

The leading professional association for pricing and monetization professionals, globally.

3rd Global Pricing Maturity Study

edition 2019

Supported by  **VENDAVO**



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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.

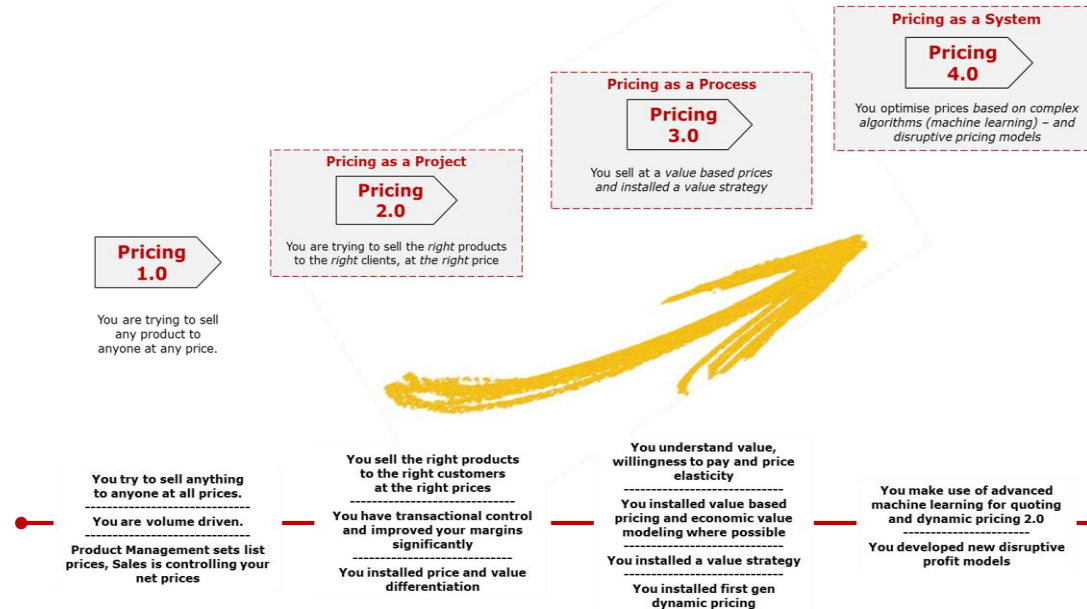
The PMI (Pricing Maturity Indicator) helps you assess your pricing maturity.

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 – PRICING AS A PROJECT
- Level 3: Achieving full value capturing – PRICING AS A PROCESS
- Level 4: Deploying pricing science – PRICING AS A SYSTEM

EPP PRICING MATURITY ROADMAP®



Introduction and Key Findings

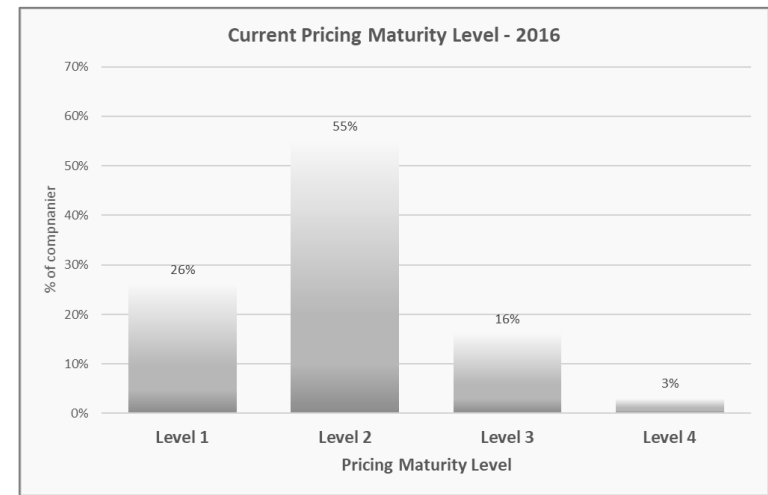
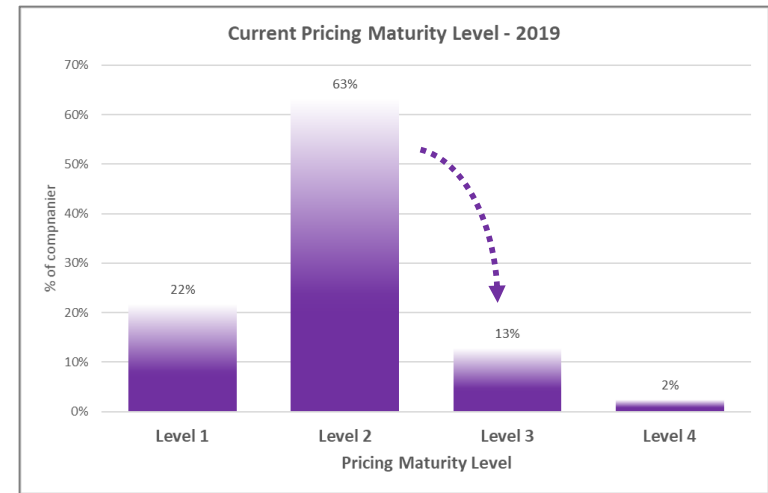
The 3rd EPP Global Pricing Maturity study shows a clear improvement in organizational pricing maturity, with only 22% of the companies in the survey still working in a pure volume driven organisation, with mainly sales in the pricing driver's seat. More than 60% of the organisations are working (or reached) on a level 2 pricing maturity, taking transactional control (installing vital pricing analytics and margin improvement projects, with floor and target prices, a new discount and surcharge policy and compliant price derogation processes).

On the other hand, the next step in developing the pricing maturity is more challenging. A small 13% of the organisations in the survey assess their pricing maturity as 'level 3', meaning that they working on installing a value and profit strategy, implementing value based pricing where possible, understanding price elasticity within micro-segments, explore (more) dynamic pricing and improve value communication and value selling....

Crossing the Pricing Chasm* is still a difficult to realize change. We described the challenges in the Book 'Crossing the Pricing Chasm' and the challenge is still there. The number of companies working towards a level 3 pricing maturity stays flat (2016 survey (16%, now 13%).

Different studies show that a strong, top level supported, profit culture makes the difference between low and high performers in any industry. And it is clear that top management involvement in advocating a profit orientation culture is crucial. **But it's also clear that pricing managers are (or should be) important change agents to lead the organization towards a value and profit orientation culture.**

“Pricing managers are (should be) important change agents to lead the organization towards a value and profit orientation culture”

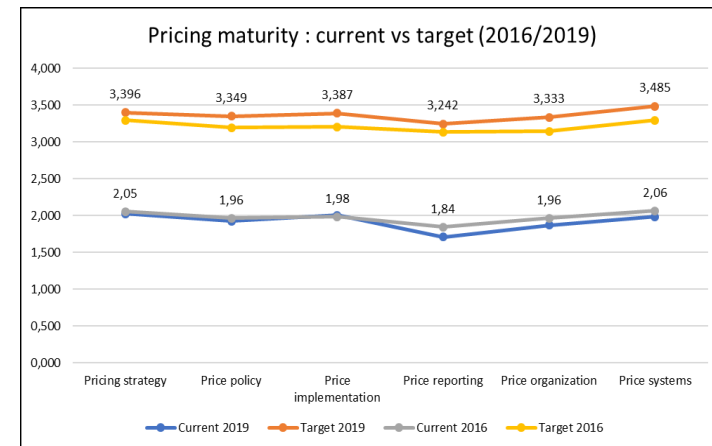


Introduction and Key Findings (cont.)

“The overall pricing maturity score is not better than in 2013.

This is because many new companies invest in pricing maturity development and are still building on the road...”

1. The **overall pricing maturity scored is 1.92**. That’s not good news for many organizations.... In the 2013 survey, the score was 2.08. And in the 2016 survey the score was 1.98. **One of the reasons is that many more organisations than in the previous survey editions have participated. This means that there are a lot of (new) companies in the survey that are still building on their pricing maturity roadmap !**
2. Many companies in the survey still overestimate their pricing maturity level while other organizations really underestimate their pricing capability level. Especially the **34% of the organizations that estimated to work on a level 3 (full value capturing), seem to overestimate their pricing maturity; in reality only 13% are really on level 3.**
3. Interestingly, **companies' ambitions are even higher than in the previous surveys ...** The gap between the actual and desired status is quite big. Most companies want to improve fast towards a level 3 (full value capturing) pricing maturity stage. This will be a challenge. These companies will need a solid pricing maturity roadmap, doing the right things right, at the right moment.
4. Surprising, **the lowest score in the pricing maturity assessment is for ‘price reporting’** (with low 1.84 score). We observe – still - a stunning very low maturity in the area of price reporting.
5. Only **12% of respondents have insights in net customer profitability including cost-to-serve data into the price waterfall.**



Overall maturity:	Current	Target
	1,92	3,37



“45% of the companies in this survey do not (yet) have a vision about how to develop the pricing skills and maturity in the organization.

That’s a huge concern.”

The fact that 42% have no training options is another big concern.

Pol Vanaerde

- 6.** And still **50% of the companies in the survey admit to not have an effective price escalation processes and tools to support it.** Also ; **65% of companies say to be struggling to monitor compliance to terms and conditions.**
- 7.** It’ no surprise **that 61% is considering an integrated configure-pricing-quoting infrastructure** for sales, partner or end-customer with system-controlled exception handling and tracking workflows. **And 47% of the companies in the survey say they are exploring more sophisticated pricing software to implement.**
- 8.** Currently also **79% of the organisations are dealing with pricing portfolio inconsistencies.**
- 9.** A high number of **95% of the companies say to want to install a more dynamic pricing,** with more agile price changes in function of changing market conditions. But at the same time, **54% of the respondents say to have no insight at all about price elasticity.**
- 10.** For the third time in a row : **effective sales incentives - with a score of 1,77- are again by far the least mature area of price implementation.** 48% states that their sales incentives are only volume driven.
- 11.** Very challenging is the fact that many organizations - **52% of the respondents - still don’t have a vision on further developing the pricing or maturity skills in their company** – but 97% wants to formulate such a roadmap to reach the desired pricing maturity.
- 12.** Finally ; **the lack of learning opportunity is stunning high... 42% of the companies state ‘to have very little or almost no training options/budgets’ for pricing people in the organizations !** This is very worrying. Best practice sharing is so important for every profession to grow. EPP will definitely see how to support the pricing community to give them access to more learning opportunities !



“Again, many companies still overestimate their pricing maturity level

while other organizations really underestimate their pricing capability level.”

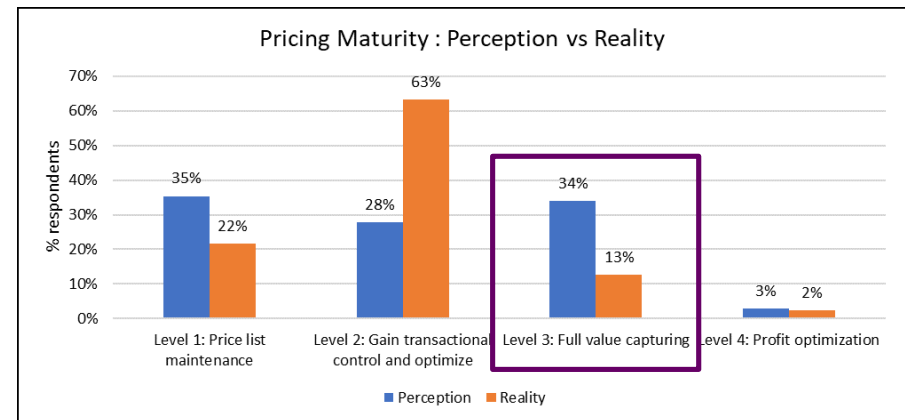
For the second time (we had the same conclusions in the previous survey) : **companies in the PMI 2019 survey are demonstrating a split personality; the first group of organizations seems to be too ‘humble’ - working on a higher maturity level than perceived – while the second group is over-optimistic.**

For the first, **the ‘humble’ ones**; 35% of the organizations perceived themselves as level 1 players - but after the assessment only 22% of the organizations found themselves on a level 1 maturity level, so they perform better than expected.

But **the other, second, group clearly overestimated their pricing maturity level. 34% of the organizations estimated to work on a level 3 (full value capturing), but in reality only 13% are really on level 3. We believe to quickly we have reached a ‘full value capturing’ pricing maturity level...**

As a result, the ‘reality’ graph shows much more companies acting on a level 2 pricing maturity than perceived before the assessment...

The difference between the self assessment and calculated maturity levels is meaningful as it may indicate many companies still don’t have a comprehensive understanding of their pricing capabilities – and can probably win by more frequent assessments of their pricing maturity.



More experienced is better ?

“More experienced pricing professionals work in the better pricing maturity organisations.

Especially in the first three years in the sector we see a huge improvement.

More complex, hybrid pricing organisations, continue to be more challenging too...”

The longer the respondents worked in a pricing function, the better the overall pricing maturity score. This means that more experienced pricing professionals also work in the highest pricing maturity organisations.

The observation is also true for the number of people working in the pricing team.

The biggest improvement seems to come from scaling the team from an individual working in pricing to building a team of 4-7 people.

Good people and strong teams make the difference.

Weird, but larger teams seem not to be more performant than teams of 4-7 people. Larger pricing teams often work in companies with often a more complex, hybrid, pricing organization (HQ and local pricing teams).

It shows again the importance of having strong pricing leaders in HQ of hybrid pricing organisations.



The Risk of Falling Behind

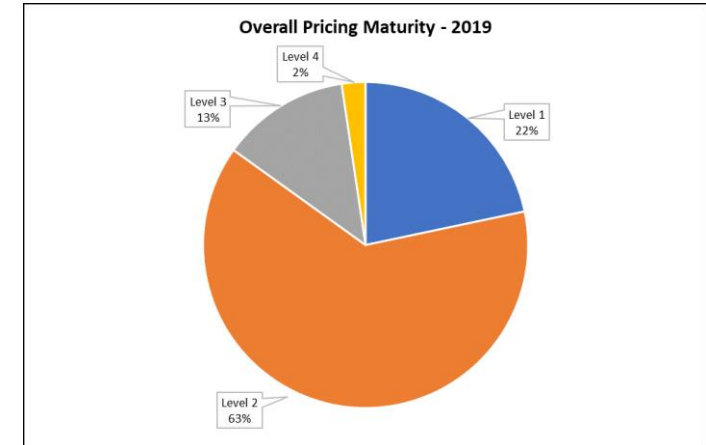
Wake up call:

85% of European companies are still operating at level 1 or 2 for pricing maturity.

These companies are at risk of quickly falling behind in this dynamic and digitalized economy.

The survey results 2019 show a large number of organisations still working on level 1 or 2 (85%) demonstrating they have not fully realized the power of pricing.

From implementation of value-based pricing where possible, insights in behavioral micro-segments to drive basket value, understanding price elasticity within the micro-segments, installing dynamic pricing and monetization of data via subscription models to implementing a value and profit strategy and culture ; it seems a more challenging road.

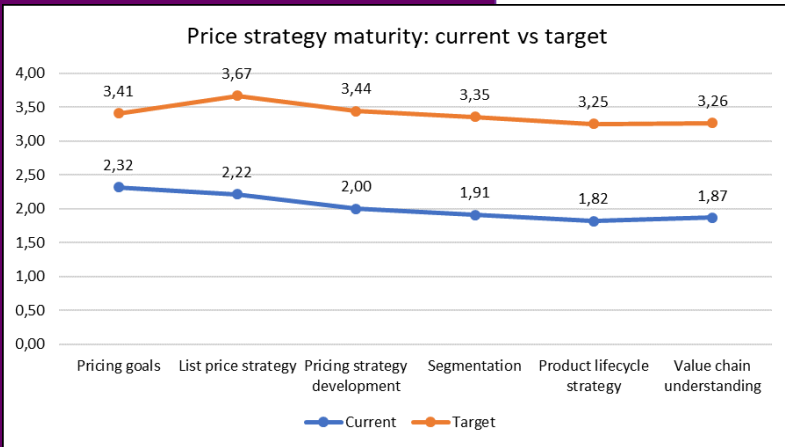


Of course not every company has or wants a value strategy,

but not investing in more advanced pricing systems or developing new pricing and profit models, you take the risk to quickly fall behind in profitability in this challenging global environment.

The key is speed of execution. Those companies that quickly grab the opportunity and execute can realize measurable and meaningful business results. Those that don't take the risk of falling behind.



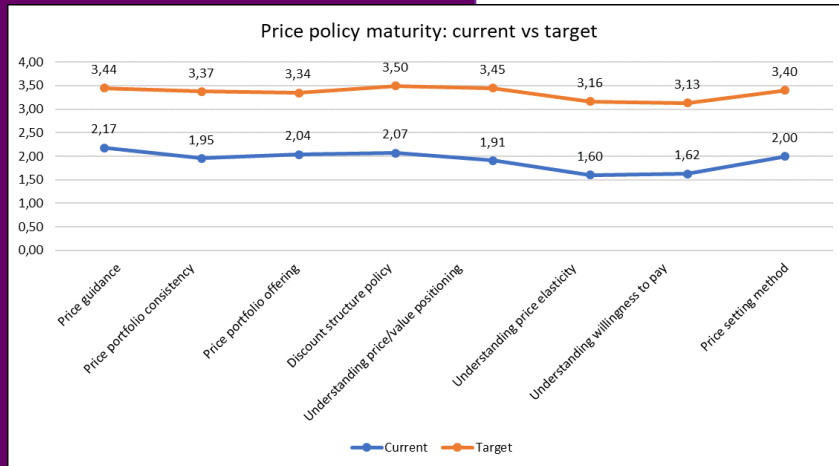


Price Strategy - include six elements :

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

- ❖ 33% of the companies in the survey say to have a dynamic pricing strategy, pro-actively adapted to changing market environment, based on frequent market scan insights, data analytics and competitive intelligence. **95% of the companies say to want to install a more dynamic pricing - and have set it as a key priority for next year(s).**
- ❖ Almost 60% will work hard to get top management aligned with the price strategy. **Actually only 8% say that top management is aligned with the price strategy. 23% say, sales and marketing are fully aligned.** Still a long way to go...
- ❖ **A small 30% of the organizations in the survey indicate to have specific pricing goals per segment, with targeted price positioning versus competitors. But 90 % stated the make a priority to define pricing goals...**
- ❖ **Use of price segmentation is still rudimentary with 37% of companies having a basic product and customer segmentation in place.** The importance of data insights when it comes to (micro) segmentation to drive price strategies is clear ; **currently only 17% of the companies declare that they review their segmentation regularly based on in-depth data analytics.**
- ❖ And only 7% of companies indicated they are using mature price segmentation practices where customer segmentation is dynamic, based on multiple and connected data sources and predicts customer behavior.
- ❖ **Product lifecycle management is not practiced with 81% of companies** indicating they **are not using it** or only doing annual product portfolio pruning with very little alignment to price strategy.



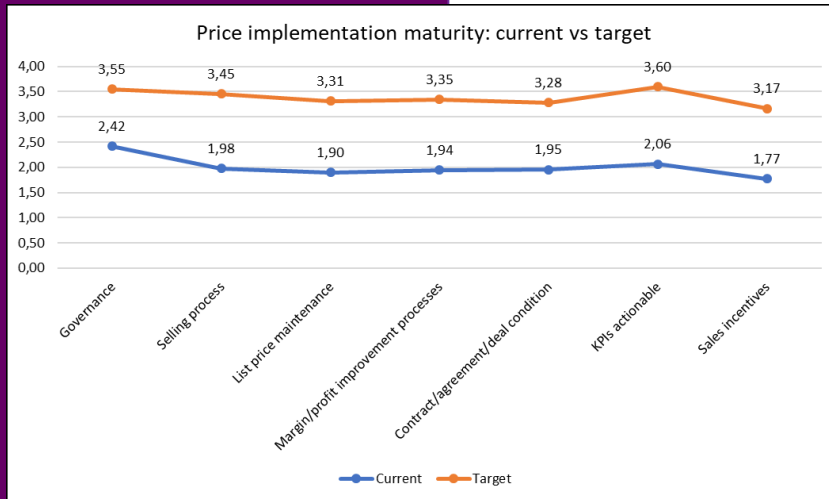


Price Policy includes 8 topics:

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

- ❖ Companies are indicating price guidance as their strongest area in price policy. **But still 26% of companies give local sales organizations full freedom to determine their local market prices with very little guidance.**
- ❖ **Many companies still struggle to implement floor and target prices/margins.** 59% of the organizations mention that the key problem is having a too (small) pricing team to make it happen...
- ❖ Currently 79% of the organisations are dealing with pricing portfolio inconsistencies. **90% of the respondents would like to implement better portfolio price guidelines to achieve both internal and market consistency.**
- ❖ **54% of the respondents say to have no insight at all about price elasticity !**
- ❖ Interestingly, **business leaders often complain about the lack of discount discipline in their sales teams. Yet, 65% of the companies say they are still allowing too many unconditional discounts.**
- ❖ **32% of the respondents still use only cost-plus and market price alignment as price setting method.** More than 90% wants to go to a value-based price-setting system, whether or not with in-depth insights in the end-user benefits...
- ❖ On the other hand ; **75% of the respondents have already implemented some product- and price differentiation to tackle willingness to pay differences within segments/channels/regions.**



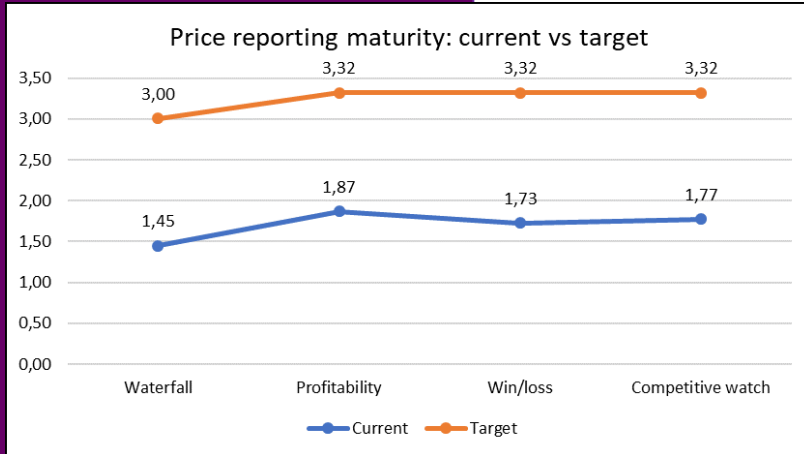


Price implementation includes 7 topics:

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

- ❖ More than 50% 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 50% have no good price escalation processes and guidelines.
- ❖ 65% of companies are struggling to monitor compliance to terms and conditions or struggling to set and manage clear consequences or both. Only 7% of companies believe they have systemic checks in place or have integration with client supply processes to ensure adherence to the contract terms and conditions.
- ❖ Sales incentives is - with a score of 1,77- by far the least mature area of price implementation. 48% states that their sales incentives are only volume driven.
- ❖ 71% wants vital pricing KPI reports to be part of the business planning and wants to see them on a dashboard in a pricing/analytics tour. There is still a long way to go though. 34% have no vital pricing KPI's at all, but only some ad-hoc reports.
- ❖ Right now 10% of companies indicated that they are including the KPI reports as part of the business planning process, using them in regular reviews and have them as part of a dashboard.
- ❖ Currently only 5% of the respondents use scenario planning of price changes to simulate the business impact.



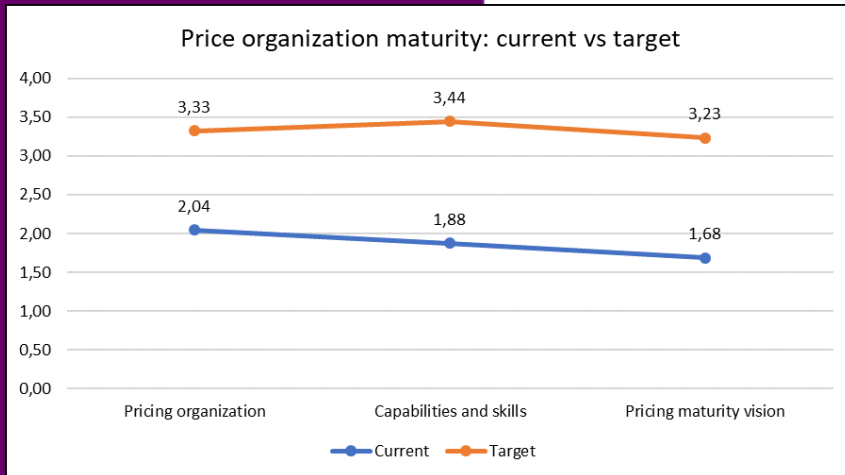


Price reporting includes 4 topics:

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

- ❖ We observe – still - a stunning very low maturity in the area of price reporting. **Only 12% of respondents have insights in net customer profitability including cost-to-serve data into the price waterfall.**
- ❖ **73% of the respondents say to want to develop data with detailed price waterfalls per customer, but only 12% have them.**
- ❖ While still 38% of the respondents don't systematically monitor segment / channel / customer / product profitability, all agree that it is something to improve.
- ❖ Win/loss reporting provides excellent visibility into the effectiveness of your sales process. **Yet, 47% of companies do not have systemically reported win/loss analysis.**
- ❖ **Only 50% of the respondents mention to have tools in place that make competitive prices readily accessible** - while 97% declares they would want to have this in the future.
- ❖ **Currently only 21% of the companies are tracking the competition systematically both in the sales and the pricing department.** These companies have tools to make competitive prices readily accessible. 88% would like these kind of tools to also track competitive prices.
- ❖ Because of the very low current maturity we see a big gap between the current situation and the target scenario. This gap was already there in the previous survey in 2015 and has only got bigger since then. **Price reporting is an area to invest in for a lot of organizations.**





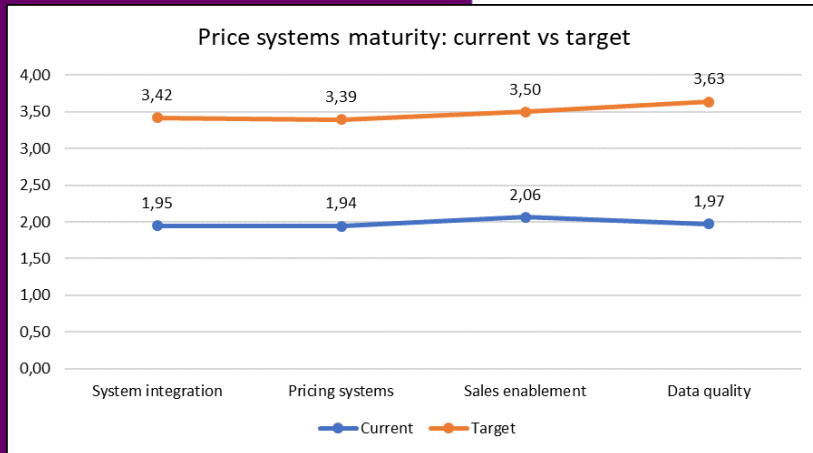
- ❖ **31% of the organizations have still no pricing team.** The sales department sets prices advised by product managers. These companies know there is room for improvement as **99% of all these respondents mentioned they should install a pricing team...**
- ❖ **69% of the organizations have already a pricing team and almost half of the companies want to appoint a CPO (chief pricing officer) to report directly to the CEO.**
- ❖ Actually, 31% has no pricing team - **38% of the organisations have a pricing function embedded into the finance department – 31 % in the commercial organisation.**
- ❖ **In 42% of the companies, there is very little or almost no training options/budgets for pricing people in the organizations !**
- ❖ 58% of the companies want to grow to a company in which pricing is seen as a strategic area, led by a centralized and highly skilled team of experts and strategic management.
- ❖ **52% of the respondents don't have a vision on further developing the pricing or maturity skills in their company – but 97% wants to formulate such a roadmap to reach the desired pricing maturity.**
- ❖ **46% even wants pricing maturity to be seen as a competitive edge, as an opportunity to outperform the competition.**

Price organization has 3 topics:

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



In depth findings per building block : Price Systems



- ❖ We can see quite a big gap between the current performance and the target performance (gap > 1,5) when it comes to pricing system implementation.
- ❖ **The biggest delta – and thus challenge - is in the data quality.**
- ❖ **It's no surprise that 73% want to install centralized database for all relevant pricing data** with key price, cost, market and segmentation information in the next couple of years.
- ❖ Today 27% has no sales force enablement. All special pricing is handled via back-office processes, which is predominantly based on manual processes. Basically all companies want to get rid of this no-tool system. **61% is considering an integrated configure-pricing-quoting infrastructure for sales, partner or end-customer with system-controlled exception handling and tracking workflows.**
- ❖ Excel is still a very important pricing tool , with 80% using Excel or home-developed software to produce pricing reports. **Still many companies are still struggling to move from Excel spreadsheets to more advanced pricing (analytic) tools. 47% are exploring more sophisticated pricing software to implement.**
- ❖ When talking with professional services and ERP system implementation experts, one of their key complaints is the poor state of client data. It is in multiple places, multiple formats, at varying degrees of completeness and accuracy. **Interestingly, data quality came in as the highest current level of maturity in the price systems category and one of the top 5 in the entire survey.** But it is also seen as one of the areas with the highest improvement potential.

Price Systems has 4 topics:

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



This expanded 3rd **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 3th 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 (subscription based 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.

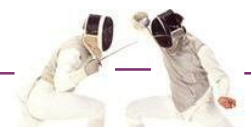
We look forward to meeting, discussing and reflecting with all pricing and profit leaders worldwide to continue our road to excellence.

Pol Vanaerde - Founder European 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 European Pricing Platform



Crossing The Pricing Chasm – The book

Crossing the Pricing Chasm demonstrates a proven roadmap to increase your organisational 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 'Crossing The Pricing Chasm' will help you too in your personal pricing maturity development and career.

Crossing The Pricing Chasm
A concrete roadmap to grow
Organizational Pricing Maturity

... and increase profits.

4th edition - 2020

Based on the EPP Pricing Maturity Model



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:

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For more information about the European Pricing Platform or how we can help you, please contact:

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Britt.Dejager@pricingplatform.eu

The leading professional association for pricing and monetization professionals, globally.

The EPP is the leading knowledge sharing platform, serving thousands of pricing and profit optimization 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 Life Sciences Pricing Forum**
- › **EPP Global Pricing Forum**
- › **EPP B2ME Pricing Forum**
- › **EPP Pricing Academy**
- › **EPP Digital** - 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 2019

Methodology

Charts & Demographics

APPENDIX

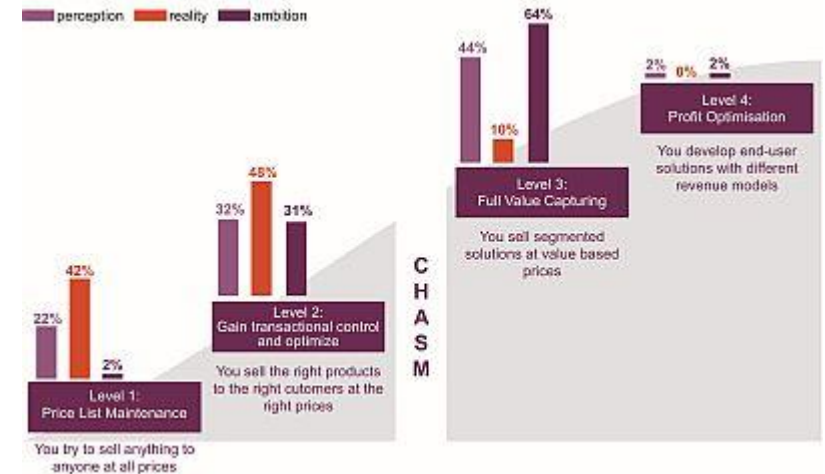


The 2019 EPP Global Pricing Maturity Survey represents the opinion of 250 pricing executives, surveyed by means of the online Pricing Maturity Indicator survey (www.pricingmaturity.eu).

Survey duration: June 1st – Sept 30th 2019

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...

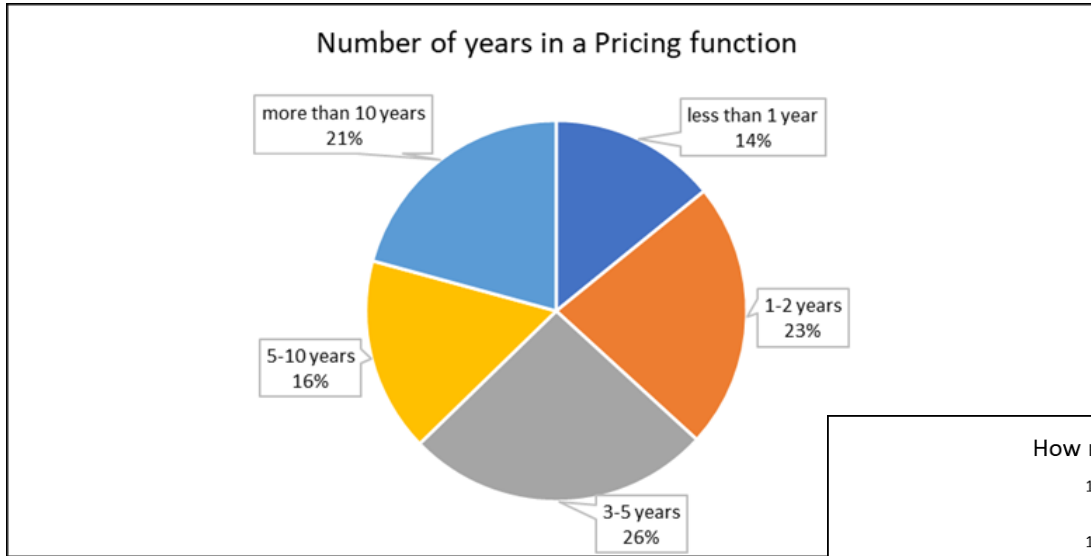
Level 1: Price List Maintenance – list prices are set by product management, but final price setting is owned by sales.

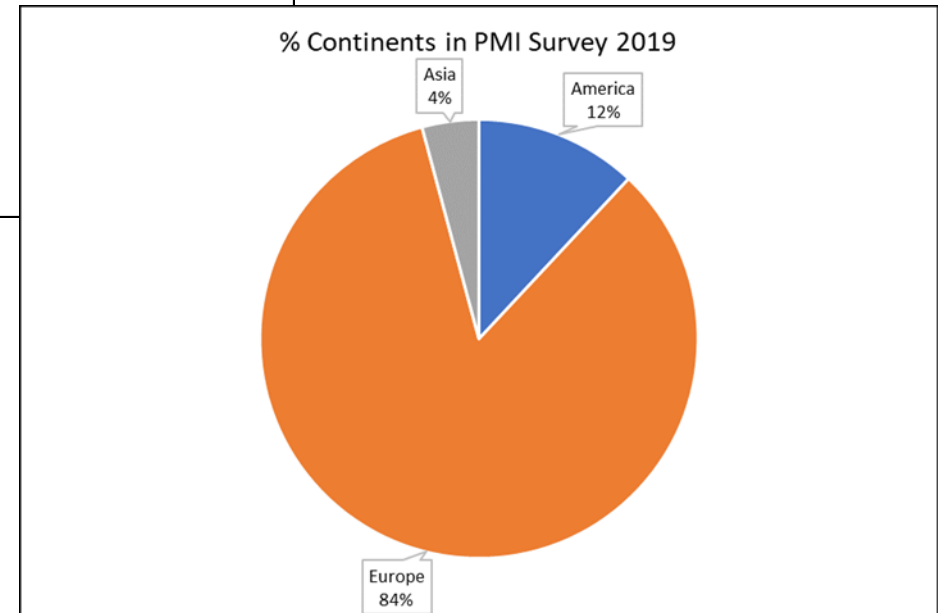
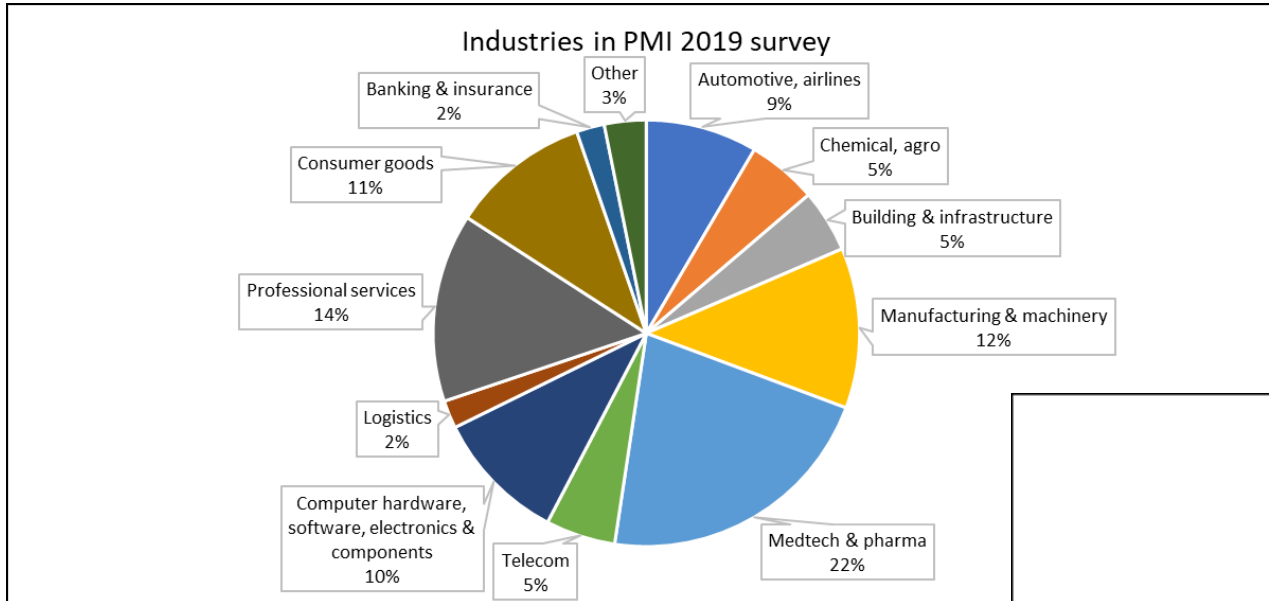
Level 2: Transactional Control – essential price analytics are in place and the 10 vital margin improvement projects are defined and implemented. Pricing is very much seen 'as a project', often reporting to finance.

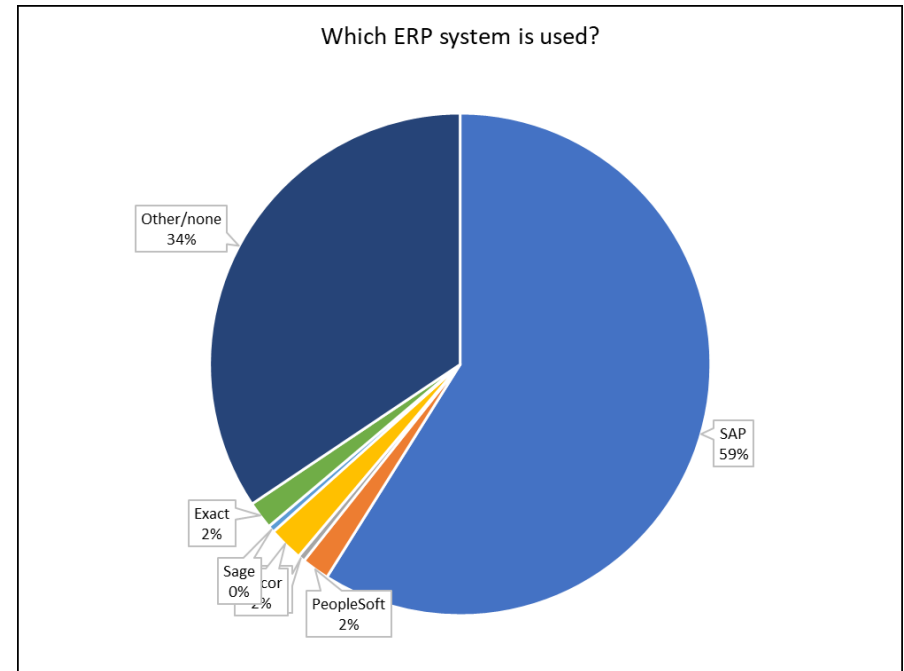
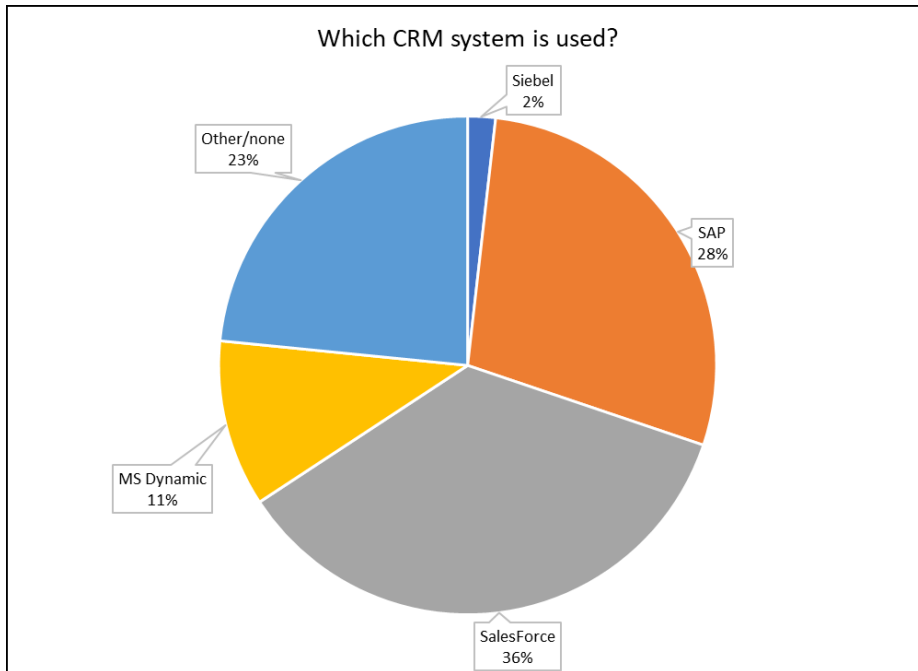
Level 3: Full Value Capturing – pricing is fully embedded in the commercial processes, often reporting to the commercial organisation. A value strategy is deployed, with pricing aligned across marketing, sales and finance.

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.

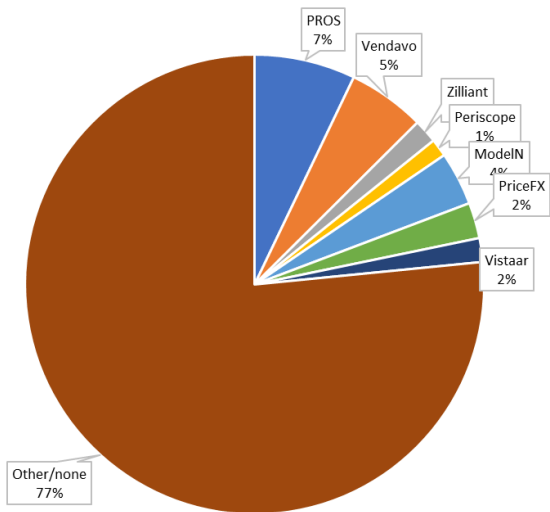








Which pricing system is used?



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

