

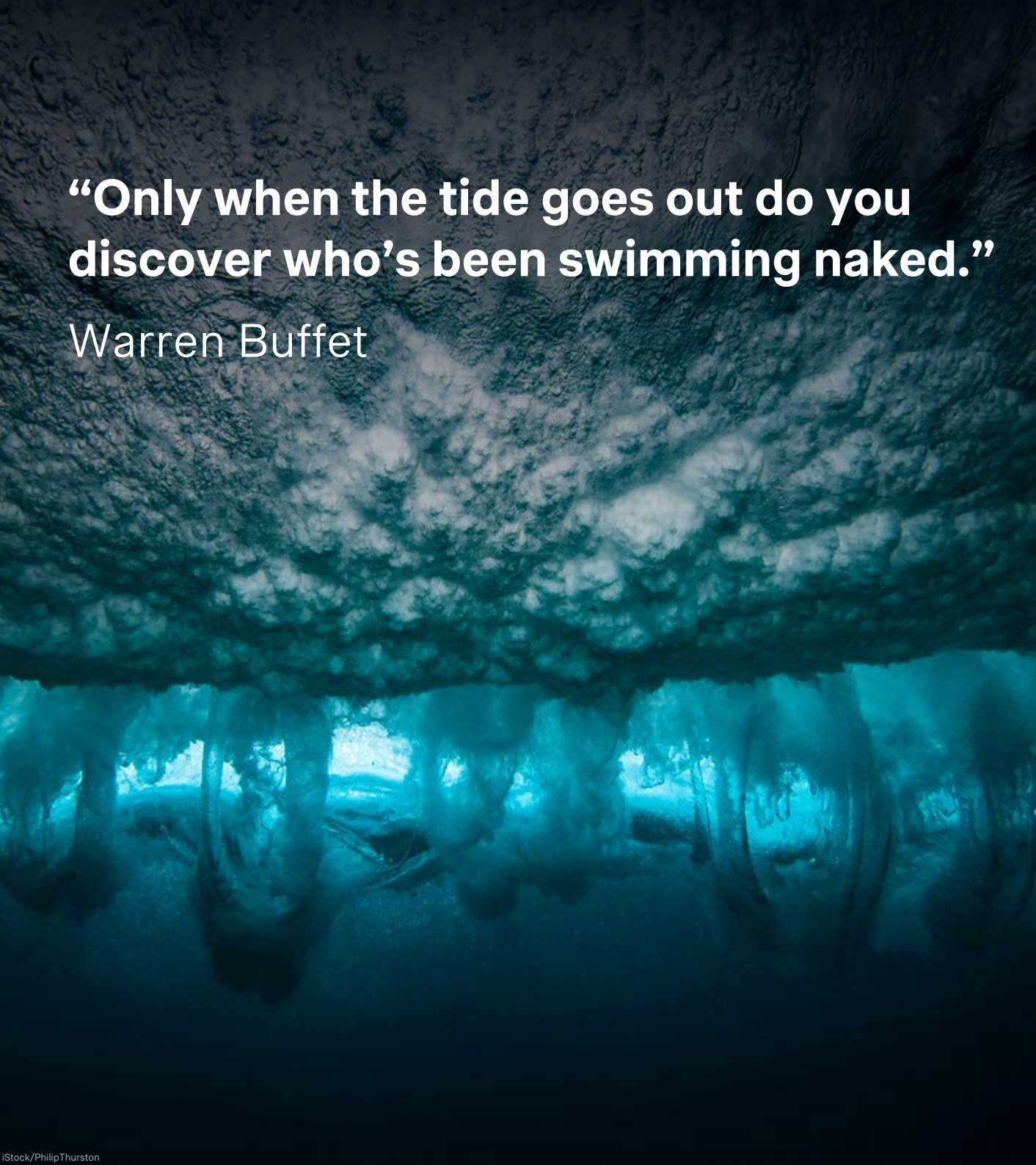
State of Pricing 2024

Unlocking insights from
our Global Pricing Study

... and what if Warren Buffet
was right again?



Research by
THE SIMON-KUCHER INSTITUTE

An underwater photograph showing a group of people swimming in a pool. The water is clear and blue, and the people are seen from below, creating a sense of depth and movement.

“Only when the tide goes out do you discover who’s been swimming naked.”

Warren Buffet

Inflation prompted many companies to hike prices in 2023.

But did these increases cover all costs?

According to Simon-Kucher’s latest Global Pricing Study, **only 65% of companies worldwide**, spanning various industries, truly **possess pricing power**.

We define 'pricing power' as the ability to raise prices beyond the rate of cost increases; otherwise, it's simply considered 'throughput power.'

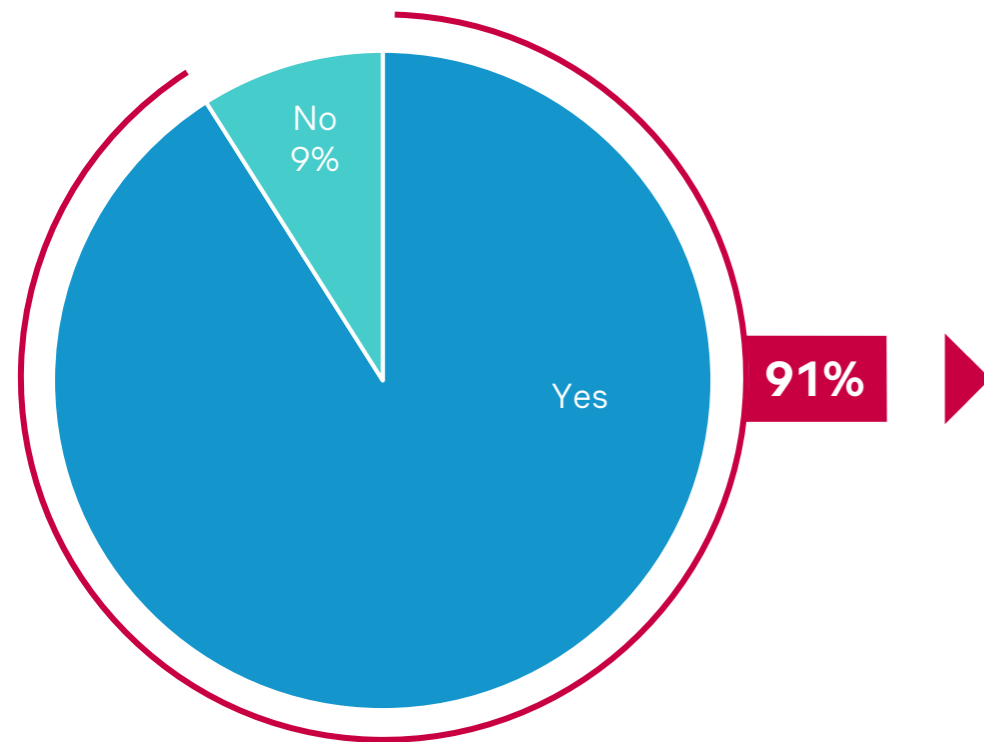
Other key performance indicators, like price realization rates, are showing almost the same weakness as in previous years, suggesting challenging times ahead.

With the threat of deflation on the horizon, will this further squeeze profit margins in 2024?

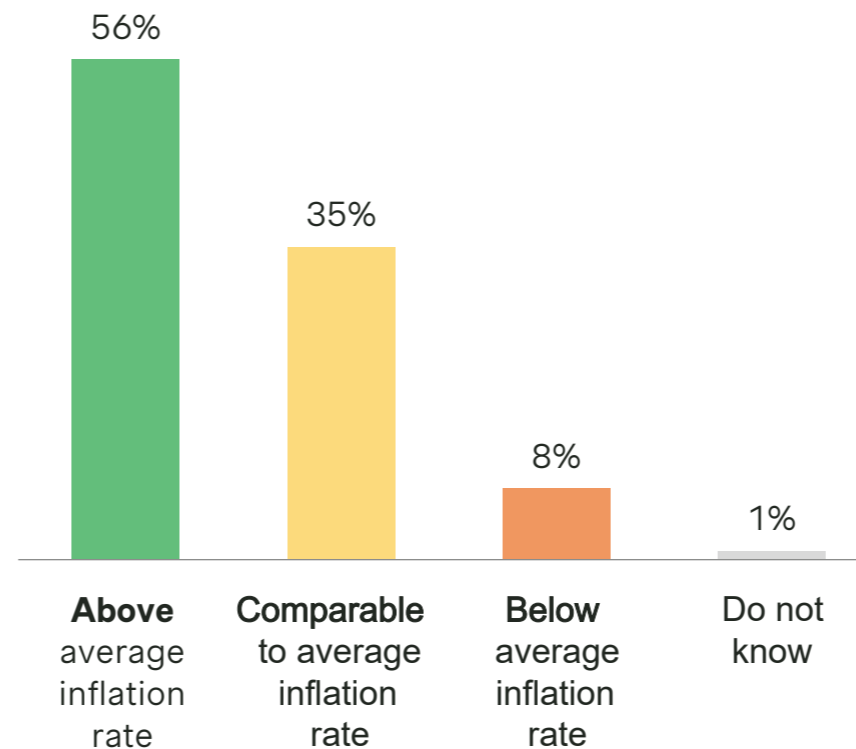
To learn more and get a comprehensive presentation of results specific to your industry, please contact us.

From 2,700 companies surveyed, over 90% increased their revenues last year

Overall, did your company improve its revenues last year?



How was revenue growth related to the average inflation rate in your market?



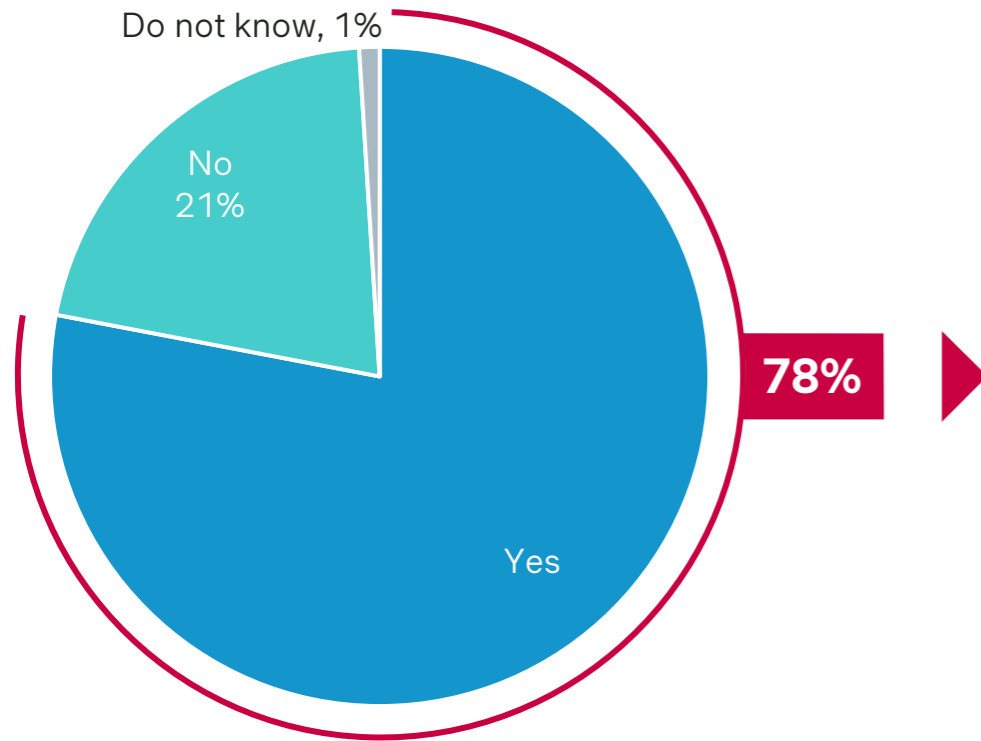
91% of companies increased their revenues during the last year.

The majority of these companies grew above the average inflation rate.

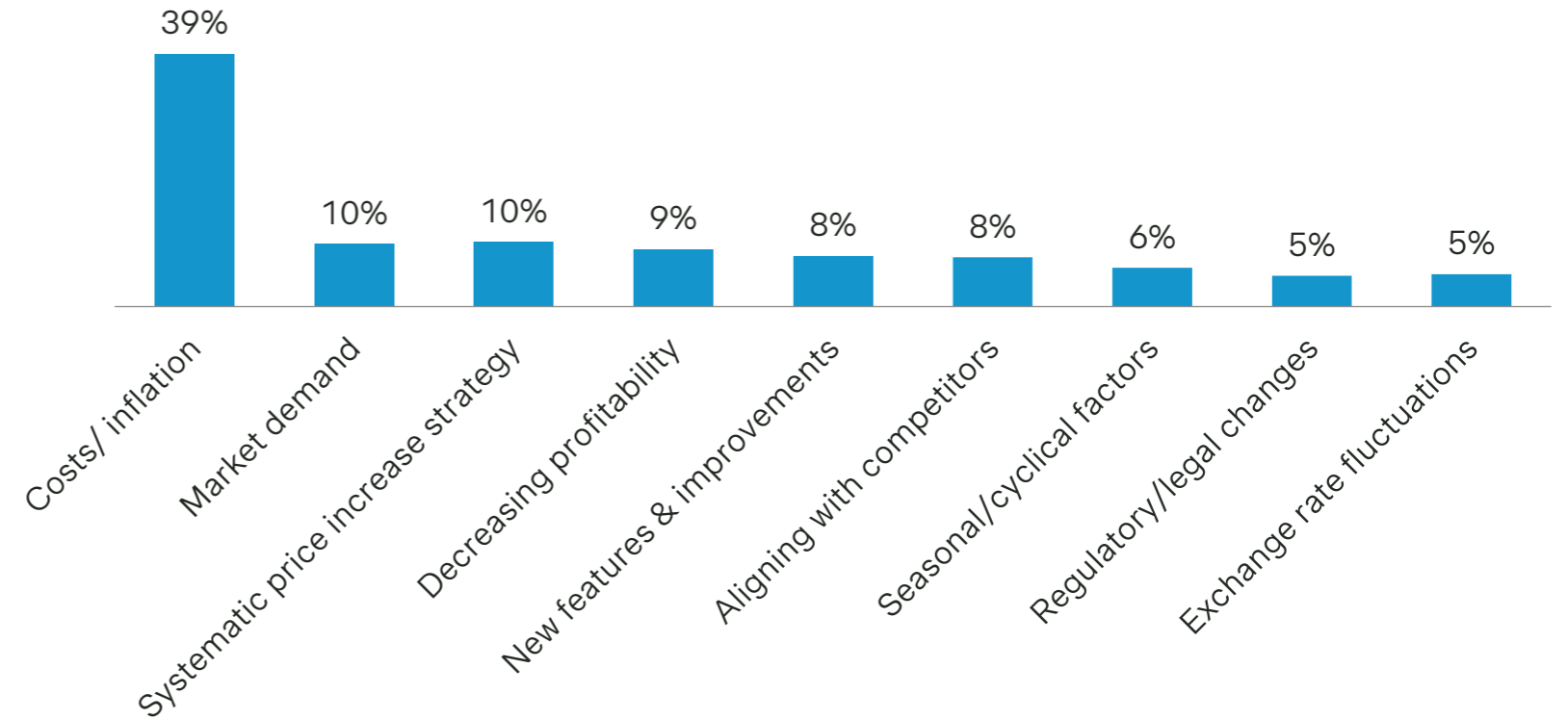
Has your business's growth matched this global trend?

Nearly 80% of companies used price increases to cope with rising costs and preserve profit margins last year...

Did you implement price increase(s) last year?



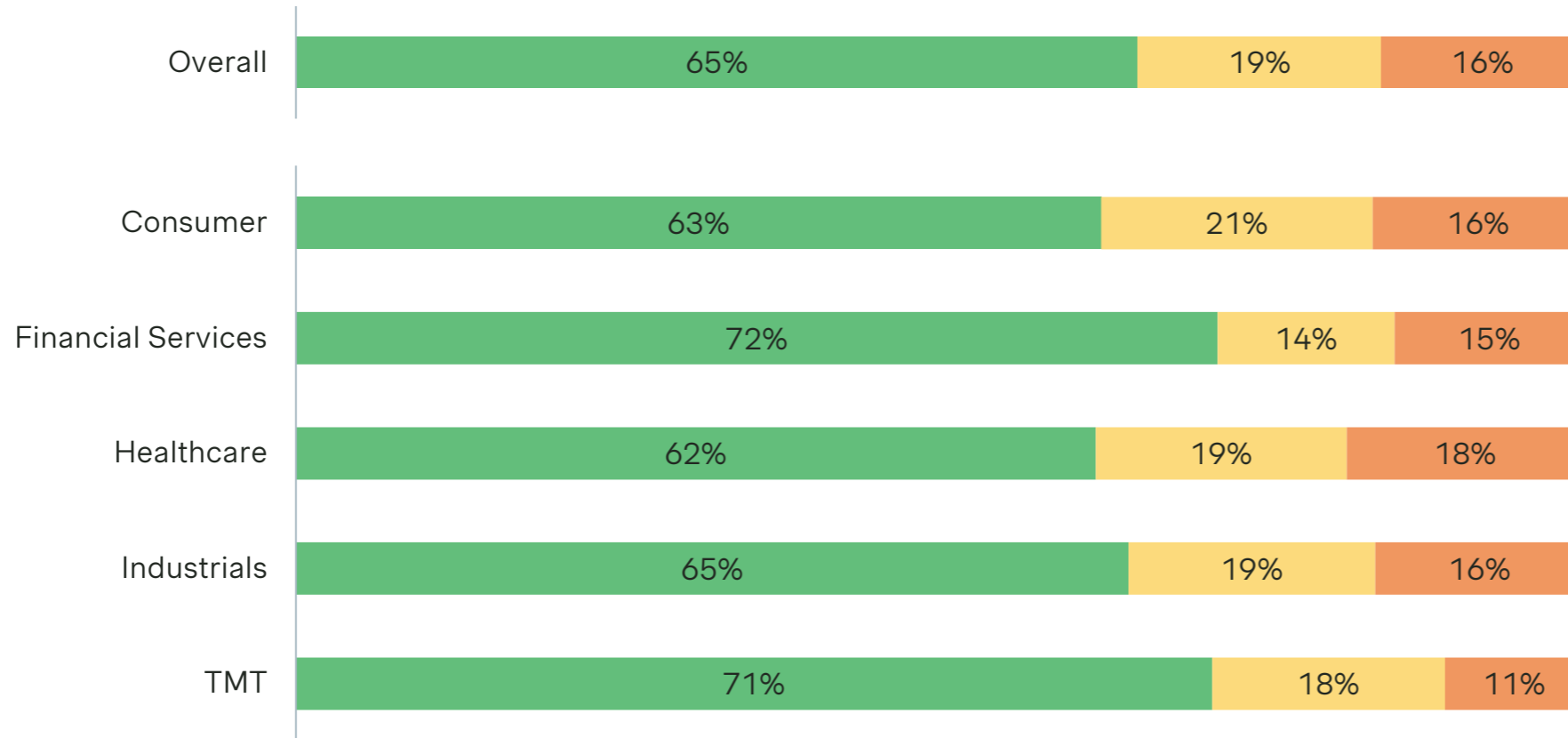
What was the primary reason(s) for the price increase(s) you implemented?





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.


Source: Global Pricing Study 2023 (n = 2,704)

... yet only 65% of companies* had genuine pricing power last year, with significant variation between sectors



Pricing power leaders 
Companies with revenue growth >100% of cost growth

Pass-through players 
Companies with revenue growth between 50 - 100% of cost growth

Inflation losers 
Companies with revenue growth <50% of cost growth

84% of companies were able to pass-through cost increases last year, but only 65% demonstrated sustainable pricing power.

TMT and Financial Services companies fared best as pricing power leaders, with Industrials, Consumer and Healthcare companies further down the rankings.

** Please note that some industries face price caps through regulations, e.g. Healthcare*

Regionally, South/Central American companies stood out as pricing power leaders with European markets lagging behind



Pricing power leaders Companies with revenue growth >100% of cost growth

Pass-through players Companies with revenue growth between 50 - 100% of cost growth

Inflation losers Companies with revenue growth <50% of cost growth

Pricing power leaders command premium prices for their products or services. They understand the value they provide and price accordingly. They have successfully differentiated themselves in the market, fostering customer loyalty and insulating themselves from price wars.

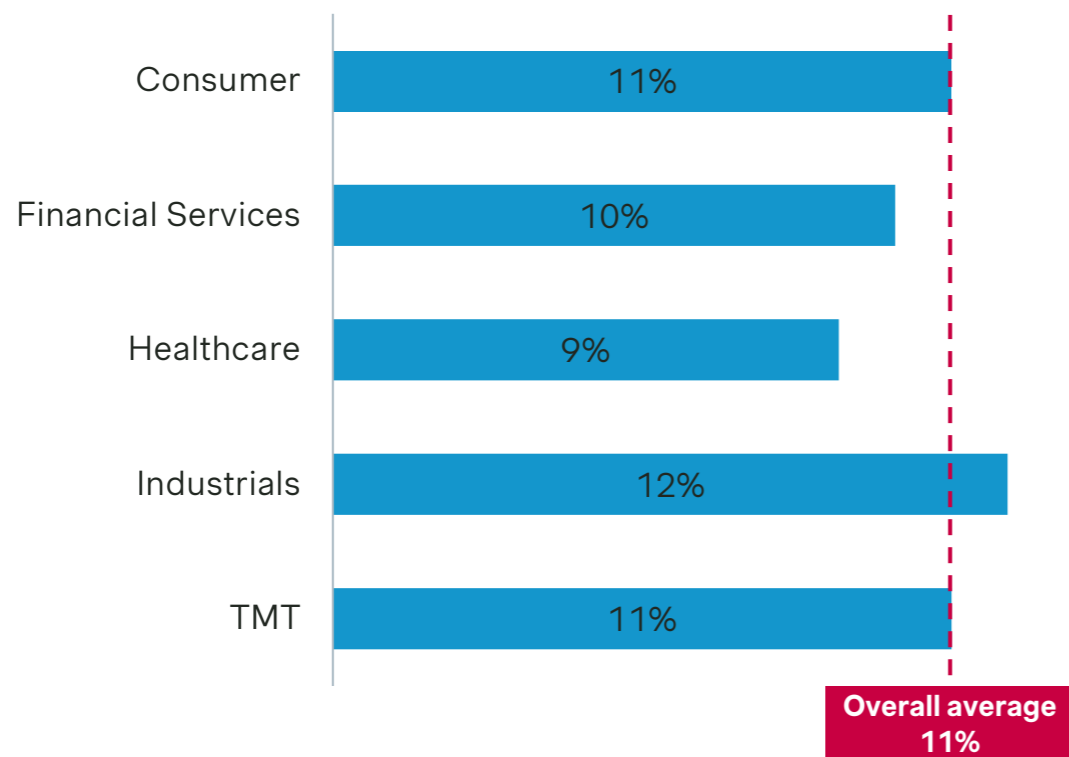
Pass-through players exhibit a degree of pass-through power, allowing them to adjust prices to manage costs. While not dominating in pricing power, they demonstrate adaptability and resilience in navigating market challenges.

Inflation losers face challenges in maintaining strong pricing power or efficient pass-through of costs. They may be grappling with market dynamics, increased competition, or other factors that impact their ability to sustain healthy profit margins.

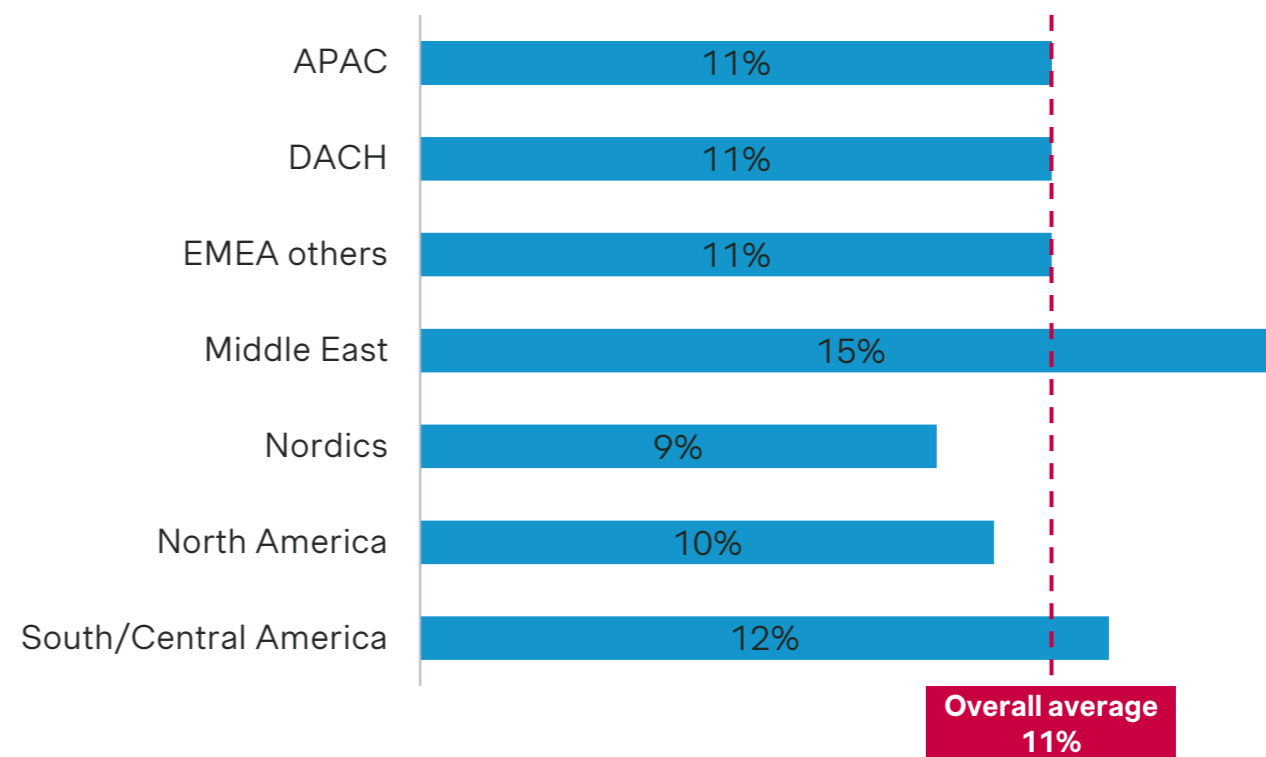
On average companies raised prices by 11%, but the picture varied by sector and region

On average, by how much did you increase prices during the last year?

By sector



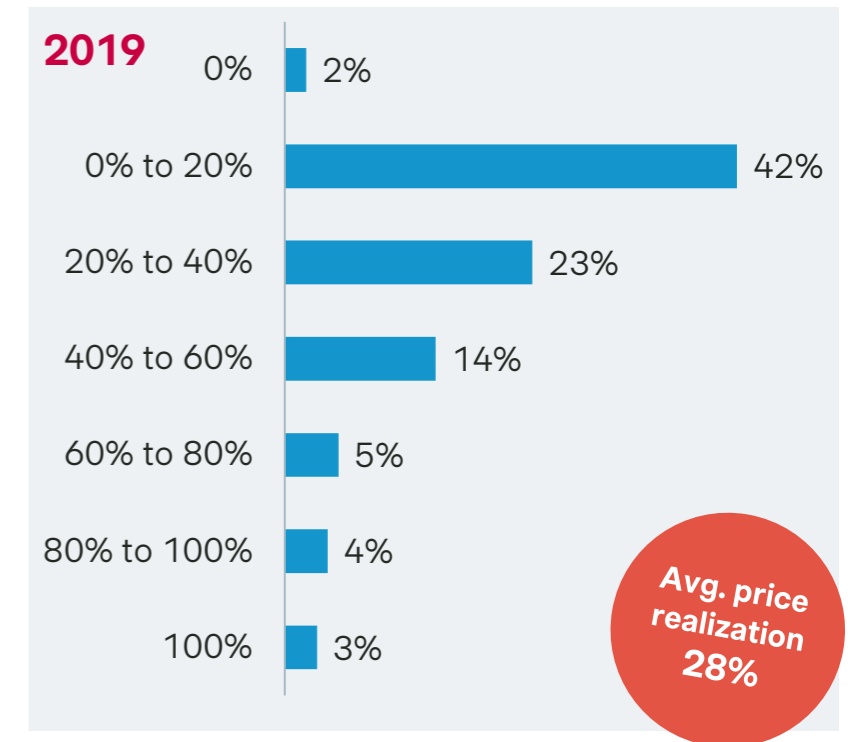
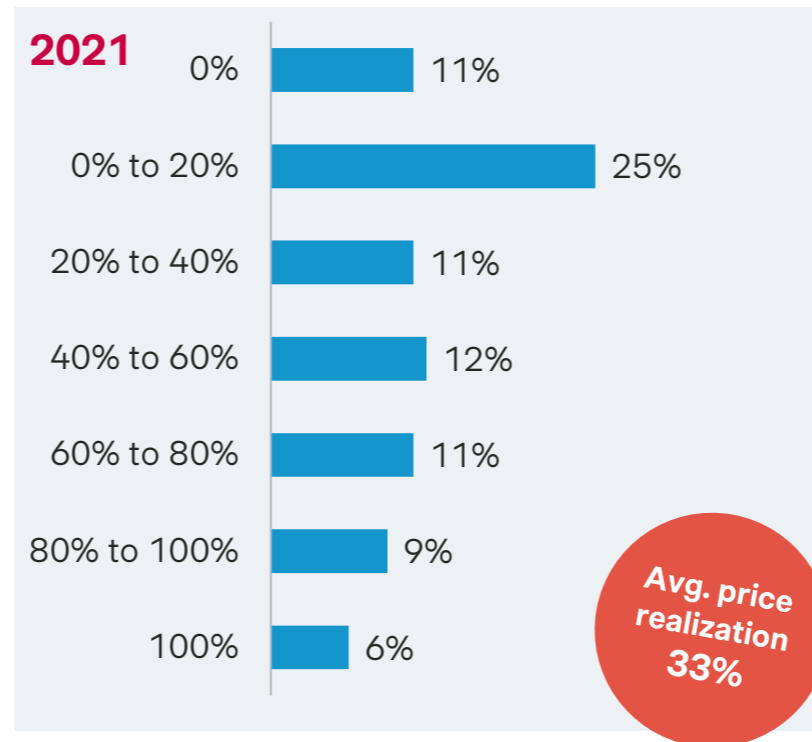
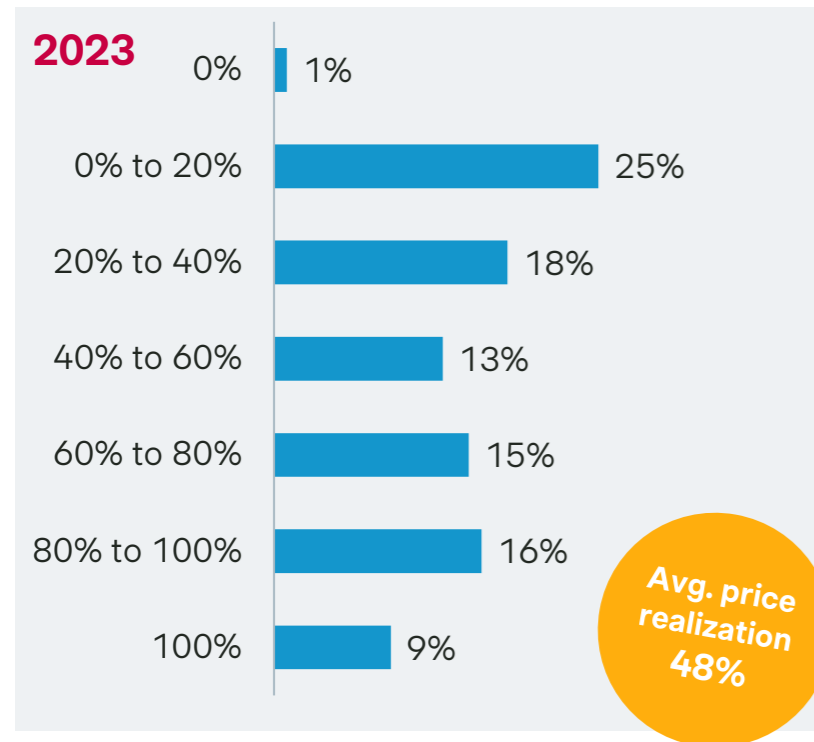
By region



The Industrials sector proved most effective in implementing price increases, reporting strong average price increases with low customer churn. At a regional level, the Middle East stood out, whilst the Nordics lagged behind. However, no matter the sector or region, companies need a clear pricing plan for 2024 linked to their broader growth strategy.

Price realization rates have increased significantly, but still fall short of reaching even 50% of their targets

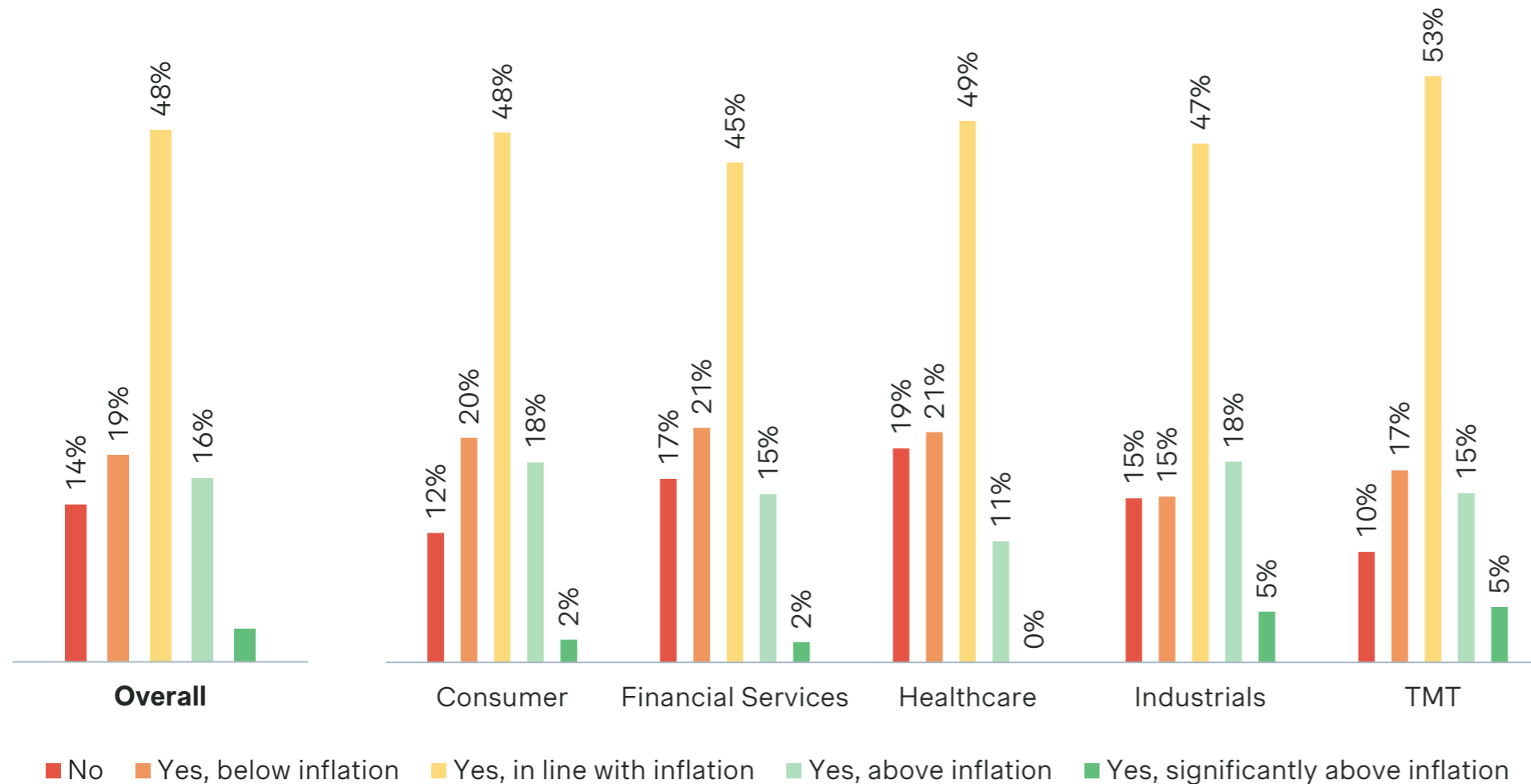
How much of your initially planned price increase(s) did you achieve after deducting discounts, rebates, promotional offers?



There are improvements in average price realization compared to previous years. However, if companies are only realizing half of their planned increases in this more accepting market, they will face a challenge as inflation starts to drop. Customer resistance and competitive pressure were flagged as the main blockers for realizing price increases.

Looking forward, companies are wary of the likely economic situation in 2024. But this hasn't translated through to their pricing planning.

Have you or do you plan to implement price increase(s) (in the next year)?



Overall, only 19% of companies currently plan to implement a price increase above inflation in 2024.

- While the majority plan price increases, almost half are planned in line with inflation.
- Presuming price realization rates in line with 2023 figures (~ 50%), this would leave companies facing significant margin pressures.

**Are you prepared for 2024?
What are the priorities on
your pricing agenda?**



Are you prepared for the tide to go out?

Over the past 12 years we've studied ~19,000 companies, and created an unrivaled database of pricing trends and profit outlooks

Gain exclusive insights from our **State of Pricing 2024**:

- **Topline sentiment** on the **economic climate** for **2024** in your industry
- **Positioning** of your company **against key industry benchmarks**
- **Crucial changes in pricing** that players **in your industry** want to explore
- **Key commercial priorities** to maximize revenue growth opportunities **in 2024**
- **Best approaches** to **defeat price pressure**

**Let us help you find your path to profitable growth.
Talk to us today.**

Contact our experts

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About the survey

We surveyed more than 2,700 respondents worldwide on their companies' positioning and strategies on:
Business context and economic outlook | Pricing | Implications for management



Online survey

July – October 2023



2,704

respondents



29+

countries



39+

industries

Other sample information

- 48% Top-Management
- Mix of B2B vs. B2C
- Balanced mix of production vs. services
- 61% pricing, sales, marketing focused