

[study]

PROFITABLE GROWTH 2024

Optimistic Outlook Top Line & Price Development



[Study Results, 12/2023]

Study Results

EbelHofer Consultants surveyed almost 250 companies from different industries in November 2023 about their pricing outlook for 2024. With this survey, we want to shed light on companies' expectations regarding top-line growth and price development across industries and on the development of their price management. The key implications are as follows:

More than 2 in 3 companies expect to realize top line growth and price level increases

68% of companies expect to realize top line growth and another 16% expect at least a stable top-line (see figure 1), so only 16% expect a top-line decline. This contrasts the current public discourse and sentiment of grim outlook and upcoming economic crisis.

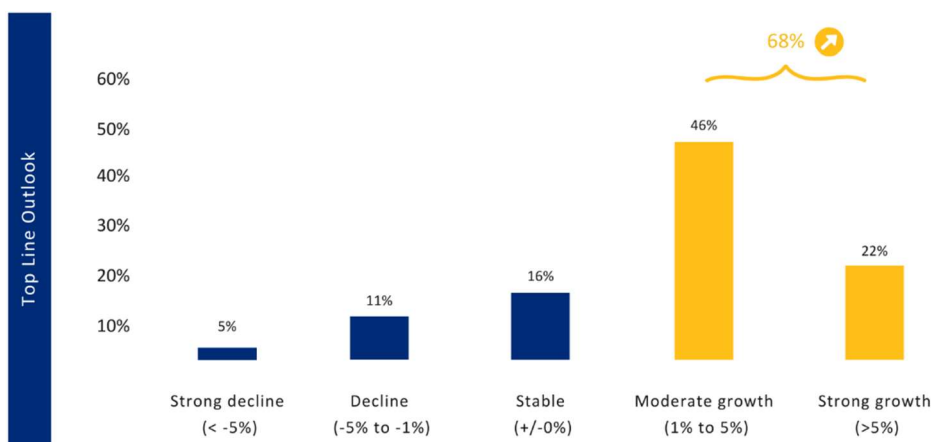


Figure 1: Top line development planned for the upcoming year (revenue change year-on-year)

A similar picture can be drawn for price level development: 65% of companies expect price level increases, mainly in the range of 1% to 5%, so moderate price increases after last year's substantial price rounds in reaction to surging material, energy, and labour costs (see figure 2). One in 4 companies plans with stable prices (25%) and only 10% will on average reduce prices.

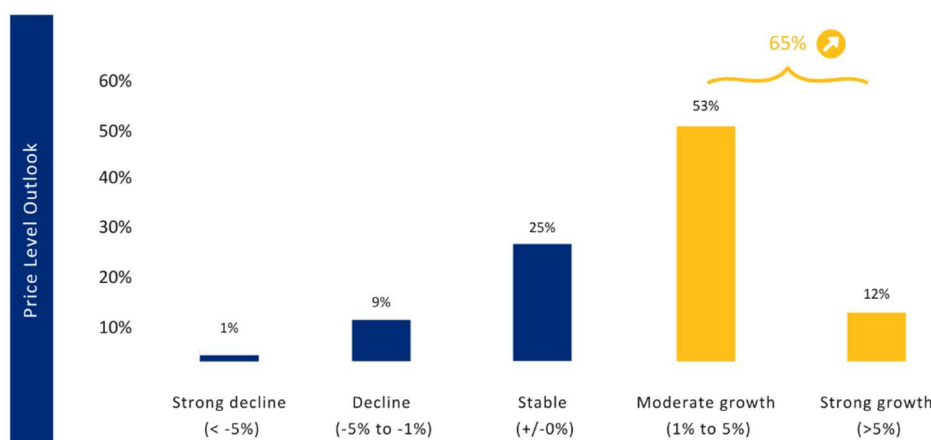


Figure 2: Price level change planned for the upcoming year (average for entire business)

» All industries share the generally positive outlook for 2024

The general positive impression for both, top line and price level growth, holds true for almost all industries. However, in all industries, some companies have a pessimistic outlook on top line or price level development. Across all industries, 16% of companies expect a contraction in business and 10% expect decreasing price levels. The share of the pessimists is slightly higher in the *Automotive sector* (21%) and *Chemicals / Materials / Energy sector* (18%) (see figure 3). Regarding price changes, the share of pessimists is higher in the *Chemicals / Materials / Energy sector* (15%), *Consumer goods sector* (21%) and *Automotive sector* (13%) (see figure 4).

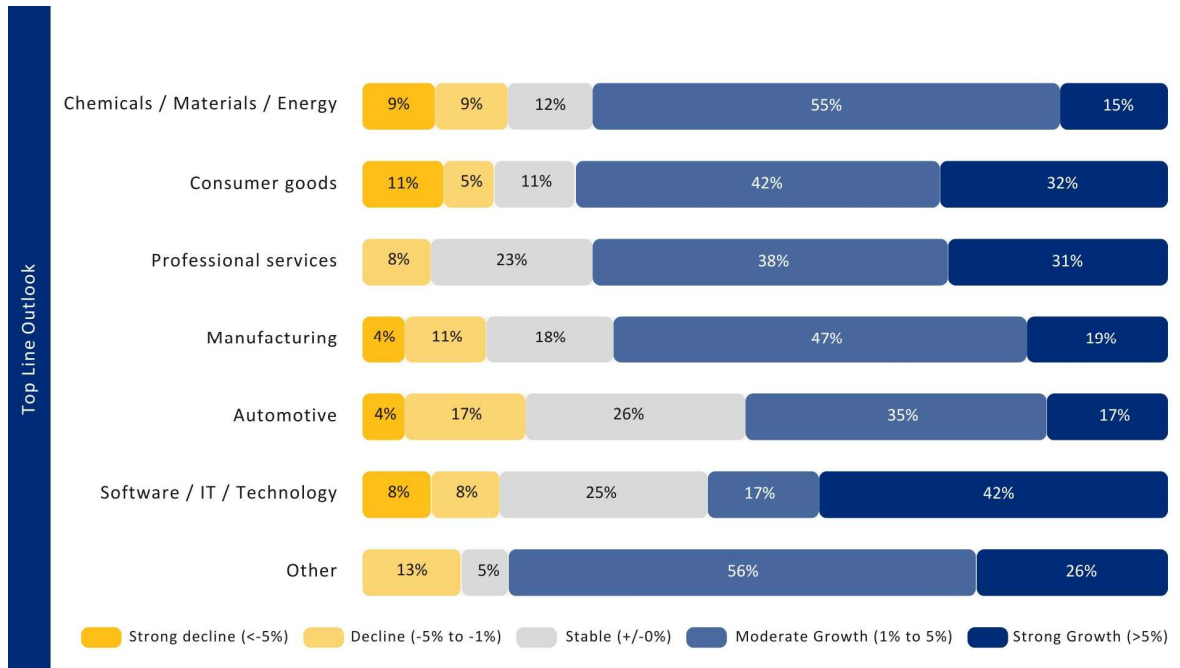


Figure 3: Top Line Outlook by industry

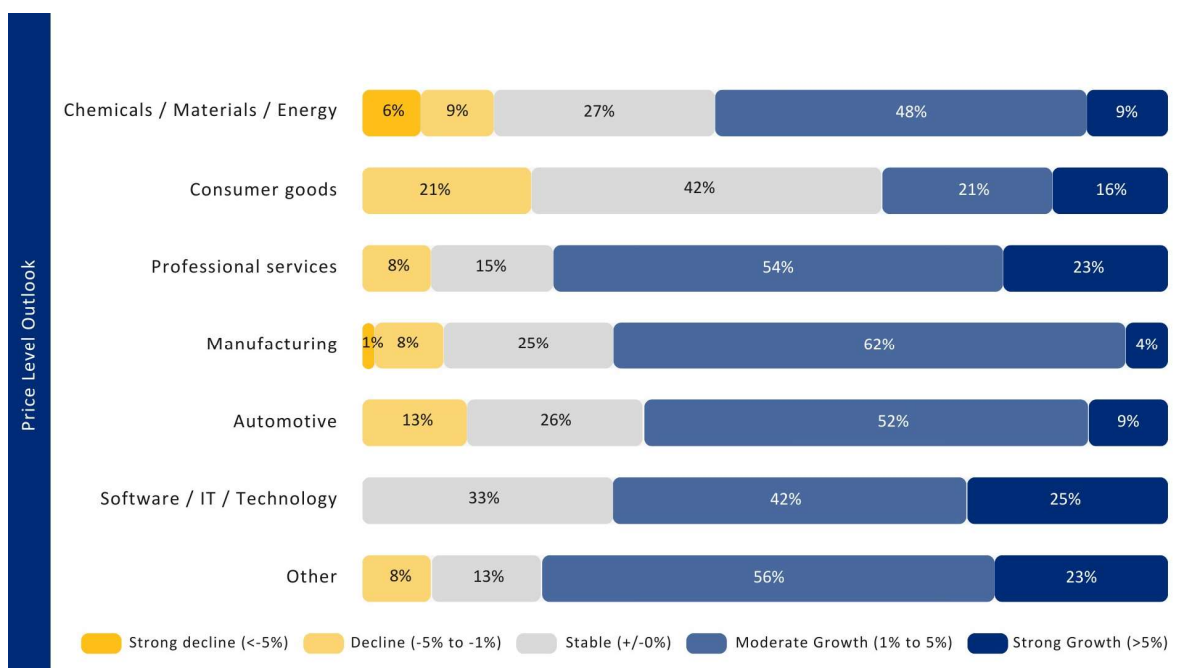


Figure 4: Price Level Outlook by industry

» Most companies differentiate by product and/or by customer segment

We asked companies, on which dimensions of their business they differentiate their price adjustments (see figure 5). From this, two insights emerge: Companies typically differentiate by product and/or by customer segment and therefore chose a modest granularity for their price adjustments (70%). However, about one in five companies (22%) take a more differentiated approach to price adjustments. Only about 1 in 10 companies (8%) do not differentiate their price adjustments and operate with flat price adjustments for the entire business.

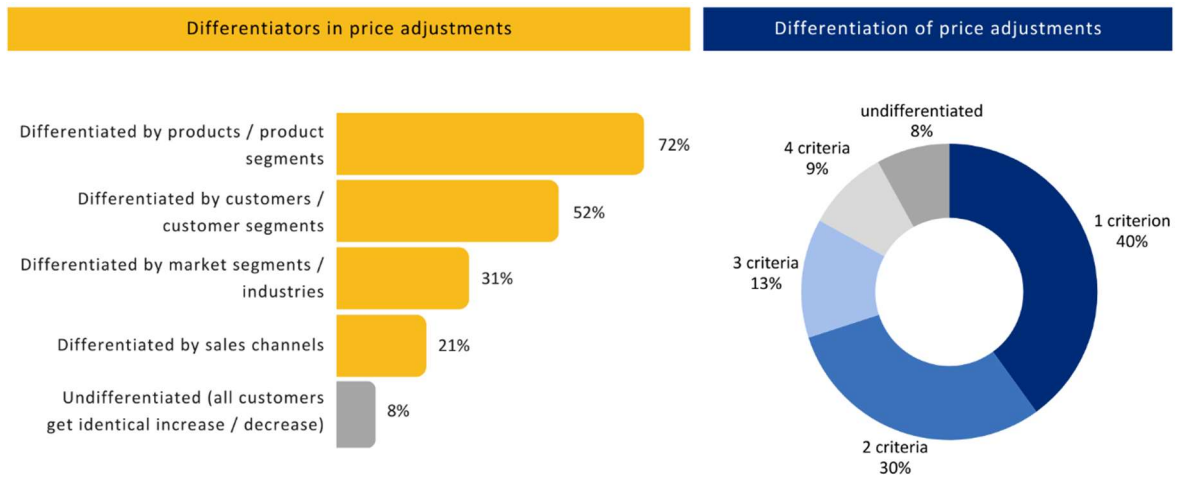


Figure 5: Granularity of Price Adjustments

» Most companies expect their customers to enter negotiations on the adjusted price

Two in three companies (66%) are convinced that their customers will negotiate and expect to find a middle ground (see figure 6). Only 15% of companies expect their customers to accept price increases as they can be passed on to the end customers. 19% of companies expect their customers to refuse any price increases.

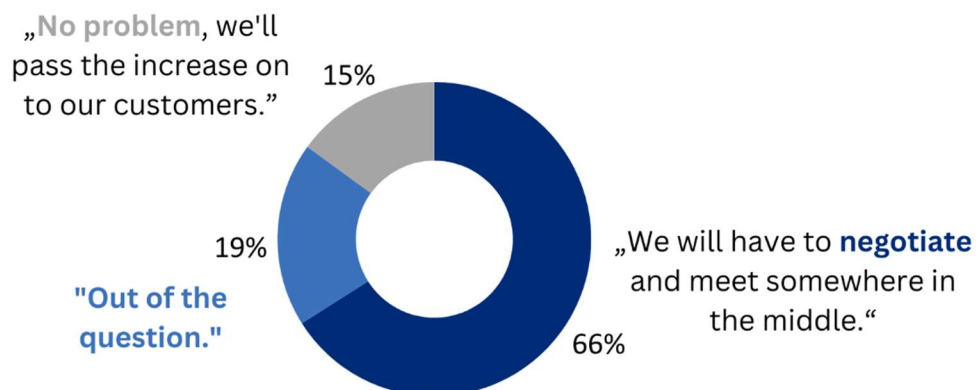


Figure 6: Expected reaction of customers

» Companies continue to develop and invest in their pricing capabilities

For 2024, companies will focus on optimizing their pricing processes, introducing, or expanding value-based pricing, and increasingly utilize their customer segmentation for pricing (see figure 7). The optimization of key account management (28%) and of pricing governance (21%) continue to be relevant, while topics that trended in the last years have the attention of fewer companies – namely the implementation of dynamic pricing, price harmonization and the introduction of pricing software solutions.

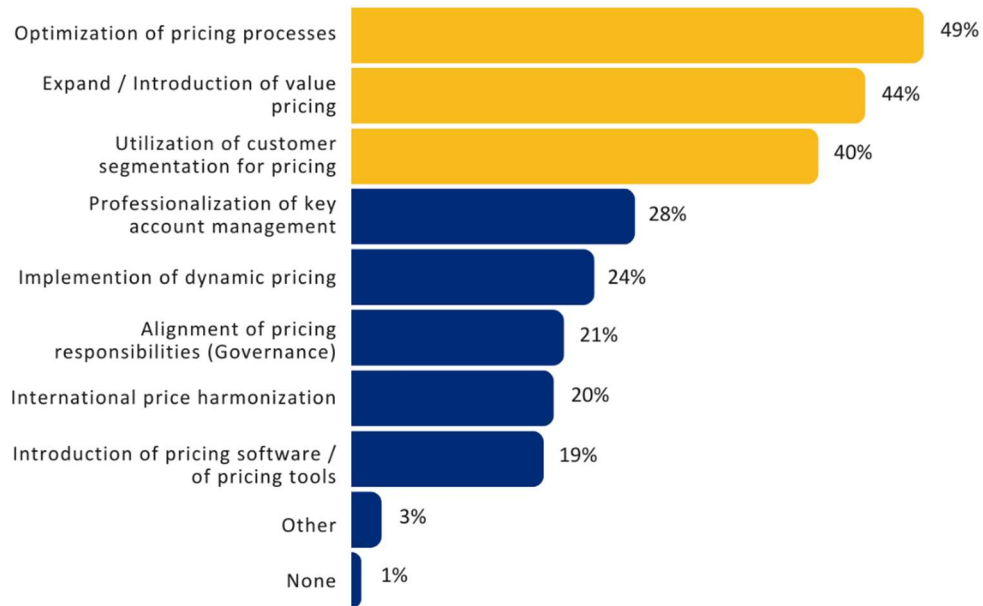


Figure 7: Pricing topics to be addressed by projects / initiatives

Conclusion

The overall business outlook in terms of top line growth and price level evolution is positive – more positive than we initially expected. Companies expect most customers to accept price increases either directly or after negotiations. Companies mostly differentiate their price adjustments by product and/or by customer segment to balance complexity and differentiation. Investment into price management will continue, with focus on process improvements, value pricing and customer-oriented pricing – while formerly trending topics like dynamic pricing, pricing software introduction or international price harmonization receive attention by fewer firms, possibly because previous initiatives have been successfully implemented.

About the authors:

DR. RAINER SCHLAMP

Partner

rainer.schlamp@ebelhofer.com

+49 151 2920 1807



DR. BENEDIKT NEUFANG

Director

benedikt.neufang@ebelhofer.com

+49 151 2920 1814



EbelHofer Consultants support their clients to realize opportunities for profitable growth on the market side. We specialize on the optimization of pricing and price management as well as sales management and have an international project track record with various industry-leading companies. For more information, please contact us.

EbelHofer Strategy & Management Consultants GmbH

An der Wachsfabrik 10

D-50996 Köln

+49 (0)2236 38383 0

www.ebelhofer.com