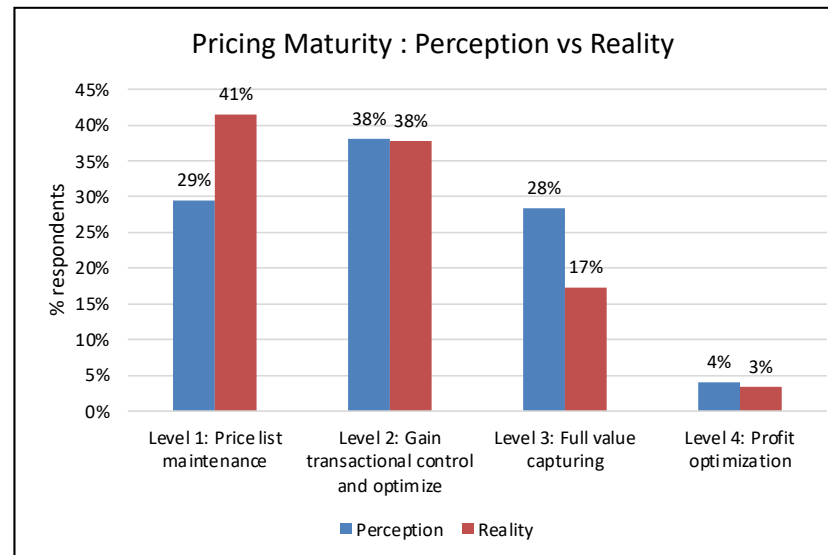
Download your **FREE** e-book on [www.pricingplatform.com](http://www.pricingplatform.com)

3. A constant observation during the last 12 years : the number of companies that operate on a higher level 3 pricing maturity (value strategy) is not increasing – AND many organisations overestimate their pricing maturity level when it comes to level 3 (installing a value strategy).

As a confirmation from all previous surveys, **less organizations act on level 3 than they initially believe when starting the assessment.**

It's a challenge for many companies to really install a value strategy. ‘Crossing the Pricing Chasm’\* is still difficult to realize change, the journey takes much longer than expected...

\* see book at the left



“We still tend to be overambitious in defining our pricing roadmaps – it takes time to reach a level 3 pricing maturity level”

“86% of the organisations in the PMI survey plan to invest in pricing learning programs for their pricing teams”

4. Another high level observation is that companies in the survey remain ambitious in their pricing maturity goals... Most companies target to reach a high level 3 pricing maturity within the next 12 months. Which is unrealistic.

Actual pricing maturity : 1,83  
Targeted within 12 months : 3,26

Many companies are still over-ambitious in their pricing maturity goal setting.

Reaching level 3 is a nice ambition, but is seldom reached in 12 months time.  
It takes 5 to 7 years to evolve from a level 1 pricing maturity towards a level 3 (value strategy).

5. Another trend remains : reporting still has the weakest score (1,69).

Despite the understanding of the importance of the data, reporting is underdeveloped. A good illustration is that **only 1% of customers only have already implemented Customer Lifetime Value.**

6. On the other hand, a good news is that respondents are more conscious of the importance of investing in a pricing organization

Up to 73% planned to get a high level of pricing certification for their teams, while 86% planned to install in-house pricing training.



Interested to certify your team ?  
Contact [ripsime.matevosian@pricingplatform.com](mailto:ripsime.matevosian@pricingplatform.com)



“With close to 60% of the companies saying they only have fragmented understand of willingness to pay and price elasticity – this is a concern”

“The fact that 50% of organisations are thinking to further invest in pricing tools is a good sign.”

7. Others pain points arise when trying to understand price/value positioning, elasticity or willingness to pay companies has the lowest maturity compared to other elements of the Price Policy.

**57% of the companies say that ‘understanding willingness to pay is only based on internal judgement’**

8. **60% of the companies say price elasticity insights are based on internal judgement...**

9. **45% of the companies in the survey do not use price/value mapping.**

While almost 90% would like to argue on value ... which is not yet correctly measured and understood.

10. **Price escalations processes are often installed (75% of respondents) but still for 60% the process is not followed correctly and monitored.**

11. **80% plan to install a complete price waterfall integrating cost-to-serve. At the time of the survey, only 15% had price waterfalls...**



“Over 85% of the companies in the survey still rely on excel (or in house tools)

**12. 87% of companies are still using Excel - or in-house solution - as the main pricing tool.**

-> This high number is exceptional as we had many newcomers in this survey this year.

**13. Cost-plus pricing remains the basis for price setting for 68% of organisations while 90% targets a value-based pricing**

-> This high number is exceptional as we had many newcomers in this survey this year.

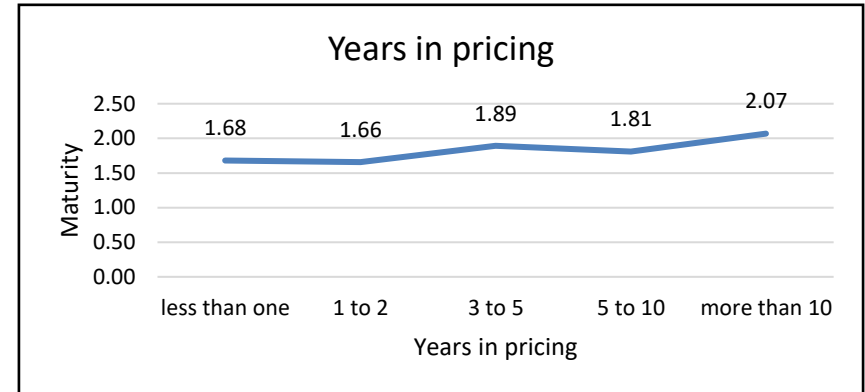




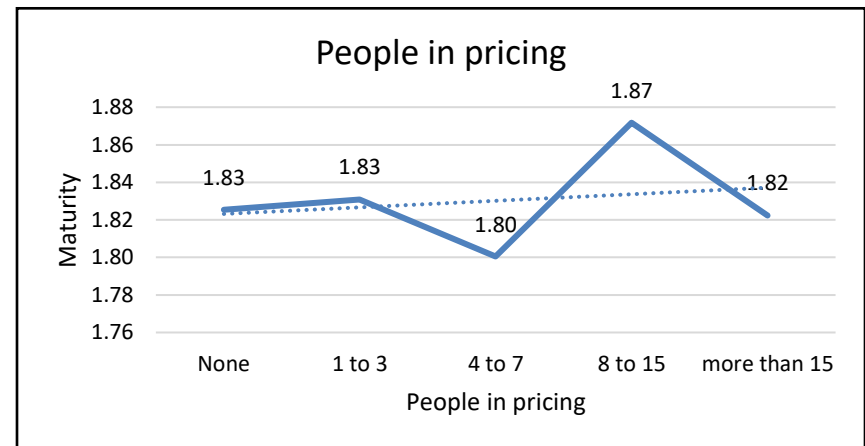
# More experienced is better ?

“More experienced pricing professionals work in the higher pricing maturity organisations.”

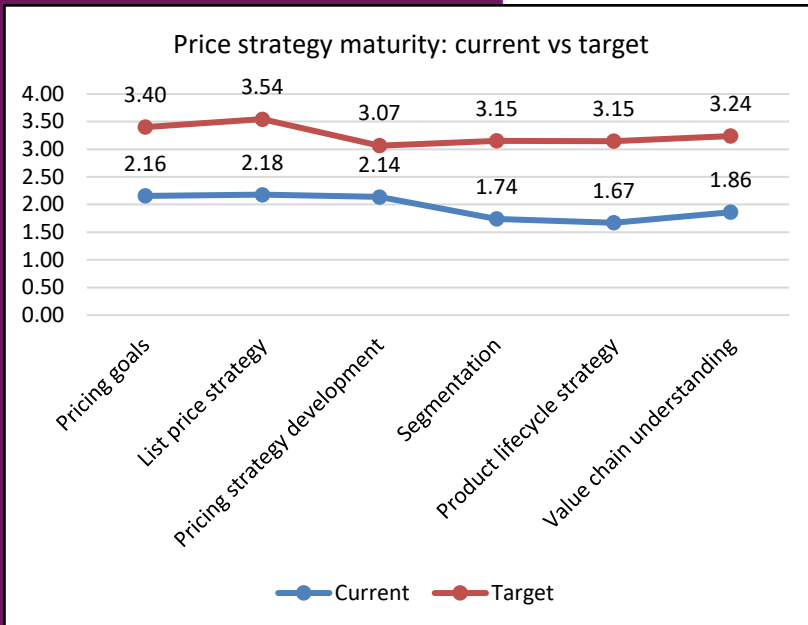
Overall years in pricing seem to be correlated with the organisational pricing maturity



It is not as clear for number of people in the pricing organization.



# In depth findings per building block : Price Strategy



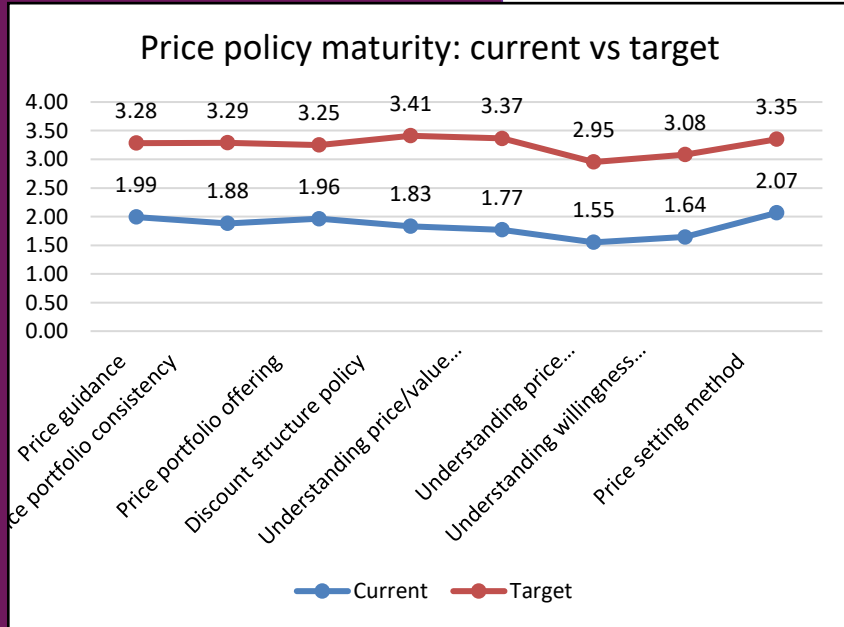
## Price Strategy - include six elements :

1. Pricing Goals
2. List Price Strategy
3. Pricing Strategy Development
4. Segmentation
5. Product Lifecycle Strategy
6. Value Chain Understanding

- ❖ **Only 6% of the companies taking part in the survey stated to have top management fully aligned** with the pricing strategy, even if **45% say that marketing and sales teams are aligned** with pricing team's vision and positioning. Still, 53% of participants wishes to have top management aligned soon to reinforces the price strategy towards the market.
- ❖ **84% of the companies has at least general guidelines** and KPI's to avoid price erosion, protect margin and cap discount. But beside those guardrails, **72% has no specific pricing goals** defined: no target price or position, no segmented KPI's; which is a target for 94% of the respondents.
- ❖ **Almost 80% has a list price strategy set for some products** and is periodically reviewed but presents some inconsistencies.
- ❖ Regarding pricing segmentation in organizations, we see the spread is huge between the targeted level and the current one. Close to **50% still has only a very basic product and customer segmentation**
- ❖ Understanding the value chain is key in pricing activities, and many companies have defined it as priority we see that **96% wants at least to have it mapped by country**, but currently **only 41% of organisations have no formal mapping of the market value chain.**



# In depth findings per building block : Price Policy



- ❖ 70% of companies has least guidelines set with and for local sales organisations **But still 30% give local sales organizations full freedom to determine their local market prices with very little guidance.**
- ❖ **More than 80% of respondents say portfolio pricing consistency is not fully deployed**, despite most of them wishes to be there soon. 50% has decided guidelines but not implemented yet.
- ❖ **Most of the companies (55%) target the highest personalization of discounts while only 4% has achieved it.** We see that some efforts are invested there but a lot remains to be developed.
- ❖ **For 82% of organizations, price/value mapping has not gone beyond the discussion stage**, despite the willingness of 85% to go further, among which 56% to the highest possible integration in product pricing.
- ❖ **60% of pricing responsible has no insight on elasticity**, knowledge is scattered in sales team. And the trends is similar for the understanding of the willingness to pay.
- ❖ **Cost-plus pricing remains the basis for price setting for 68% of organisations** but 90% targets a value-based pricing

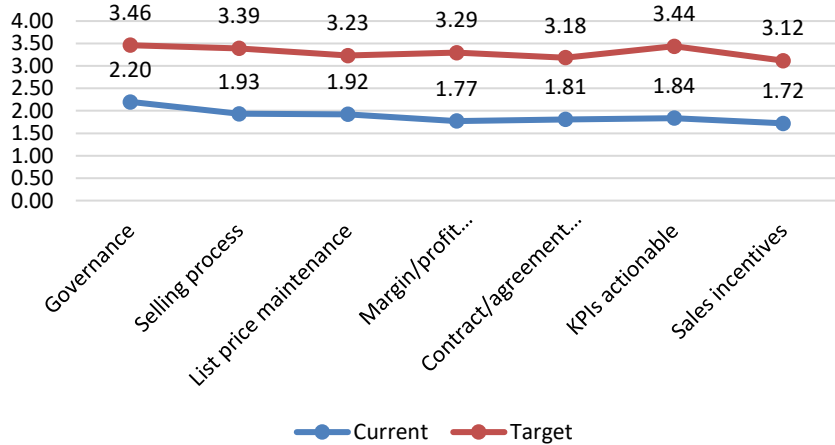
## Price Policy includes 8 topics:

1. Price Guidance
2. Price Portfolio Consistency
3. Price Portfolio Offering
4. Discount structure policy
5. Understanding price/value positioning
6. Understanding price elasticity
7. Understanding willingness to pay
8. Price setting methodology



# In depth findings per building block : Price Implementation

Price implementation maturity: current vs target



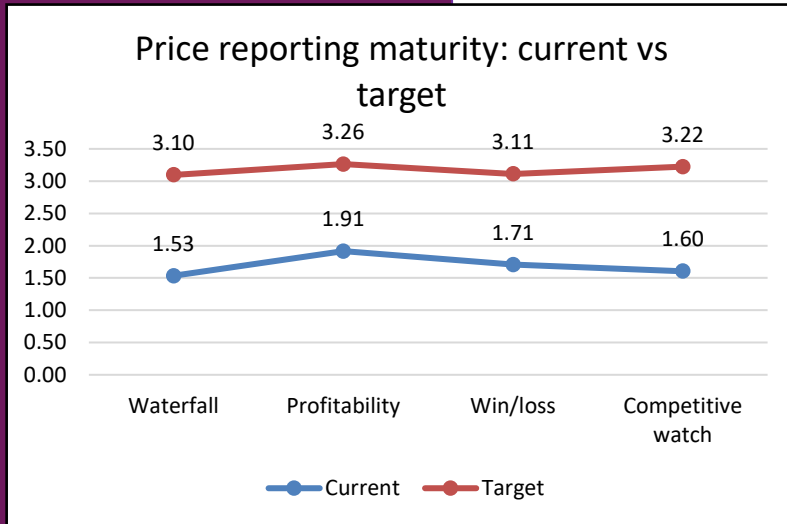
- ❖ Only 40% of the respondents have a pricing team monitoring and discussing excessive price escalations, with price deviations only possible after formal authorization. **This means that still 60% have no good price escalation processes and guidelines.**
- ❖ High expectations regarding the selling method, almost 60% wishes that sales teams are able to sell end-user solutions based on in-depth understanding of its business model. But only 6% get there currently and **80% has not gone beyond selling on differentiating products by features and advantages versus competitive alternatives.**
- ❖ **Only 15% of the companies has installed exception list creation** and flagging based on business rules via lotions. Still a huge step forward needed to improve consistency in list price maintenance.
- ❖ **50% of respondents state having no more than ad-hoc reports as pricing KPIs.** Major gap between reality and expectations where 60% wants to have KPIs integrated in a dynamic dashboard correlated with business objectives and planning.
- ❖ **Margin and price improvement projects are underdeveloped with a score of 1,77** on the maturity scale with a target of 3,29.
- ❖ This year, the sales incentives remains the less mature area of price implementation with **close-to-50% set of companies having incentives based on volume.**

## Price implementation includes 7 topics:

1. Governance
2. Selling Process
3. List price maintenance
4. Margin/Profit improvement processes
5. Contract/agreement/deal condition
6. KPIs actionable
7. Sales Incentives



# In depth findings per building block : Price Reporting

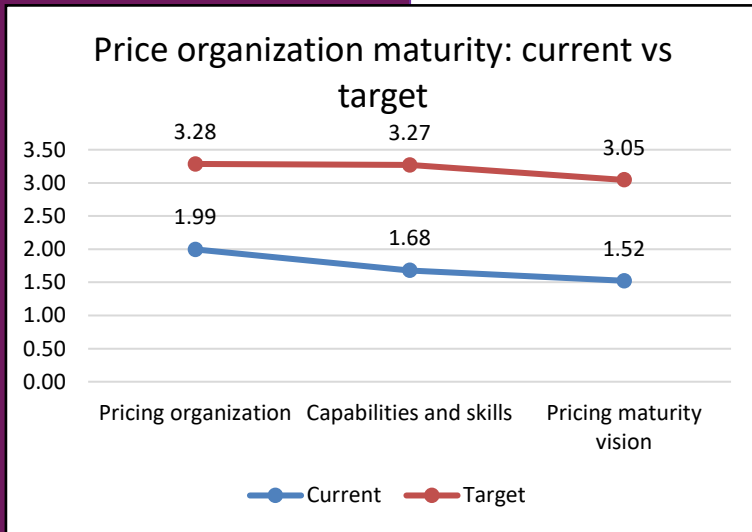


- ❖ **Price reporting is the less mature area of all the pricing building blocks.** Still 63% of the respondents have only gross margin details in their price waterfall
- ❖ Considering the importance of appropriate reporting to drive efficient pricing and sales decision, **80% of organisations forecasts to implement detailed price waterfall for every customer**, including net profitability and cost-to-serve monitoring as minimum reporting.
- ❖ **Only 20% of the companies has installed a centralized win/loss analysis information** with periodic review meeting to take corrective action. Others have no installed win/loss analysis or no formal review meetings to react. In addition, **only 38% plans to act proactively by linking win/loss analysis to the pricing system.**
- ❖ **Over 55% of the respondents have only ad-hoc competitive price tracking**, and availability is scattered among sales. And this activity is supported by a dedicated tool in only 15% of the companies.

Price reporting includes 4 topics:

1. Waterfall
2. Profitability
3. Win/Loss
4. Competitive watch





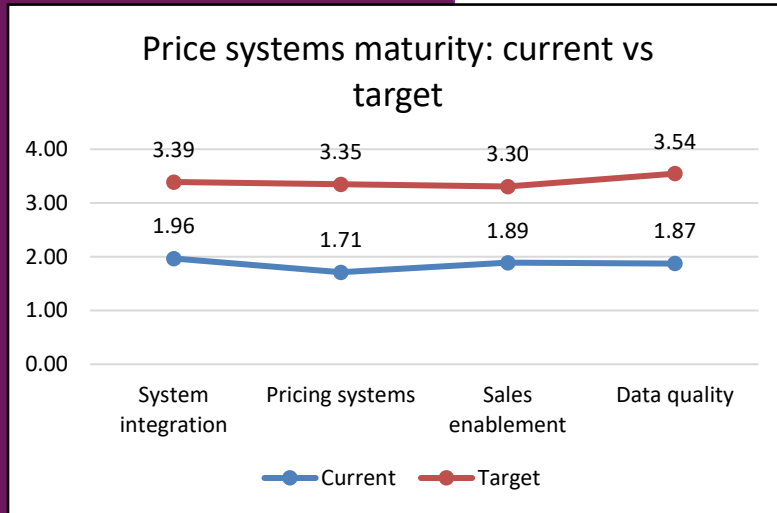
- ❖ **30% of the organizations have still no pricing team.** The sales department sets prices advised by product managers. These companies know there is room for improvement as **96% of all these respondents mentioned they should install a pricing team...**
- ❖ **Only 21% has a pricing team installed with clear mission**, pricing goals and KPIs, embedded in the commercial organization. While almost 90% wishes to get there or further.
- ❖ **More than 50% of companies work with individuals that have never received training on improving front-line pricing skills.**
- ❖ 96% wants at least that most individuals with a role in pricing have been through a (in-house or open) pricing training program. But on top, **86% would prefer to have in-house pricing training.**
- ❖ Currently **60% of companies has no vision on how to further develop the pricing skills/maturity** in the organisation. 95% plans to tackle this issue to, at least, assess pricing maturity internally and develop a pricing action and get certified people in pricing team.
- ❖ **73% wants to develop 3-years planning to develop pricing maturity with a team certified on CPM level 3.**

Price organization has 3 topics:

1. Pricing Organization
2. Capabilities and Skills
3. Pricing Maturity vision



## In depth findings per building block : Price Systems



- ❖ **For 74% of the companies, their pricing systems are not integrated** (stand-alone) but 87% wants to get there, of which 55% wants a **fully centralized ERP and CRM system, fully integrated Lead-to-Cash system infrastructure.**
- ❖ **Excel is still the main pricing tool for 87% of companies in the survey**, while 85% wants a dedicated pricing software.
- ❖ **A pricing software is fully integrated in the sales enablement process and CRM in 2% of the organisations.** And 11% has it as a support for deal making, pricing reports, simulations and guidance.
- ❖ Currently 37% has no sales force enablement. All special pricing is handled via back-office processes, which is predominantly based on manual processes. Most of companies plans to improve and get rid of home-grown or no tool system. **50% is considering an integrated configure-pricing-quoting infrastructure for sales, partner or end-customer with system-controlled exception handling and tracking workflows.**
- ❖ **Data remains a major area for improvements.** Companies understand well this challenge and necessity to rely on the data to better perform.
- ❖ Efforts are made regarding data since 60% of companies has already mostly correct and complete data. **But still 40% faces incomplete or not available pricing data.**

Price Systems has 4 topics:

1. System Integration
2. Pricing systems
3. Sales enablement
4. Data quality



This 4<sup>th</sup> **EPP Pricing Maturity Survey** continues to highlight that there is **a clear correlation between overall organizational pricing maturity and an organization's ability to execute an effective value, and profit oriented, strategy.**

Organizations building their organizational pricing maturity realize incremental revenue and profit from improved price and discount discipline, better price setting and sales support/alignment. A solid foundation is necessary to make progress.

Taking transactional control - enabled by vital pricing analytics and reports based on integer data and good visibility in reports of the margin leakages - with the capability to provide context specific floor and target price guidance to the front-line and defining continuous margin improvement projects are very important. It's only a first step, but a very essential step to take for still many organizations.

The average organizational maturity score between 2013 and 2019 increased, mainly thanks to companies who have invested in pricing teams to take essential transactional control, leading to margin and profit optimisation.

**This 4<sup>th</sup> EPP Global Pricing Maturity Survey clearly shows that pricing managers need an effective pricing maturity vision, a roadmap, with clear target settings for their pricing department to tackle the dynamics of the new market reality in the digital enterprises.**

Crossing the pricing chasm (read the whitepaper: Crossing the pricing chasm, EPP) means you will have to make the change from 'pricing as a project' towards 'pricing as embedded in the value and profit strategy'. It's THE challenge for most of us. It's the pricing manager's quest.

**How to make it really happen?**

We can observe that the seamless working together - as well as holistic data exchange between Marketing, Sales, Finance and Pricing is a quest to get to the next level of pricing maturity.

Also embracing the newest pricing technologies, developing AI enhanced dynamic pricing practices, new pricing models and deep data insight enhanced micro-segmentation create a competitive advantage for those who master them.

**The good news is that pricing managers are ambitious about the future state. There is a clear determination to become a true driver of change and to lead the organization towards a true value and profit driven organization.**

We look forward to meeting, discussing and reflecting with all pricing and profit leaders worldwide to continue our road to excellence.

Pol Vanaerde - Founder EPP – Pricing Platform



**“Pricing leaders have an important change leadership role to help steer their company towards a value and profit oriented culture.”**

**Pol Vanaerde**  
Founder EPP – Pricing & RGM Platform





## Conclusion

The last time Vendavo partnered with EPP Pricing Platform for the Pricing Maturity Survey was 2019 and in the three years since, our world has undergone significant change. From a worldwide pandemic to prolonged economic uncertainty brought about by the health crisis, supply chain breakdowns, and even war, it's easy to understand why organizations of all industries and in every geography face an assortment of heavy challenges.

One thing we know with certainty, however, is strategic pricing will improve profitability despite troublesome macroeconomic events. And by extension, strategic execution requires tactical, agile, and dynamic price optimization. That's why the regression we see in overall pricing maturity - 25% more sit at level one pricing in 2022 than in 2019 - while understanding given the global climate, is also concerning.

With more companies at level one pricing today, it stands to reason then that 87% of companies in our research report still using Microsoft Excel or some other in-house solution as their main pricing tool. And the cost-plus pricing approach is the main basis for price setting for 68% of companies. But an important silver lining here is that a full 90% of respondents also report a desire to move to value-based pricing. They know a more strategic pricing strategy is what is needed to unlock profitability and growth for the organization.

**The old saying, awareness is the greatest agent for change applies. And if you add in willingness, we're more than half-way there.**

### Getting strategic in 2023

As organizations look to shift to a pricing approach that is segmented, based on customer "willingness to pay," all the experts at Vendavo will tell you ambitious goals are good. But including small, measurable steps along the way is critical for long-term success.

Start by evaluating your process and your current capabilities and compare those to best practices. Take the [Vendavo Commercial Excellence Maturity Assessment](#) to understand your current state and the order of logical next steps. Start small (consider a pilot program on one area of your business), be realistic about your timelines, and as with everything, remember that a Honda budget won't get you a Ferrari.

As you are making your plans, and achieving your goals, it's important to show the rest of your organization your progress. Talk about your wins along the way to maintain enthusiasm and support. The key is to integrate your pricing processes across all other areas of your business and provide everyone with visibility.

It's no secret that the shift to more strategic pricing can be hard. Think of upleveling pricing as an evolution, not a revolution. You also don't have to do it alone. Reach out to the Vendavo pricing experts. We have a long history of championing global pricing and selling transformations and we would love to support you.



**Mitchell D Lee**  
Profit Evangelist and VP of Product Marketing  
Vendavo



# Crossing The Pricing Chasm – The book

**Crossing the Pricing Chasm** demonstrates a proven roadmap to increase your organizational pricing maturity

built on the lessons that EPP has learned through supporting more than over 100 certification projects of pricing and monetization managers across industries.

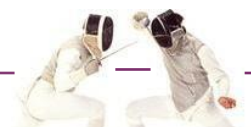
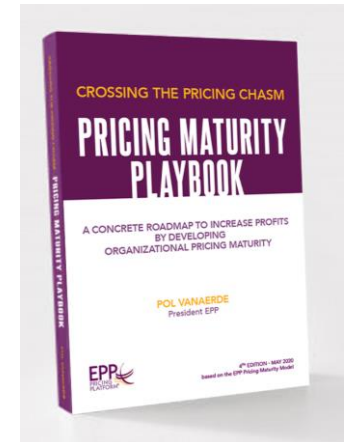
We have found recurring patterns in success and failures in implementing pricing maturity development, and one of the main insights is that doing the right things right - at the right moment - is crucial. That's why learning from a successful proven roadmap is so crucial.

The learnings have been brought together in a deep EPP body of knowledge that allowed us to identify a proven successful path to increase pricing maturity. This book presents a proven, successful, path towards pricing excellence and profit growth. It's also the foundation of the skill cards that are written to build the EPP Certification Programmes.

The emphasis of the EPP Pricing Maturity Model is to help you identify where you are today in your pricing journey, which areas you need to prioritize and improve to lead your company to the next level of pricing maturity (and profit optimization) – and perhaps the most important: how to cross the 'Pricing Chasm'.

Finally, the insights have resulted in developing skill cards to help define the capabilities needed on each pricing maturity level. These skill cards are the fundamentals of the EPP Certification Programs (Certified Pricing Manager®)

We trust the principles described in the book 'Pricing Maturity Playbook - Crossing The Pricing Chasm' will help you too in your personal pricing maturity development and career.



## Contact

If you would like more information or to set-up an informal discussion on the topics discussed in this EPP Pricing Maturity Survey – and how they impact your organisation, please contact:

Pol Vanaerde  
[pva@pricingplatform.com](mailto:pva@pricingplatform.com)

## The global business community for pricing and revenue growth management professionals.

The EPP is the leading knowledge sharing platform, serving thousands of pricing and revenue growth managers.

As a not-for-profit organization, **the EPP is devoted on helping our members to dramatically improve top line revenues and profitability through personal and organizational pricing maturity development.**

How we help ;

- › **EPP Manufacturing Pricing Forum**
- › **EPP Life Sciences Pricing Forum**
- › **EPP Global Pricing Forum**
- › **EPP FMCG/Consumer Goods RGM Forum**
- › **EPP Pricing Academy**
- › **EPP Prime** - Access to a vast digital library of articles, whitepapers and digital media content
- › **EPP Certification Programs** – Certified Pricing Manager

## The exclusive Certified Pricing Manager® Program.

The EPP Certified Pricing Manager® programme is the only officially recognized pricing and profit optimization accreditation programme in the world, designed for experienced and highly accomplished pricing practitioners seeking personal career advancement and professional recognition.



No other programme is so comprehensive and practical. The Certified Pricing Manager® programme is specifically designed around the organizational and personal skill cards to perform on the different pricing maturity levels.

[Certification is based on real business project success.](#)

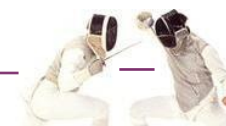


# EPP GLOBAL PRICING MATURITY SURVEY 2022

Methodology

Charts & Demographics

## APPENDIX



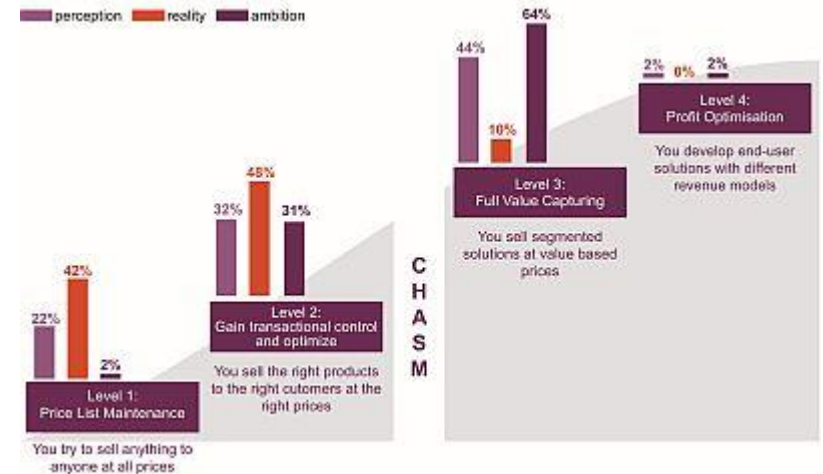
# PMI Survey Methodology

The 2012 EPP Global Pricing Maturity Survey represents the opinion of 209 pricing executives, surveyed by means of the online Pricing Maturity Indicator survey ([www.pricingmaturity.eu](http://www.pricingmaturity.eu)).

*Survey duration: June 1<sup>st</sup> 2021 – August 30<sup>th</sup> 2022*

The questionnaire of the Pricing Maturity Indicator is designed to objectively determine the organizational pricing maturity level, by evaluating the actual performance across the pricing framework building blocks :

- Price Strategy
- Price Policy
- Price Implementation
- Price Reporting
- Pricing Organization
- Pricing Tools & Systems



## On the EPP Pricing Maturity Model

EPP developed the Pricing Maturity Study (based on the PMI survey) to offer European pricing and profit optimization management a framework according to which they can determine the gaps and set the priorities in their pricing journey.

By providing a deeper understanding of actual and desired pricing capabilities and maturity level, as well as the main pricing challenges to bridge, pricing leaders can reflect, reframe and refocus on what is important and relevant for them in their pricing maturity development

The **Certified Pricing Manager®** program is developed on the skill cards for price management on each maturity level.

## The EPP Pricing Maturity Levels – in short...

**Level 1: Price List Maintenance** – list prices are set by product management, but final price setting is owned by sales.

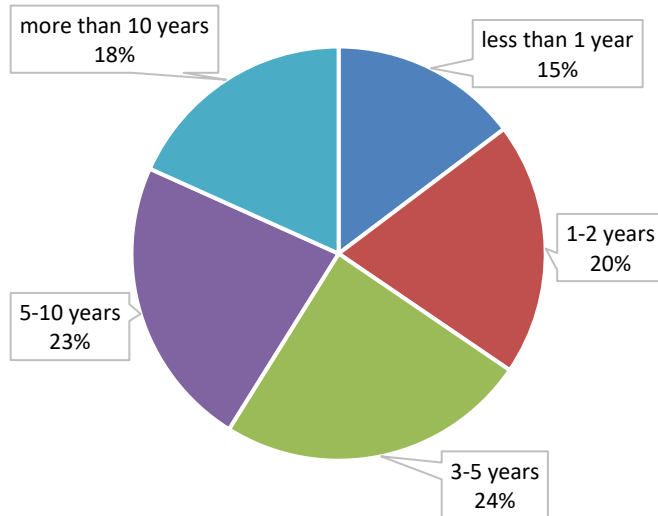
**Level 2: Transactional Control** – essential price analytics are in place and the 10 vital margin improvement projects are defined and implemented. Pricing is very much seen 'as a project', often reporting to finance.

**Level 3: Full Value Capturing** – pricing is fully embedded in the commercial processes, often reporting to the commercial organisation. A value strategy is deployed, with pricing aligned across marketing, sales and finance.

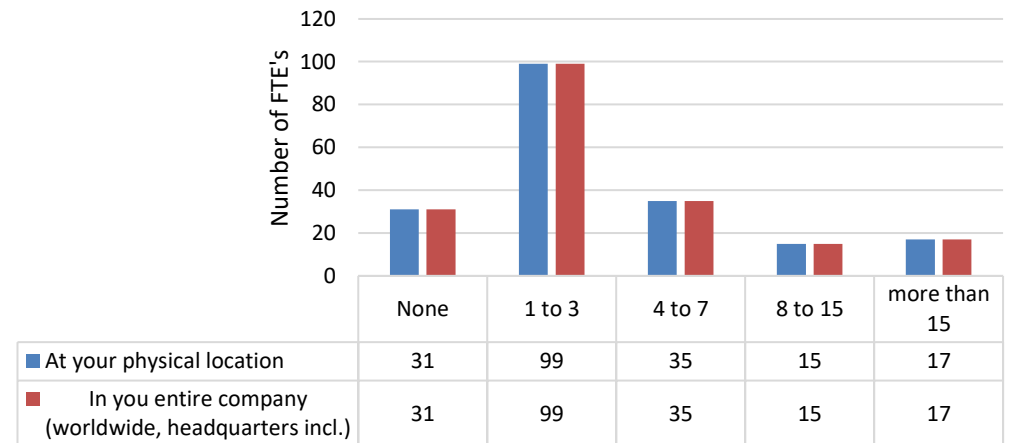
**Level 4: Monetization** – pricing is involved in the monetization model of the organisation and develops new revenue and business models - or sophisticated pricing algorithms steer price setting.

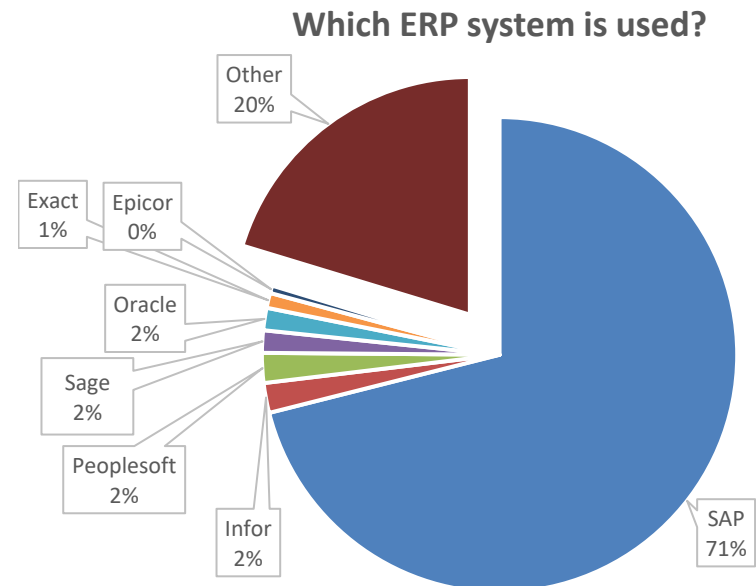
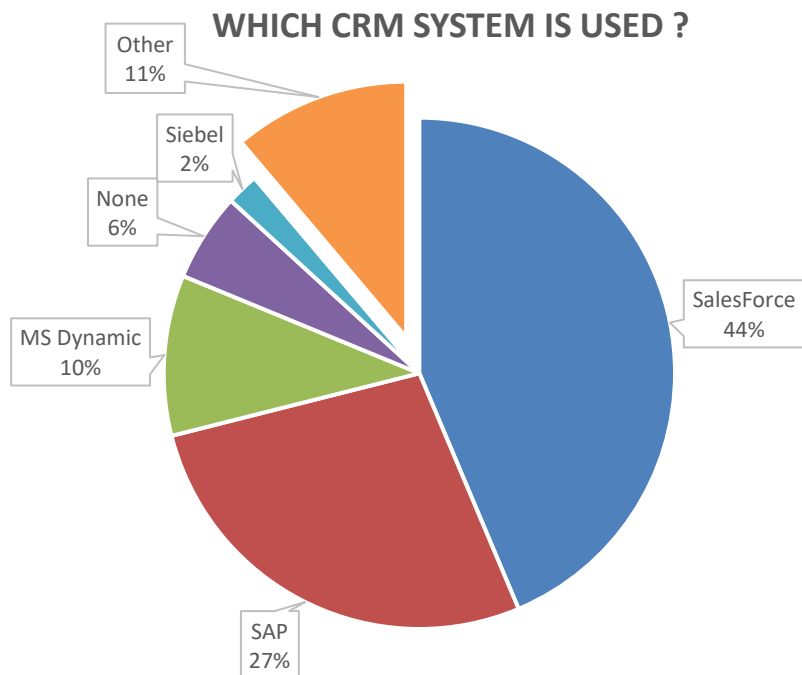


Number of years in a Pricing function

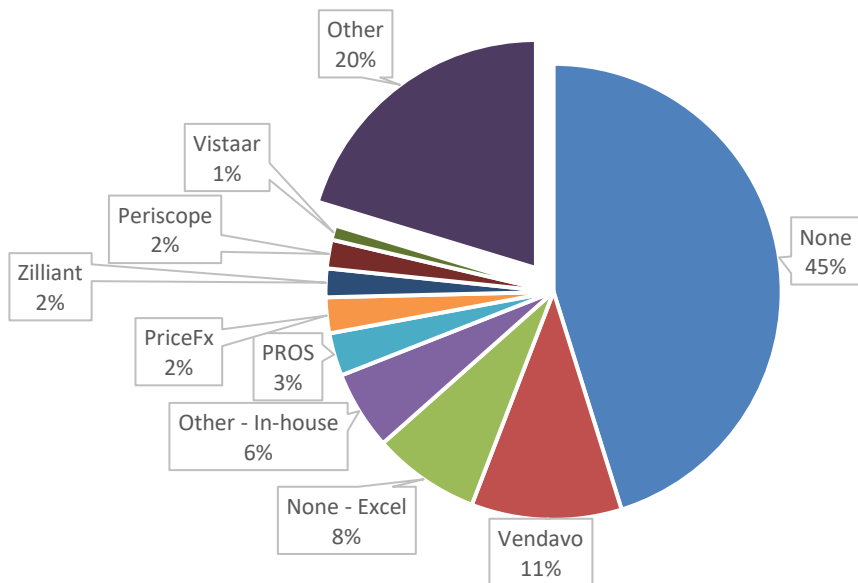


How many people work exclusively on pricing in you company?

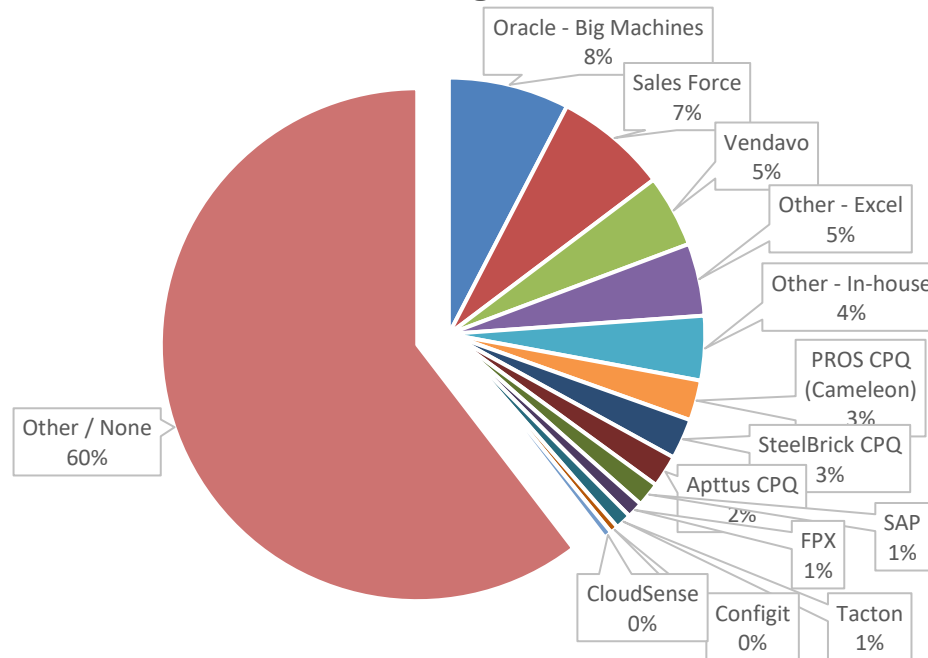




Which pricing system is used?

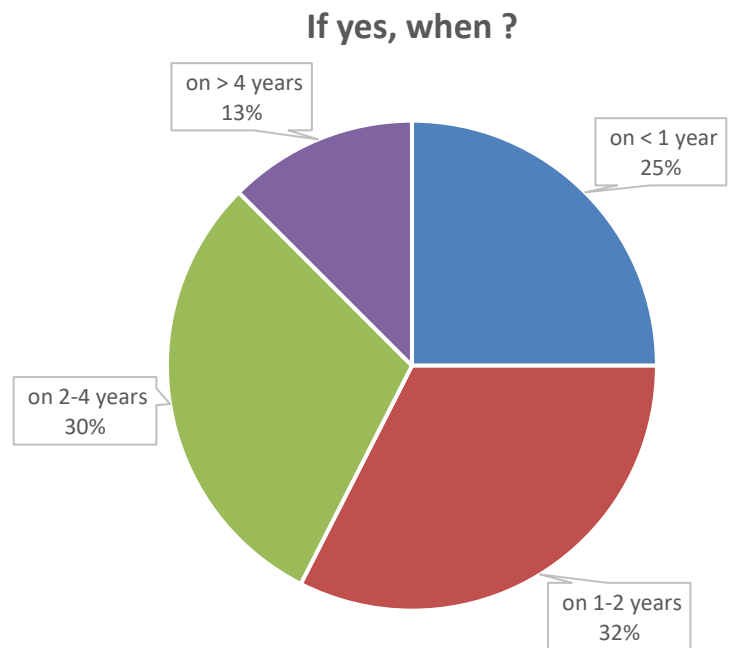
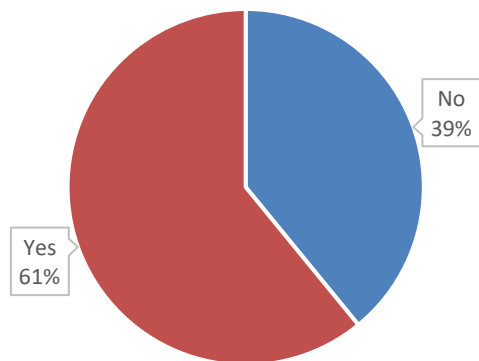


Which Configure-Price-Quoting (CPQ) system are you using





**Do you plan to move your pricing software to the cloud in the future? -  
Do you plan to move your pricing software to the cloud in the future?**



## Which Business Intelligence tools are used?

