GO-TO-MARKET & PRICING

Value-based pricing is a capability before it is a number

A value price needs evidence, translation, negotiation, and delivery checks. The number is an output of that chain, not a substitute for it.

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MANAGEMENT SUMMARY

Value-based pricing is often presented as a better number. The harder question is whether the organization can produce and defend the evidence behind that number. Customer-success research distinguishes expected value-in-use, experienced value-in-use, and relationship value and finds different emphases between supplier and customer respondents. B2B customer research shows that online information and salesperson contact can complement one another, while bargaining research warns that an observed price can reflect bargaining position as much as quantified value. The bounded conclusion is a capability chain: identify a value event, quantify or bound it, translate it for the buyer, negotiate credibly, and check delivery. This review turns that chain into a table without promising a universal premium or using private customer data.

Keywords: Value-based pricing · Value in use · Customer success · Sales negotiation · Pricing capability

Value-based pricing is a capability before it is a number. The organization must identify a value event, produce or bound the evidence, translate it for the buyer, negotiate a credible price, and check whether delivery created the promised value. The price is an output of that chain, not a substitute for it.

This matters because a value claim can be true and still be unusable. The buyer may not authorize it. The user may not experience it. The seller may not be able to measure the baseline. A number without those links is a confident label on an untested proposition.

Why does prospective economic value diverge from experienced operational value?

Kleinaltenkamp and colleagues distinguish expected value-in-use, experienced value-in-use, and relationship value in their study of customer-success management (Kleinaltenkamp et al., 2022). Their supplier and customer respondents do not weigh all value antecedents in the same way (Kleinaltenkamp et al., 2022). That difference does not yield a universal value formula. It does establish a useful separation between what a seller expects, what a buyer authorizes, and what a user later experiences.

The expected value can be a reduction in effort, an avoided risk, a faster decision, or a new capability. The experienced value can be smaller, larger, delayed, or located in a different part of the workflow. A pricing process that records only the first estimate cannot tell whether the number was wrong, the delivery was incomplete, or the value event was never observable.

How does organizational bargaining determine realized contract pricing?

Lawrence and colleagues find that online search and salesperson contact complement each other in their study of B2B customer profitability (Lawrence et al., 2019). Targeted discounts increase sales, while the relationship with profit is unclear at the studied industrial seller. The result is a reminder that pricing capability sits inside a customer journey. A buyer may arrive with information, ask a salesperson to translate it, and still negotiate on a reference that is not the seller's value model.

Grennan's structural bargaining study shows the other side. In the medical-device setting, observed prices reflect bargaining positions and a uniform-price counterfactual redistributes surplus (Grennan, 2013). A negotiated number therefore carries both value information and bargaining information. Calling it a value price does not remove the bargaining process.

Which five organizational links must connect value discovery to contract execution?

The following table is an author framework grounded in the held studies. It is a set of checks, not a claim that every organization has the same pricing process.

Table 1 The capability chain behind a value price

Capability link	Question	Evidence that can travel	Failure signal
Value event	What changes for the buyer or user?	Named workflow, risk, time, revenue, or service event.	The claim says value without naming an observable change.
Baseline	Compared with what?	A prior process, alternative, cost, or bounded counterfactual.	The benefit has no comparison field.
Translation	Who must understand it?	Buyer-facing explanation linked to the role and decision.	The seller's internal measure is repeated as buyer proof.
Negotiation	What shapes the number?	Value evidence plus reference, alternatives, terms, and bargaining position.	A concession is relabelled as quantified value.
Delivery check	Did the value occur?	Post-sale observation with a date, owner, and disconfirming result.	The expected value becomes a realized-value claim without a test.

Author's synthesis of Kleinaltenkamp, Prohl-Schwenke, and Keränen (2022), Lawrence et al. (2019), Grennan (2013), and Biemans, Malshe, and Johnson (2022). The rows are governance checks, not a validated pricing score.

Why does value-based pricing fail at sales and customer success handoffs?

Biemans and colleagues review 73 sales-marketing interface articles and identify distinct domains and themes rather than one universal handoff mechanism (Biemans et al., 2022). That matters to value pricing because the evidence often crosses ownership boundaries. Marketing may define the value language. Sales may test it in a negotiation. Delivery may determine whether users experience it. Finance may decide which baseline can be defended.

The capability is therefore not the cleverness of a single pricing team. It is the organization's ability to keep the value event recognizable as it moves between roles. If the handoff changes the unit, period, or beneficiary, the price may still be numerically precise while the claim no longer refers to the same value.

How can commercial organizations run a self-administered value-pricing diagnostic?

Choose one value claim and fill the table from top to bottom. Do not begin with the proposed price. Name the value event and baseline first. Then write the buyer-facing translation, the bargaining conditions that can change the number, and the post-delivery check.

If the delivery check cannot be designed, the value is still expected rather than experienced. If the baseline cannot be named, the claim is bounded rather than quantified. If the buyer translation does not fit the authorizing role, the number may be internally correct and commercially unusable. Those are capability findings. They are more useful than declaring a price value-based because it was derived from a value conversation.

Why must value realization specify the organizational beneficiary and timeframe?

A value claim becomes clearer when it names who benefits and when the benefit should be observable. The buyer may authorize a reduction in risk. The user may experience less rework. Finance may see a different cost pattern later. Those can be connected outcomes, but they are not one event and do not necessarily appear in the same period.

Kleinaltenkamp and colleagues distinguish expected value-in-use, experienced value-in-use, and relationship value, with different emphases among supplier and customer respondents (Kleinaltenkamp et al., 2022). The distinction gives a practical test: write the beneficiary, the workflow, the baseline, and the time at which the change should be visible. If any one is missing, the claim may still be useful as a hypothesis, but it is not yet a quantified price argument.

The clock also protects against premature success language. A benefit that requires adoption, a process change, or repeated use cannot be treated as realized at signature. The price may be agreed before the evidence is complete. The capability lies in preserving that gap rather than hiding it.

How can value calculations remain methodologically disciplined without overreach?

Value-based pricing does not require a fabricated point estimate. If the baseline is measured well, a quantified case may be defensible. If the baseline is noisy, the organization can state a range, an order of magnitude, a decision threshold, or a value event that still needs observation. The important distinction is between a bounded estimate and an invented precision.

Grennan's bargaining evidence reinforces the reason for this caution. An observed price can reflect bargaining position as well as the value proposition in the studied market (Grennan, 2013). A price that looks like a clean expression of value may also carry information about alternatives, power, and terms. The price should not be used to reverse-engineer a value number that the evidence never measured.

The practical output can be a value memo with three bands: what is observed, what is estimated, and what would have to be true for the estimate to hold. This makes a negotiation more honest without making it less commercial.

How do cross-functional handoffs distort value claims made during the sales cycle?

The capability chain is vulnerable whenever the claim changes owner. Marketing may describe a category-level benefit. Sales may adapt it to a buyer's decision. Delivery may turn it into an implementation obligation. Finance may accept only a particular baseline and period. Biemans and colleagues' review of the sales-marketing interface identifies distinct domains and themes rather than one universal handoff (Biemans et al., 2022).

Keep a version of the value statement at each handoff. Record the unit, beneficiary, baseline, period, and owner. If one changes, say so. A claim about reducing hours for an operator is not the same as a claim about reducing total cost for the organization, even when the seller believes the first should produce the second.

This is where capability becomes organizational. The firm does not need every function to use the same language. It needs the translation between languages to remain inspectable.

How should commercial leadership audit delivered value against initial sales assertions?

The post-sale review should compare the expected event with the experienced event, not merely ask whether the contract renewed. Record what was expected, what was observed, what remained invisible, and which alternative explanation still exists. Then decide whether to change the offer, improve the delivery path, revise the baseline, or retire the value claim.

Lawrence and colleagues' result that discounts can lift sales while leaving profit effects unclear is a reminder that commercial response and economic value can diverge (Lawrence et al., 2019). The review should therefore preserve both the buyer's decision and the organization's result. If the value event was real but the price did not capture it, that is one capability finding. If the price was credible but delivery did not produce the event, that is another.

The number becomes a value-based price only when the organization can explain which event supported it and can return to the evidence after delivery.

Where are the empirical boundaries of value-based pricing methodology?

The held research supports distinctions among expected value, experienced value, relationship value, customer-journey evidence, bargaining, and interface ownership. It does not support a universal value premium, margin uplift, or retention effect. A value-based price earns its label when the organization can preserve and test the value chain around the number.

The capability question connects to pricing as positioning and the customer P&L that needs a cost boundary, because value claims need both a market position and an operating boundary. When surveying customer willingness-to-pay directly, remember that Van Westendorp is a survey boundary rather than an empirical demand curve.

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END OF ESSAY

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