



# Price Optimization: The Ultimate Value Lever

Leveraging Pricing to Achieve  
Value Creation & Capture





# The Benefits of a Value-Based Pricing Strategy



There is a valuation opportunity that many portfolio companies have not yet leveraged in their journey to value creation and value capture — pricing optimization. When done right, it is a path that offers immense opportunity to reach portfolio companies' targets faster and more easily.

The reality is that pricing products and services can be tricky. Too low and you leave money on the table. Too high and you scare off potential customers. What's needed is a way to identify your company's pricing sweet spot. In other words, find the price that both supports your product or service's market value and satisfies customer expectations. The way to achieve this ideal outcome is with value-based pricing.

Value-based pricing is the art and science of setting your prices based on customers' perceived value and their willingness to pay. According to the [Harvard Business School](#), willingness to pay is the highest price a customer is willing to pay for your product or service. "Customers are more likely to make a purchase when companies charge any amount up to that threshold. Charging even one cent above the price increases the risk that buyers will decide not to make the purchase".

By focusing on consumers' willingness to pay, this pricing strategy is different from the other three main pricing strategies:

- 📌 **Cost-plus pricing:** Calculates the cost of production and adds a markup, such as a percent of production costs, to achieve a desired profit margin.
- 📌 **Competition-based pricing:** Analyzes competitor pricing as a baseline and then sets prices slightly lower or higher depending on factors, such as target market, product quality, or marketing strategy.
- 📌 **Dynamic pricing:** Uses algorithms to analyze data on market demand, competitor prices, cost of raw materials, and more to change prices in real-time.

This report explores today's leading pricing challenges and their solutions. We provide insight into why value-based pricing is superior to other pricing strategies. Learn about the challenges that arise from not having a proven pricing strategy and model. Plus, understand how your pricing strategy impacts the stages in the life of a portco.

# State of the Pricing Industry

From using pricing as a key differentiator to possessing pricing power to understanding value signals on customers' willingness to pay, three recent reports speak to the importance of pricing to strategies to help companies price their goods for maximum return and achieve their business goals. Here are highlights.

## EY-Parthenon Global Private Equity B2B Pricing Study

The 2023 EY-Parthenon Global Private Equity B2B Pricing Study highlights the role of pricing capabilities in maximizing value. One key finding was that only 30% of global CEOs viewed pricing as a strategic priority. However, this perspective may be short-sighted.

Based on an examination of the role that advanced pricing capabilities can have on creating value and powering growth, four significant insights were discovered:

- 📌 **Differentiator:** Investing in pricing is a key differentiator of success. Some companies can raise prices faster than others.
- 📌 **Inflation:** Rapid inflation spotlights a need for better pricing capabilities. Many businesses have not kept pace with inflation, but are now catching up.
- 📌 **Pricing power:** High-growth companies have more pricing power. The strong get stronger because they profit from higher prices.
- 📌 **Individual:** A one-size pricing approach does not fit all. Each company must develop its own pricing strategy.

Today, AI-driven business applications generally fall into three high-level disciplines, including transformations in digital, RevOps, Go-to-Market, and revenue.

“For PE funds, a combination of uncertain macroeconomic conditions and lower price multiples means that many are holding onto portfolio companies longer and need to create more value within them if they are to achieve their target returns. Maximizing pricing opportunities is a significant and relatively inexpensive way to create value.”

— EY-Parthenon, Laura Higgins, Malik Ajani Jr

[Source](#)

## Simon-Kucher State of Pricing 2024 report

According to Simon-Kucher's latest Global Pricing Study, nearly 80% of companies used price increases to cope with rising costs and preserve profit margins in 2023. Yet only 65% of companies worldwide, spanning various industries, truly possess pricing power.

Other findings from the study include:

- 1 On average, companies raised prices by 11%, but the picture varied by sector and region.
- 2 Looking forward, companies are wary of the likely economic situation in 2024. But this attitude has not yet translated through to their pricing strategy planning.
- 3 Pricing power leaders command premium prices for their products or services. They understand the value they provide and price accordingly. By successfully differentiating themselves in the market, they foster customer loyalty and insulate themselves from price wars.

“High inflation and rising costs provided a readily accepted rationale for many companies to raise prices in 2022 and 2023. However, relying on such transitory effects leaves companies exposed to market conditions. A sustainable, long-term pricing strategy will insulate against such volatility, allowing companies to adapt to changing economic environments.”

— *Simon-Kucher*

[Source](#)

## Journal of Business Research Value-Based Pricing for Digital Platforms

Researchers at two universities conducted a study to see what influence value signals have on customers that would impact value-based pricing on digital platforms. The study focused on beyond-core product attributes, such as channel brand and seller history.

The researchers' key findings include:

- 1 Non-core product attributes are important predictors in value-based pricing.
- 2 Machine learning algorithms, such as random forest, are better suited to quantify the importance of factors for predicting ideal pricing for products and services.
- 3 Predictive methods can be applied to limited data availability, such as for new and small businesses.

“Value-based pricing is known to be a challenge for businesses but is recognized as a superior pricing strategy. Setting prices based on value requires a strong focus on value creation for customers and an understanding of which product attributes influence the total amount that a customer is willing to pay”

— *Journal of Business Research*

[Source](#)



# How Pricing Impacts the Life of a Portco

Pricing is not merely the final step in a portco's Go-to-Market journey. It can positively impact the company's success on the road to higher valuation. Here's how.

## Due Diligence

### What is a portco investment's true revenue potential?

The answer to the question can help a PE firm manage both risks and opportunities. For example, it can avoid under- or over-estimating the company's revenue potential. It can also help ensure that the firm doesn't overpay for assets.

To conduct a comprehensive, high-impact, pre-purchase due diligence pricing analysis for companies a PE firm is considering purchasing, include these four steps:

#### 1 Initial research

Lay the groundwork. Along with understanding the company and its products and services, also examine its business model, revenue streams, and cost structures.

#### 2 Market assessment

Gather market dynamics, trends, and comparisons with competitors. Analyze key competitors to understand their pricing strategies and the factors influencing their pricing structures.

#### 3 Pricing strategy evaluation

Investigate how the company is establishing prices now — cost, market demand, or competition — and how effective its pricing strategy is. Also, find out about demand elasticity and how price variations impact sales volume.

#### 4 Risk assessment

Identify potential financial vulnerabilities created with the current pricing strategy.

Learn more about [Value-Pricing Due Diligence here](#).

# Value Creation

## What is the ideal pricing strategy to capture maximum value?

When it comes to B2B pricing, the focus should always be on creating value for your customers. This means not only delivering a great product or service, but also ensuring that the customer fully understands and appreciates the benefits it provides.

To achieve this, consider offering value-added services or features that enhance the overall value proposition, making it more compelling and justifying the current price point. Here are some ways to do this:

### 1 Personalize your offerings

By tailoring your offerings to match individual client needs, you can demonstrate deep understanding and position your company as a valuable partner, increasing the perceived value of your product or service.

### 2 Provide exceptional customer support

Deliver exceptional customer experiences and set yourself apart from your competition by investing in customer support training and ensuring prompt response times.

### 3 Elevate customer onboarding

Help your customers get the most out of your product or service through webinars, workshops, or personalized training sessions. An investment in customer education will help customers gain the full potential of your solutions and elevate their perceived value.

### 4 Collaborate with strategic partners

Expand the value of your solutions with complementary business and integration offers.

### 5 Continue to improve & innovate

By staying ahead of the curve and anticipating your customers' needs, you can continuously enhance your offering, making it more valuable and justifying a higher price point.

### 6 Demonstrate your value

Create and share content that proves your products' value, including case studies, testimonials, and customer success stories. Showcasing tangible results can help potential customers understand the true value of your offering and make it easier for them to justify the price to themselves and their leadership.

# 3 Phases in Value-Based Pricing Deployment



Allredi increased its net margins by **14.7%** and overall margins by **8.7%**

An eDiscovery SaaS software company increased customer lifetime value by **6.2x**.

A leading metals distributor gained a **10x** ROI on its pricing initiative.

How did these portcos achieve these exceptional outcomes? By taking a strategic approach to pricing their products and services according to market value.

Finding the amount that buyers are willing to pay for a solution involves several key ingredients, including an in-depth market and data analysis, revenue analysis, and pricing model creation.

At Cortado Group, we recommend this three-phased approach to building a pricing strategy and model for current and future product offerings. Every phase should be driven by a single fundamental objective: develop offerings that people will purchase for a price commensurate with the benefit delivered, and at a cost structure more favorable than the competition.

PHASE

1

**Market & Data Analysis**

Gather and analyze market data, segment customers, and identify value drivers.

PHASE

2

**Revenue Analysis**

Assess revenue potential, conduct scenario planning, and evaluate different pricing strategies.

PHASE

3

**Pricing Model Creation**

Develop and test pricing models, adjust based on feedback, and implement the final model.

# Market & Data Analysis

Gather intelligence on how competitors are currently going to market from a pricing perspective, understanding their value proposition, and how they are driving differential value points into their pricing strategy.

## Approach & deliverables

Conduct the following tasks: :

- **Competitor price and packaging:**  
Gather the price points and packaged offerings from your competitors.
- **Value proposition:**  
Understand the value proposition messaging that your competitors are using.
- **Differential value drivers:**  
Quantify the premium value your product is perceived to have in the market.
- **Competitive differentiation analysis:**  
Know the customers' point-of-view regarding the advantages and disadvantages of your competitors.
- **Value map:**  
Determine the perceived relationship between price and value among your competitive set.

### Example deliverable — competitive differentiation analysis

Competitive differentiation is a strategic positioning tactic an organization can undertake to set its products, services, and brands apart from its competitors.

#### Solution

The solution leverages differentiators advantageous to your brand perception in the market. This output improves attributes that the market perceives as not being a brand strength.

#### Value

Competitive differentiation analysis helps you understand how your target market values different attributes for you and your competitors.



## PHASE 2

# Revenue Analysis

The purpose of this analysis is to establish a baseline of the portco's existing customer base and identify the geographic and firmographic attributes as it relates to the current pricing model. This will provide insights into how each segment of your customer base is buying, churning, and paying.

## Approach & deliverables

- **Revenue composition analysis:**  
Identify new logo, up-sell, down-sells, and customer churn data that drives your resource allocations.
- **Product adoption analysis:**  
Quantify the utilization of the product by the portco's customers to derive additional insights from the pricing model (if available).
- **Customer acquisition models:**  
Baseline a portco's current customers using SaaS best practices.
- **Price segmentation model:**  
Analyze growth trends with the current customer cohorts and related pricing strategy.
- **Profit leakage model (impact on existing product):**  
Identify areas where current pricing discipline may be lacking, causing profit leakage through unnecessary discounting.
- **ROI calculator:**  
Development of a customer facing ROI calculator for use by the sales team in late-stage sales processes.

### Example deliverable — competitive composition analysis

Provides insights into customer churn and down-sells. Customer churn can occur for a variety of reasons, but if price is driving churn, or down-sells, it helps to know who can be salvaged before they totally churn.

#### Solution

The solution provides insights into customer behaviors. In the example to the right, here are a few insights provided as a part of this exercise:

- **Customers who have churned at 100% rate are highly unlikely to re-purchase.**
- **Customers that are in the 51-99% attrition have a high risk of churning and may be salvageable through discounts and incentives.**

#### Value

Customer churn occurs when customers or subscribers stop doing business with a company or service. Churn impedes growth, so companies should have a defined method for calculating customer churn in each period. The churn analysis will identify accounts for your customer success team to focus on and retain. This saves your customers and the associated revenue.

## PHASE 3

# Pricing Model Creation

Design model based on customer research and subsequent customer dynamics model, prioritizing high-value customers.



## Approach & deliverables

- **Pricing model:**  
Analyze SaaS pricing options across user & utility driven strategies.
- **Willingness-to-pay study:**  
Conduct a customer & prospect-facing survey that determines the market's perceived value for your portco's offering.
- **Price metrics and fences:**  
Identify price fencing options for each customer segment.
- **Pricing strategy:**  
Develop a tiered pricing strategy for your portco's future products based on attributional features.
- **Conjoint analysis:**  
Share ideal price points based on customer & prospect attributes by merging willingness-to-pay data with geo and firmographic segmentation outputs for customers & prospects who work with sensitive data.
- **Pricing strategy canvas:**  
Full development of a comprehensive pricing strategy for portcos.

### Example deliverable — Customers' willingness-to-pay for solution

Quantifiably survey of the market to identify the ideal price points and pricing model for your products and services.

### Solution

Surveying the market to conduct a willingness to pay study. Product and service attributes are quantified based on market feedback to create a new pricing model alongside sales tools and value messaging, which aid in operationalizing the output.

### Value

Transitioning pricing models from perpetual to recurring or adjusting price points to meet the market's expectations helps companies increase conversion rates. This approach generates long-term value and retention by charging the right amount to the right customer.

# 7 indicators You Need a Value-Driven Pricing Strategy

There are a wide range of pricing-related issues that can impact a portco and lead to a degradation of value. This overview highlights seven key pricing-related problems that often confront portcos. It provides solutions that can help overcome the challenges and a real-world result that portcos gained from conducting a comprehensive pricing strategy initiative.

## View by pricing challenge:

PORTCO CHALLENGE	OUR PRICING SOLUTION	REAL-WORLD RESULT
<p><b>1 Missed growth targets</b> Needed to accelerate growth and profitability during PE holding period</p> <p>*read case study below</p>	<p>Conducted customer research to identify new market potential</p> <p>Created dynamics model, prioritizing high-value customers</p> <p>Created and rolled out new consumption-based pricing strategy and model</p>	<p><b>6.2x</b> potential increased in customer LTV</p>
<p><b>2 Revenue generation off course</b> Needed to accelerate growth and profitability during PE holding period</p> <p>*read case study below</p>	<p>Conducted customer research, prioritizing high-value customers</p> <p>Trained sales team on new pricing strategy and model</p>	<p><b>14.7%</b> increase in net margins, <b>8.7%</b> in overall margins grew, and exceeded EBITDA targets</p>
<p><b>3 Sales misalignment</b> Needed to accelerate growth and profitability during PE holding period</p> <p>*read case study below</p>	<p>Designed pricing engine with dynamic price setting</p> <p>Created revised discounting framework</p> <p>Implemented sales rep product pricing training program</p>	<p><b>5-10%</b> increase in win rates and <b>10x</b> ROI</p>
<p><b>4 Legacy pricing disconnect</b> Multiple outdated, legacy package and pricing configurations, leading to complexity and misalignment</p>	<p>Restructured pricing and package configurations according to key customer segments</p> <p>Simplified pricing meters to align with market expectations</p>	<p><b>4.5%</b> uplift per opportunity in new bookings generated</p>
<p><b>5 EBITDA compression</b> Experiencing EBITDA compression and downward pricing pressure with no insight into whether market related or internally driven</p>	<p>Created a price optimization model to identify areas of opportunity</p> <p>Established a process for increasing prices and training the sales team</p>	<p><b>\$4M</b> increase in EBITDA based on a 12-month rolling basis</p>
<p><b>6 Pricing strategies merger</b> Misaligned pricing and complex models after merger or two companies with different pricing strategies</p>	<p>Identified gaps and opportunities in current pricing and packaging structure</p> <p>Created standard bundles and dynamic bundling capabilities</p> <p>Aligned pricing and packaging to portco's product roadmap</p>	<p><b>7%</b> increase in bookings and renewal revenue</p>
<p><b>7 Margin decline from over-discounting</b> Future earnings were discounted away to win deals for new SaaS model</p>	<p>Conducted sales funnel analysis to identify pricing complexity issues</p> <p>Assessed discounting model to identify where value was being diluted</p> <p>Gathered competitive intelligence and benchmarks to input into pricing model</p>	<p><b>\$75M</b> opportunity in incremental bookings identified using simplified pricing model</p>



# 3 Real-World Portco Pricing Strategy Case Studies

See how three of our customers have achieved significant revenue outcomes by deploying a strategic pricing initiative.

## CASE STUDY 1

### eDiscovery Software Portco Accelerates Growth During PE Holding Period

Our client was a relatively new eDiscovery SaaS software firm that needed to accelerate growth and profitability during the PE holding period.

#### Pricing challenges

- Leadership wanted to expand its footprint into an additional 10-15% of markets
- Platform was undervalued
- Reliant on flat rate per user pricing
- Prices were lower than competitors, yet didn't win more deals

#### Pricing solution

Our client needed to pull two pricing levers to overcome its challenges and achieve its goals: a new pricing and packaging strategy and recommendations on which new markets held the greatest opportunity for sales growth. To achieve these outcomes, the Cortado Group team employed these services:

- Pricing strategy
- Pricing execution
- Win/loss analysis

#### Actions steps executed by Cortado Group team:

- Conducted customer research, identifying 18% of new market potential.
- Created a customer dynamics model that prioritized high-value customers.
- Created and rolled out new consumption-based pricing strategy and model.
- Assessed four new markets and recommended one for immediate pursuit.

#### Pricing success outcomes

Our analysis showed our client could gain the potential to increase its customer LTV by 6.2x with our recommended new pricing model.

## Allredi Elevated Margins to an All-Time High

Our client manufactures and distributes surface preparation equipment, parts, and supplies in industrial, infrastructure, and downstream energy sectors. It was facing several pricing challenges that were negatively impacting its revenue-generation objectives.

### Pricing challenges

- **Low list price use among the sales team at only 20-30% adherence.**
- **Relied heavily on either a last price paid or lowest acceptable price approach.**
- **Previous competitor pricing projects eroded trust with both sellers and customers, and created sales team resistance.**

### Pricing solution

Our Allredi needed a new pricing model focused on financial impact, to be able to easily communicate both internally and to customers, and to mitigate volume compression risks. To achieve these outcomes, the Cortado Group team employed these services:

- **Pricing strategy and model analysis**
- **Pricing execution**
- **Pricing enablement and sales training**

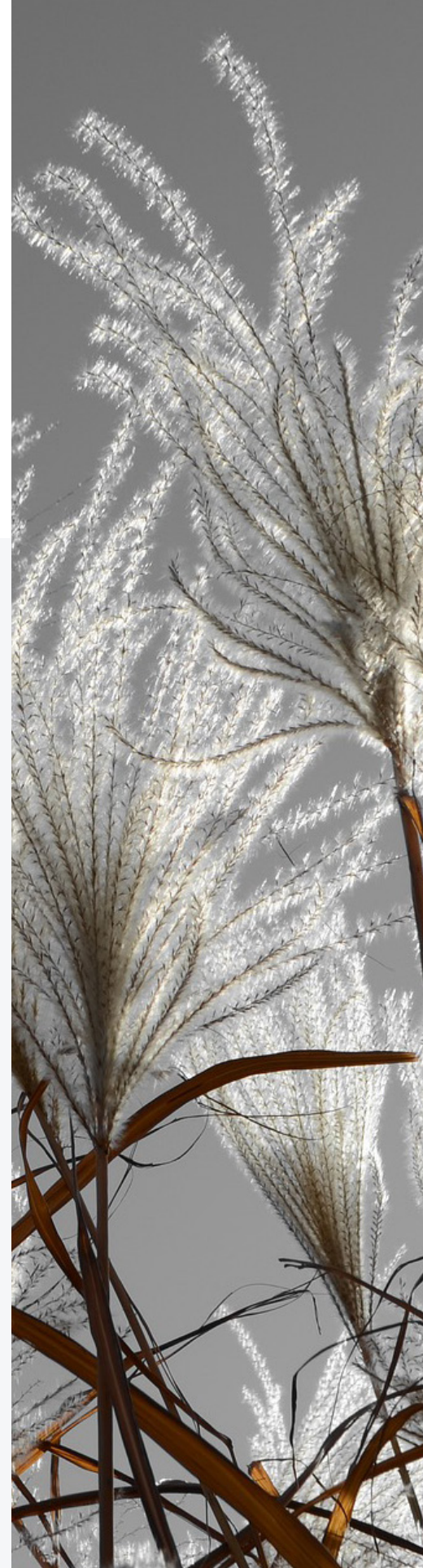
### Actions steps executed by Cortado Group team:

- **Designed a go-forward pricing strategy and model based on research and customer dynamics, prioritizing high-value customers.**
- **Provided insight into customer buying behavior and migration to new pricing.**
- **Implemented campaign planning and governance at multiple levels, from individual campaign plans to high-level annual plans.**
- **Rolled out a new pricing model and conducted sales team training sessions to support pricing compliance.**
- **Provided the ability to target pricing increases in areas of opportunity while mitigating volume decline risks.**

### Pricing success outcomes

Our client gained significant improvements in its financial performance from our pricing consulting services, including:

- **Net margins on covered products increased by 14.7% and overall margins grew by 8.7%.**
- **Exceeded its EBITDA targets and demonstrated a direct correlation between its pricing strategy and greater profitability.**
- **Positioned the company for sustained growth and future opportunities.**





## Leading Metals Distributor Gained a 10x ROI on its pricing initiative

Our client, a leading U.S. metals distributor, was experiencing several profitable revenue creation challenges that all shared the same core issue: product and service pricing. This company had several goals around pricing, including improving its dynamic pricing capability. They wanted to be able to offer market-relevant prices consistently and easily to customers. Also, they wanted to reduce the variability of discounts offered by the salesforce. Lastly, they wanted implementation support to ensure its updated pricing strategy was properly deployed across all its sales offices.

### Pricing challenges

- **Margin compression, especially during volatile and bear markets.**
- **Lack of understanding among the sales team about the company's pricing strategy.**
- **Substantial sales rep discounting variability.**
- **Inefficient quoting process that didn't provide analytics to help make informed pricing decisions.**

### Pricing solution

To overcome the company's pricing challenges, the Cortado Group team leveraged four tools from our pricing toolkit:

- **Pricing model and architecture**
- **Pricing structure for existing and new products**
- **Discounting methodology**
- **Pricing and sales business-intelligence tools**

### Actions steps executed by Cortado Group team:

- **Designed a pricing engine that dynamically set prices based on relevant market indices.**
- **Created a revised discounting framework that outlined when and to what degree sales reps could offer discounts without requiring approval.**
- **Built a CRM-integrated CPQ that, alongside list prices, provided deal guidance, improving quoting efficiency and accuracy.**
- **Conducted implementation training for sales reps across all U.S. sales offices.**
- **Developed a measurement methodology to enable continuous improvement.**

### Pricing success outcomes

Our client achieved the following results from our pricing consulting services:

- **10x ROI on the pricing initiative**
- **A significant reduction to sales discounting variability across like customers.**
- **5-10% increase to win rates across all geographies and customer segments.**
- **>200 bps margin improvement across the in-scope product portfolio**



# Is Your Portco Optimizing Your Prices to Maximize Your Revenue?

Unlock the untapped power of a value-driven pricing strategy in your portfolio company. Our pricing experts can identify what your buyers are willing to pay for your solutions. We achieve this through intense market and data analysis, price modeling, and seamless pricing execution. We discover the prices for your products and services that will establish the optimal price-to-value ratio, appealing to your potential customers and expanding your profitable revenue potential.

## Are you ready?

Start with an introductory discussion to determine if addressing your pricing strategy makes sense right now. Consulting firms specializing in pricing strategy know that every engagement starts with a conversation. If you don't already have a pricing strategy expert, consider partnering with Cortado. We welcome an initial dialogue to explore the most appropriate areas to focus on now. With extensive experience across the full spectrum of Go-to-Market disciplines, Cortado can help you evaluate the optimal timing for a pricing engagement compared to other opportunities.

**Schedule an introductory call with Cortado** to discuss whether a pricing effort makes sense right now and what your organization can gain.



Email the Cortado team at [info@cortadogroup.com](mailto:info@cortadogroup.com)

