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Innovative pricing models

The new source of competitive advantage

On average, companies that innovate the way they monetise achieve superior profits. But how did price become one of the main profit drivers for companies today? This article explores how the most successful companies have turned pricing into a powerful source of competitive advantage. It examines how these companies focus on capturing the value they deliver to customers through innovative monetisation approaches and outlines the pricing model revolution as well as the key monetisation strategies shaping competitive advantage today.



In many companies, pricing still remains a largely untapped potential – even though it is the strongest and most important profit driver. This prevents companies from fully realising their profit potential and, in the worst case, inadequate pricing models can actually drive customers away, taking revenues and profits with them.

In the old world, sales were purely transactional. Pricing followed habit rather than strategy: “We set prices as we always have,” or simply, “We add a margin to the base cost.” The implicit deal was straightforward: *I give you product X, you give me Y euros.*

That logic may once have worked in markets where demand exceeded supply, customer needs were relatively unsophisticated, competition was largely analogous, and technology played a limited role. But that world no longer exists. Today’s markets have moved on – and pricing must move with them.

Price as the main profit driver

The most successful firms make a deep understanding of customer-perceived value their top priority – and pair it with innovative approaches to monetisation. One thing they are unequivocally clear about: price is the single most important profit driver.

Once companies grasp the full power of pricing, the question becomes which levers to activate to strengthen their monetisation capabilities. There is no single lever; rather, several pricing levers can be pulled, as illustrated in the pricing framework (Figure 1). These levers can be grouped into four distinct categories.

The pricing framework

The first category in the pricing framework is **price strategy**, which encompasses several facets: revenue model, positioning, differentiation, and the company’s overall direction on monetisation priorities. A key question it addresses is whether a company is willing to sacrifice market share to boost profits. In the automotive industry, until a few years ago, the answer was a clear no: volume and market share ruled. Today, that view has shifted dramatically.





Price strategy 	Price setting 	Price implementation 	Price steering 
Revenue model	Price logic	Terms and conditions	Price controlling
Positioning	Portfolio pricing	Execution	Price analytics
Differentiation	Product and service pricing	Negotiation	Price reporting
Pricing enablers			
Organisation	Processes	IT	Skills

Figure 1: The pricing framework – from price strategy to price steering (Zatta).

The second category is **price setting**, which covers key facets such as price logic, portfolio pricing, and product & service pricing. Take price logic as an example: companies may adopt different approaches depending on their pricing maturity – from cost-plus pricing to competitive pricing or value-based pricing.

The third category is **price implementation**. Once a company has defined its price strategy and set its prices, the focus shifts to how these prices move from the initial list to the final transactional price. This is the essence of price implementation, which includes terms and conditions for resellers and distribution partners, as well as the execution and negotiation of prices.

Finally, the fourth category is **price steering**. Companies must monitor and ensure that target profitability is achieved. Price steering encompasses mechanisms such as price controlling, analytics, and reporting, providing the insights needed to track performance and take corrective action where necessary.

Supporting these four categories is a layer called **pricing enablers**. These enablers ensure that pricing is fully integrated into the company and embedded across operations. Key examples include a clearly structured pricing organisation, well-defined pricing processes such as annual price reviews and adjustments, pricing IT systems, and the development of pricing skills.

But the key lesson is the same across all industries: **improving profitability is rarely about activating a single lever**. Multiple pricing levers can be optimised simultaneously, and the combined impact of each generates a substantial increase in profit (see Figure 2).

Pricing model maturity levels

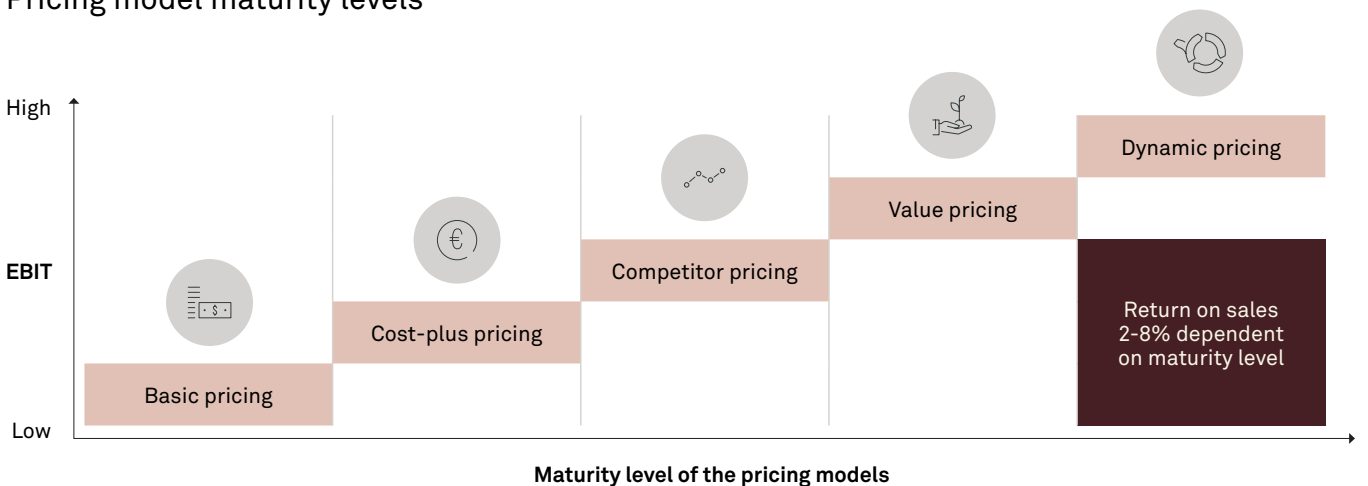


Figure 2: The pricing levers available to companies. Each element is shown with a typical profit impact, which may vary by industry and by lever.

Triggers of the pricing model revolution

In recent years, companies have transformed their monetisation approaches. The most profitable firms are those that can identify where value comes from in the eyes of their customers and adapt their monetisation strategies accordingly, creating a sustainable competitive advantage.

The pandemic (2019–2022) accelerated this shift, driving digitisation and opening the door to new pricing and revenue models; barriers that once seemed impossible to overcome.

Building on this fundamental change in how companies capture the value they deliver, we have identified a set of elements grouped into four categories: the accelerators, or triggers, of the pricing model revolution (Figure 3). These elements are evolving – and will continue to redefine how firms extract value from the market.

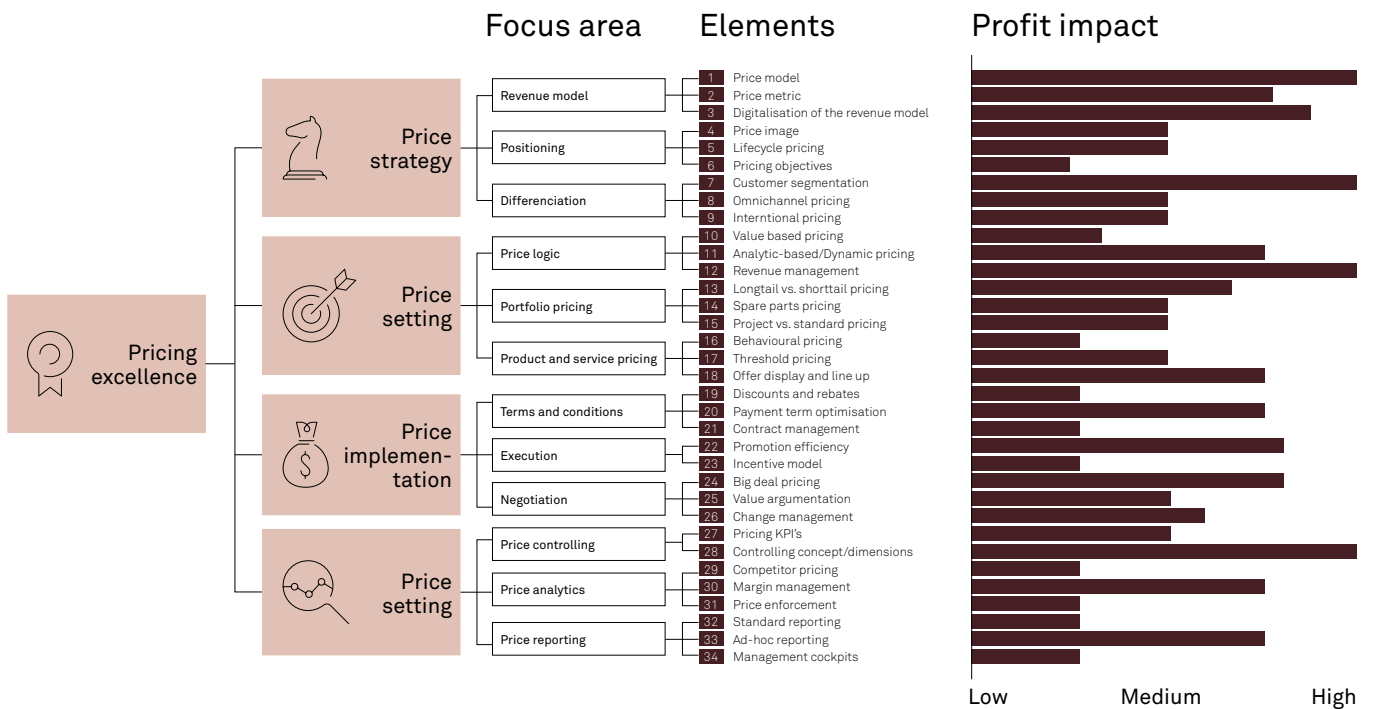


Figure 3: The four triggers of the pricing model revolution steering (Zatta).

Technological innovation has raised pricing to a new level. Advances such as digitisation, cloud computing, the Internet of Things (IoT), autonomous systems, robotic process automation (RPA), and augmented reality provide the foundation for holistic, data-driven price management. New cloud applications and digital pricing tools are often prerequisites for this transformation.

At the same time, **data science progress** has unlocked new volumes and types of data, creating entirely new pricing opportunities. Consider the enormous quantities of big data now available, which enable real-time insights into product elasticity or the optimisation of discounts using artificial intelligence. Just a few years ago, the knowledge and precision now possible in pricing would have seemed like science fiction.

A third trigger comes from **new ecosystems**, centred on sharing or repeated use of products without ownership. These ecosystems demand pricing models that simply did not exist in the old world of transactional pricing.

Finally, **the marketing of the future** – or Marketing 5.0 – is transforming pricing through hyper-personalisation. Initially introduced through revenue management systems in the service sector, it now reaches new heights thanks to the convergence of technological innovation, data science, behavioural insights, and marketing agility.

Together, these four triggers form the foundation of **the pricing model revolution**.

The pricing model revolution

The traditional transactional model, focused on product ownership, is gradually losing ground – and in many cases, proving less effective. Innovative pricing approaches that monetise usage or the outcomes a product delivers are increasingly demonstrating superior results. These models have helped companies navigate challenging times, reducing barriers to purchase and better aligning with customers' willingness to pay. So how is the management of this most important profit driver evolving in response?

Figure 4 illustrates the evolution of pricing approaches and their impact on profitability. Companies that rely on **basic pricing** tend to be the least profitable, often maintaining the same price for long periods without a consistent logic. **Cost-plus pricing** goes a step further, adding a target margin to internal costs – simple to calculate if the cost structure is solid, but still limited to an internal perspective that largely ignores competitors and customers. **Competitor pricing** considers the market but often overlooks the value perceived by customers. By contrast, **value pricing** takes customer perception into account, aligning price with the benefits delivered. It remains the most comprehensive and promising approach among the methods described, offering companies a clearer path to profitability. As companies advance through the pricing maturity stages, their return on sales typically rises by a substantial 2% to 8%, translating into meaningful profit gains.

Level of maturity in price management

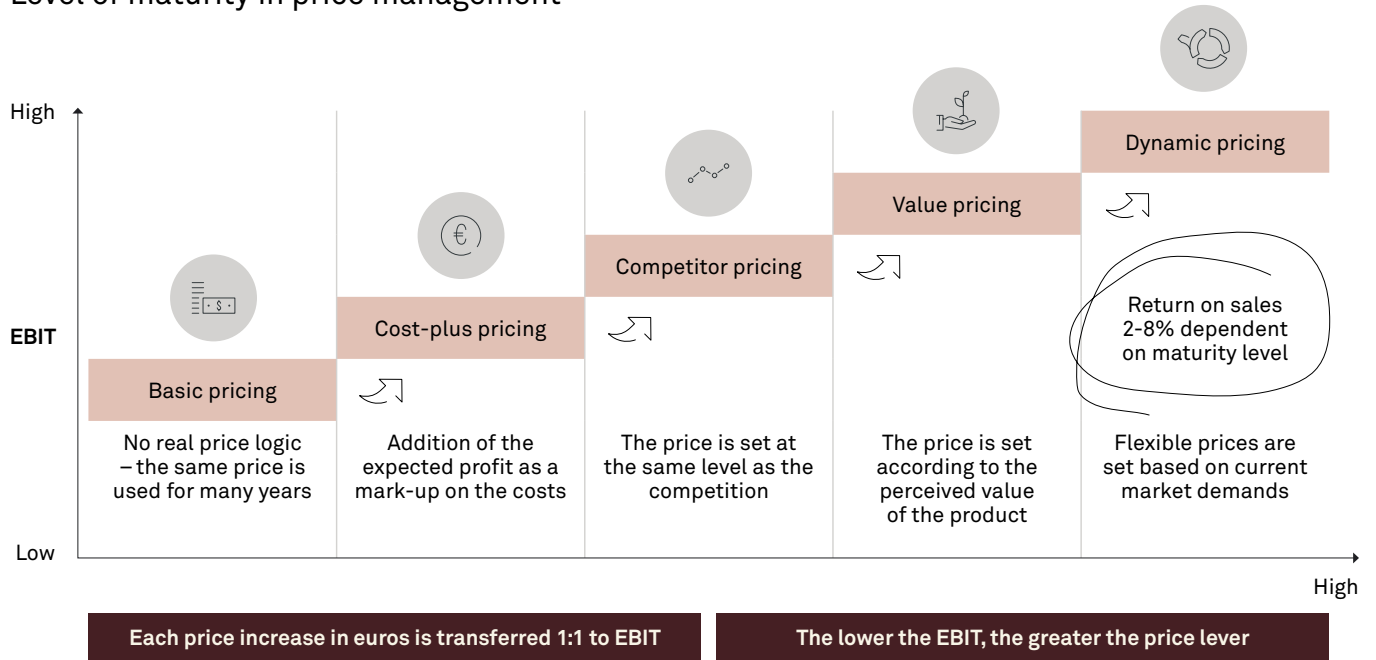


Figure 4: Evolution of pricing: from basic pricing to advance monetisation steering (Zatta).

It is then with the **pricing model revolution** that pricing reaches its pinnacle. Building on the evolution from basic and value-based pricing, this revolution leverages innovative monetisation approaches to create a sustainable competitive edge.

Among the most transformative approaches are:

1. Pay-per-use
2. Subscription models
3. Outcome-based pricing
4. Psychological pricing
5. Dynamic pricing
6. Pricing powered by AI
7. Freemium models
8. Sympathetic pricing
9. Participative pricing
10. Neuropricing

These approaches go beyond traditional pricing logic, enabling companies to capture the full value they deliver, adapt quickly to customer needs, and differentiate themselves in increasingly competitive markets.

These innovative monetisation approaches are not confined to specific industries or regions – they are pervasive, and their influence will only grow, reshaping the rules of the trading game. They bring unprecedented transparency into customer needs, product usage, and willingness to pay. Products are evolving into services, and their value is increasingly expressed in measurable performance outcomes. **The pricing model revolution** is more than a trend; it is a strategic imperative. A new era of pricing has arrived, and it is poised to be a decisive, unstoppable source of competitive advantage.

Contact

To deep dive pricing models as new source of competitive advantage read the Implement Consulting Group book “The Pricing Model Revolution” available in English and 10+ other languages.

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