

PART 3

VALUE-BASED PRICING: THE CFO'S MOST POWERFUL TOOL

EVC, WTP Research, Segmentation, and the Value Case

The six-step value-based pricing logic chain, EVC decomposition with multi-segment analysis showing 19x WTP range across enterprise to startup, conjoint analysis design and demand simulation output, Van Westendorp PSM with four questions and critical price point interpretation, WTP segmentation dimensions and cannibalization prevention, the value case for enterprise B2B with full worked ROI example, price corridor framework with value sharing principles, CFO-to-CFO value conversation strategy, and the complete value-based pricing metrics framework.

SECTION 1

THE CASE FOR VALUE-BASED PRICING

Value-Based Pricing: Capturing What Customers Are Willing to Pay

Value-based pricing is the most powerful pricing methodology available to a CFO — and the most demanding to execute well. Part 1 established that it produces the highest price realization of the three pricing orientations. Part 2 showed that cost-plus pricing, whatever its virtues as a financial floor, leaves the question of market value entirely unanswered. Value-based pricing answers that question directly and systematically: it starts from the value the product or service creates for the customer, quantifies that value in the customer's own economic terms, and sets the price to capture a defined share of that value.

The intellectual foundation of value-based pricing is the recognition that price is not a measure of what something costs — it is a measure of what it is worth to the buyer. A bottle of water costs pennies to produce and might sell for \$1.50 at a grocery store, \$4.00 at a stadium, or \$12.00 at a hotel minibar. The cost is the same in all three cases. The value to the buyer — their willingness to pay — is different at each location, and the price reflects that difference. The CFO who internalizes this principle — that price is a function of value, not cost — is ready to deploy value-based pricing as a systematic financial tool.

This part covers the complete value-based pricing toolkit: the EVC framework applied systematically across customer segments, the four methods for measuring willingness to pay (conjoint analysis, Van Westendorp Price Sensitivity Meter, Gabor-Granger, and A/B price testing), segmentation and WTP variation across customer types, the value case for enterprise B2B sales, and how to document and communicate value in a way that commands and sustains premium prices. Every concept is grounded in practical application with worked examples that a CFO can adapt to their specific business context.

1.1 The Value-Based Pricing Logic Chain

Value-based pricing works through a disciplined logic chain: understand what value the product creates, quantify that value for each customer segment, determine the share of value that can be captured as price given competitive alternatives and customer leverage, and set the price accordingly. Each step requires both analytical rigor and commercial judgment.

Step	Question Answered	Tool	Common Failure
1. Value Identification	What outcomes does our product create for the customer?	Customer interviews; use case mapping	Listing features instead of outcomes
2. Value Quantification	What is the dollar value of those outcomes?	EVC model; ROI calculation	Stopping at qualitative claims; no numbers
3. WTP Research	What will customers actually pay for this value?	Conjoint; Van Westendorp; A/B test	Using stated WTP without behavioral validation
4. Segmentation	How does WTP vary across customer types?	Cluster analysis; persona mapping	Treating all customers as having the same WTP
5. Price Setting	What price captures our target share of value?	Price corridor analysis; EVC sharing	Leaving too much value on the table from risk aversion
6. Communication	How do we justify the price to skeptical buyers?	Value case; ROI documentation	Pitching features; not translating to customer economics

SECTION 2

THE EVC FRAMEWORK: A SYSTEMATIC APPROACH

Economic Value to the Customer: The Complete Framework

The Economic Value to the Customer framework — introduced briefly in Part 1 — is the analytical engine of value-based pricing. Applied systematically across all major customer segments, it produces a value map

that shows exactly how much value the product creates for different types of customers, what the competitive alternatives are, and what price range is defensible in each segment. This section covers the full EVC framework with worked examples across multiple segments and the analytical adjustments required when the value creation is probabilistic or partially attributable to factors outside the product.

2.1 EVC Components in Detail

EVC DECOMPOSITION

$EVC = \text{Reference Value} + \text{Positive Differentiation Value} - \text{Negative Differentiation Value}$

REFERENCE VALUE:

The price (total cost of ownership) of the customer's best alternative

Includes: purchase price, implementation, training, maintenance, support

Example: Legacy software at \$80K/yr all-in cost = Reference Value \$80,000

POSITIVE DIFFERENTIATION VALUE (what your product does better):

Quantified as one or more of:

- > Revenue increase: additional revenue customer earns with your product
- > Cost reduction: costs eliminated or reduced by switching to your product
- > Risk reduction: probability x magnitude of avoided losses
- > Speed/time savings: value of time freed up (staff hours x fully-loaded cost)
- > Quality improvement: value of improved customer satisfaction, NPS, or yield

NEGATIVE DIFFERENTIATION VALUE (what your product does worse):

- > Switching costs: migration, retraining, disruption during transition
- > Feature gaps: value of features the reference product has that yours lacks
- > Trust discount: premium customer requires to try unproven supplier

2.2 Multi-Segment EVC Analysis

The most powerful application of EVC is its systematic application across multiple customer segments to reveal where value creation is highest, where pricing power is greatest, and where the product may be underpriced relative to the value it delivers. A business that performs EVC analysis only at the aggregate level will miss the segmentation opportunities that value-based pricing makes possible — the ability to charge different segments different prices based on the genuinely different value they receive.

Customer Segment	Reference Value (alt. cost)	Positive Diff. Value	Negative Diff. Value	EVC	Target Price (30% value share retained for customer)
Enterprise (>\$1B rev)	\$150,000/yr all-in legacy	\$420,000 productivity gain	\$45,000 switching cost	\$525,000	\$367,500
Mid-Market (\$100M–\$1B)	\$80,000/yr all-in legacy	\$180,000 productivity gain	\$28,000 switching cost	\$232,000	\$162,400
SMB (\$10M–\$100M)	\$35,000/yr all-in legacy	\$65,000 productivity gain	\$12,000 switching cost	\$88,000	\$61,600
Startup (<\$10M rev)	\$8,000/yr SaaS alternative	\$22,000 productivity gain	\$3,000 switching cost	\$27,000	\$18,900

The multi-segment EVC analysis reveals that the value created for enterprise customers (\$525,000) is nearly 20 times the value created for startups (\$27,000). A single price that is appropriate for startups will dramatically undercharge enterprise customers. A price appropriate for enterprise customers will price out the startup segment entirely. This is the foundational argument for price segmentation — which Part 9 covers in depth — but it starts here, in the EVC analysis that shows the value differential between segments.

CFO INSIGHT

The target price column in the multi-segment EVC analysis shows a 19x range — from \$18,900 for startups to \$367,500 for enterprise. Most SaaS companies with a \$50,000 per year list price are dramatically undercharging their enterprise customers and only slightly overcharging their startup customers. This is why enterprise SaaS companies that build a dedicated enterprise sales motion — with customer success, professional services, and a negotiated contract process — consistently achieve much higher revenue per customer than their SMB or mid-market counterparts. They are not just selling more to enterprise; they are finally pricing to the value enterprise customers actually receive.

SECTION 3

CONJOINT ANALYSIS: MEASURING WTP SCIENTIFICALLY

Conjoint Analysis: The Gold Standard for WTP Measurement

Conjoint analysis is the most rigorous quantitative method for measuring customer willingness to pay and for understanding how customers make trade-offs between product features and price. Unlike direct WTP surveys (where customers systematically understate what they would actually pay), conjoint analysis measures implicit preferences by asking respondents to choose between realistic product configurations — forcing them to make the same trade-offs they make in actual purchase decisions. The result is a dataset that reveals the relative value customers place on each feature and the price sensitivity of the overall product offering.

3.1 How Conjoint Analysis Works

In a conjoint study, respondents are presented with a series of product profiles — combinations of features at different levels and prices — and asked to choose their preferred option from each set. By analyzing the pattern of choices across many respondents and many product configurations, the statistical model estimates the 'part-worth utilities' for each feature level — the marginal value each attribute contributes to overall preference. When one of the attributes is price, the part-worth utilities provide a direct measurement of WTP for specific features and configurations.

Conjoint Type	Method	Output	Best For
Choice-Based Conjoint (CBC)	Respondents choose among 3–5 product profiles per task; 12–20 tasks	Market share simulation; WTP by feature; demand curves	New product pricing; tier design; feature prioritization
Adaptive Conjoint (ACA)	Questionnaire adapts based on prior responses; fewer tasks needed	Individual-level WTP estimates; segmentation	Complex products with many attributes; B2B research
Max-Diff / Best-Worst	Respondents identify best and worst from a set of features	Feature importance ranking; value hierarchy	Feature prioritization without direct price testing
Menu-Based Conjoint	Respondents build their preferred product from a menu of options	Optimal bundle design; add-on pricing	Modular products; services bundling; SaaS feature packaging

3.2 Conjoint Study Design for Pricing

A well-designed conjoint study for pricing purposes typically includes: 4 to 8 product attributes (including price), 3 to 4 levels per attribute (including 3 to 5 price levels spanning the plausible range), 200 to 400 respondents for consumer products and 100 to 200 for B2B (where respondents are harder to recruit), and a simulation model that estimates market share and revenue at different price points.

The output of the conjoint analysis is typically a demand simulation: the estimated market share or purchase probability at each price point, holding all other attributes constant. This simulation produces a demand curve that the CFO can use directly in the price-volume tradeoff analysis — replacing the assumed elasticity with a measured, segment-specific demand response. The demand curve also reveals the 'knee' — the price point above which demand drops sharply — and the 'flat zone' — the price range within which demand is relatively insensitive to price changes.

CONJOINT OUTPUT — DEMAND SIMULATION

Conjoint Study: B2B Software Product, 250 respondents

Price range tested: \$50,000 to \$200,000 annual contract

Demand Simulation Results (% of market choosing this product at each price):

\$50,000/yr: 68% purchase probability
 \$75,000/yr: 62% purchase probability (flat zone: -6 pts for +50% price)
 \$100,000/yr: 56% purchase probability (flat zone continues)
 \$125,000/yr: 47% purchase probability (demand starting to accelerate down)
 \$150,000/yr: 33% purchase probability (knee: sharp demand drop begins)
 \$175,000/yr: 21% purchase probability
 \$200,000/yr: 12% purchase probability

Revenue-maximizing price: \$125,000 (47% x \$125K = \$58,750 expected revenue)

vs. \$100,000 (56% x \$100K = \$56,000)

vs. \$75,000 (62% x \$75K = \$46,500)

Recommendation: Price at \$120,000–\$130,000; strong value justification needed above \$150,000 where demand curve steepens significantly

SECTION 4

VAN WESTENDORP PRICE SENSITIVITY METER

Van Westendorp PSM: Mapping the Acceptable Price Range

The Van Westendorp Price Sensitivity Meter (PSM) is a four-question survey method that identifies the range of acceptable prices for a product — the zone within which customers neither perceive the price as too cheap (which signals quality doubt) nor too expensive (which triggers rejection). It is less sophisticated than conjoint analysis but significantly more insightful than simple direct WTP surveys, and it is widely used for consumer products and B2C pricing decisions where conjoint analysis is cost-prohibitive.

4.1 The Four Van Westendorp Questions

The PSM is built from four questions asked of each survey respondent about a specific product or service. The questions do not ask for a single WTP number — they map out the full range of price perception from 'too cheap to trust' through 'too expensive to consider', identifying the boundaries that define the zone of acceptable pricing.

Question #	Question Text	Identifies	Label
1	At what price would you consider this product to be so cheap that you would question its quality?	Lower bound of acceptable range (quality skepticism threshold)	Too Cheap (TC)
2	At what price would you consider this product to be a bargain — great value for money?	Preferred lower price bound (bargain threshold)	Cheap / Good Value (GV)
3	At what price would you begin to feel this product is getting expensive, though you might still consider it?	Preferred upper price bound (expense threshold)	Expensive (EXP)
4	At what price would you consider this product to be so expensive that you would not consider buying it?	Upper bound of acceptable range (rejection threshold)	Too Expensive (TE)

4.2 Interpreting the Van Westendorp Output

The output of the Van Westendorp PSM is a chart showing the cumulative distribution of responses to each of the four questions across the price range. The intersections of these four cumulative distributions identify the critical pricing thresholds: the Point of Marginal Cheapness (PMC), where the Too Cheap curve

intersects the Not Cheap curve — the lowest price at which the product is broadly accepted without quality skepticism; and the Point of Marginal Expensiveness (PME), where the Too Expensive curve intersects the Not Expensive curve — the highest price at which the product is broadly accepted without significant rejection.

The range between PMC and PME is the Range of Acceptable Prices (RAP) — the zone within which the price should be set. Within the RAP, the Acceptable Price Range (APR) can be further narrowed by identifying the Optimal Price Point (OPP), where the Too Cheap and Too Expensive curves intersect — the price at which equal proportions of respondents find the product too cheap and too expensive. The OPP is often interpreted as the price that minimizes consumer resistance.

VAN WESTENDORP OUTPUT INTERPRETATION

Survey Results (n=400; consumer skincare product):

Critical Price Points Identified from Cumulative Distributions:

Point of Marginal Cheapness (PMC):	\$18.00
(% 'too cheap' = % 'not cheap'; lowest safe price)	
Optimal Price Point (OPP):	\$28.00
(% 'too cheap' = % 'too expensive'; lowest resistance)	
Indifference Price Point (IDP):	\$34.00
(% 'cheap/good value' = % 'expensive'; expected price)	
Point of Marginal Expensiveness (PME):	\$45.00
(% 'too expensive' = % 'not too expensive'; highest safe price)	

Range of Acceptable Prices (RAP): \$18.00 - \$45.00

Recommended pricing zone: \$28.00 - \$38.00

Below \$28: Quality skepticism rises materially

Above \$38: Rejection rate accelerates toward PME

CFO INSIGHT

The Van Westendorp PSM is excellent for identifying the acceptable price range and for understanding whether a proposed price is above or below market expectations. Its limitation is that it identifies the range within which customers are comfortable, not the price that maximizes revenue or profit — those are economics questions that the PSM alone cannot answer. Use the PSM to define the boundaries of acceptable pricing for a consumer product, then apply the price-volume tradeoff analysis within those boundaries to identify the profit-maximizing price. The two tools are complementary: PSM maps the territory; financial analysis finds the optimal destination within it.

SECTION 5

SEGMENTATION AND WTP VARIATION

Segmentation: One Product, Many Prices

One of the most important insights of value-based pricing is that willingness to pay is not uniform across the customer base. Different customers receive different amounts of value from the same product, have different budgets, face different competitive alternatives, and experience different switching costs. A single price — even a value-based price calibrated to the average customer — will undercharge high-WTP customers and potentially exclude low-WTP customers who could still contribute positive margin. Segmentation allows the company to capture more of the value distribution by offering different price points to different customer groups.

5.1 WTP Segmentation Dimensions

Willingness to pay varies across multiple dimensions simultaneously. Effective pricing segmentation requires identifying the dimensions that produce the largest WTP variation and designing pricing structures that capture value across those dimensions without creating arbitrage opportunities (where a high-WTP customer can buy at the low-WTP price by misrepresenting their segment or through a third party).

Segmentation Dimension	WTP Driver	Pricing Mechanism	Arbitrage Risk
Company size / revenue	Larger companies receive more value; higher budget	Tiered pricing by employee count, revenue, or seats	Low; company size is verifiable
Industry vertical	Some verticals have higher ROI from the product	Industry-specific pricing or packages	Medium; company can claim different industry
Use case intensity	Heavy users receive more value than light users	Usage-based pricing; overage charges	Low; usage is system-measured
Geography	Different markets have different competitive dynamics	Geographic price zones; currency-based pricing	Medium; VPN/proxy risk for digital products

Segmentation Dimension	WTP Driver	Pricing Mechanism	Arbitrage Risk
Customer maturity / sophistication	Sophisticated buyers know value better; less naive	Separate pricing for self-serve vs. sales-assisted	Low; channel choice reveals segment
Purchase timing	Early adopters accept higher risk; lower WTP in some models	Early access pricing; beta discounts	Low; time is immutable
Relationship / loyalty	Long-term customers may have higher or lower WTP	Loyalty pricing; renewal discounts	Low; relationship history is verifiable

5.2 Designing Segmented Pricing Without Cannibalization

The central challenge of segmented pricing is preventing high-WTP customers from accessing low-WTP prices — a phenomenon called cannibalization or arbitrage. If a SaaS product charges \$500 per month for enterprises and \$50 per month for startups, and there is no meaningful barrier between the two tiers, enterprises will register as startups. Effective segmented pricing relies on 'fences' — verifiable criteria that separate segments and make it difficult or costly for a customer to misrepresent their true segment.

The most durable fences are those that the customer creates themselves through their purchasing behavior rather than those the company imposes from outside. Usage-based pricing fences are particularly strong: a customer who uses the product heavily will naturally use the higher-priced tiers because the value they receive justifies the cost. A customer who uses it lightly will naturally stay in the lower-priced tiers. This behavioral segmentation is more robust than demographic segmentation because it aligns incentives rather than requiring enforcement.

SEGMENTED PRICING DESIGN — SAAS EXAMPLE

Product: Analytics SaaS Platform

WTP Research reveals three distinct segments:

Segment 1: Small teams (< 10 users); WTP \$200-\$500/month

Value driver: Replaces spreadsheets; saves 8 hrs/week

Fence: User count limit (up to 10 seats)

Price: \$299/month (captures ~70% of this segment's WTP range)

Segment 2: Mid-market teams (10-50 users); WTP \$1,000-\$3,500/month

Value driver: Team collaboration; removes data silos

Fence: Seat count + advanced collaboration features

Price: \$1,800/month (captures ~60% of this segment's WTP range)

Segment 3: Enterprise (50+ users); WTP \$5,000-\$25,000/month

Value driver: Enterprise security, SSO, audit trails, SLA

Fence: Enterprise features (SSO, SAML, custom SLA) + dedicated CSM

Price: \$8,500/month base + per-seat above 50

Total addressable revenue vs. single-price alternative:

Single price at \$1,800: Revenue from all segments = \$1,800 x volume

Segmented: Extracts \$299 from small teams (above what they'd pay for \$1,800?)

No - small teams cannot afford \$1,800; segmented pricing EXPANDS market

SECTION 6**THE VALUE CASE FOR ENTERPRISE B2B SALES**

The Value Case: Translating Value into a Sales and Pricing Tool

In enterprise B2B sales, the value case — a document or presentation that quantifies the economic value the product creates for the specific customer — is the most powerful pricing support tool available. It transforms the pricing conversation from a negotiation about cost (where the buyer has all the leverage, because they know what alternatives cost) to a conversation about value (where the seller has leverage if the value exceeds the price by a compelling margin). A well-constructed value case is not a marketing

document — it is a financial analysis built from the customer's own data, using the customer's own metrics.

6.1 Building the Value Case

The value case is built in five steps. First, understand the customer's current state — how they are solving the problem today, what it costs them, what pain points they experience. Second, quantify the problem in financial terms — not 'your sales team wastes time on manual data entry' but 'your sales team spends 4.2 hours per week on manual data entry at a fully-loaded cost of \$78/hour, generating \$16,848 in annual cost per rep across 35 reps = \$589,680 per year.' Third, model the improvement — what will change if they implement the product, expressed in the same financial metrics as the problem quantification. Fourth, calculate the net benefit — the improvement minus the cost of the product. Fifth, present the ROI and payback period in the customer's preferred financial metrics.

VALUE CASE — ENTERPRISE SALES AUTOMATION SOFTWARE

Customer: 35 enterprise sales reps; avg fully-loaded cost \$180,000/year

Step 1 – Current State Problem Quantification:

Manual CRM data entry: 4.2 hrs/rep/week x 35 reps x 50 weeks = 7,350 hrs

Cost: 7,350 hrs x (\$180,000/2,080 hrs) = \$635,577/year

Missed follow-ups (est. 15% of hot leads due to manual tracking): ?

Step 2 – Revenue Impact of Missed Follow-Ups:

Hot leads per year: 2,400 | 15% missed: 360 leads

Average close rate on hot leads: 28% | Missed closes: 360 x 28% = 101

Average deal value: \$42,000 | Revenue at risk: 101 x \$42,000 = \$4,242,000

Step 3 – Improvement from Automation:

CRM data entry eliminated: \$635,577/year saved

Follow-up miss rate reduced from 15% to 3%: recovers 288 leads

Revenue recovered: 288 x 28% x \$42,000 = \$3,386,880/year

Total Annual Value: \$635,577 + \$3,386,880 = \$4,022,457

Product Annual Cost: \$185,000

Net Annual Benefit: \$3,837,457

ROI: \$3,837,457 / \$185,000 = 20.7x | Payback: 0.55 months

6.2 Handling Value Case Skepticism

Enterprise buyers are sophisticated and will challenge the assumptions in a value case. 'We don't really miss that many follow-ups.' 'Our reps are more efficient than your benchmark suggests.' 'We can't attribute \$4M in revenue to a single tool change.' These challenges are legitimate and should be anticipated rather than dismissed. The CFO who has trained the sales team on value case construction will have equipped them with three responses to buyer skepticism.

First, the sensitivity analysis: show the buyer what the ROI is even if they discount the most optimistic assumptions by 50%. If the value case shows \$4M in value at \$185K in cost, even at 20% of the stated value (\$800,000), the ROI is still 4.3x. Second, the pilot offer: propose a 60- or 90-day pilot with specific, agreed metrics that will be measured to validate the value case assumptions. Third, the reference customer: connect the prospect with an existing customer who achieved documented results, allowing peer-to-peer validation of the value case with a credible source.

SECTION 7

THE PRICE CORRIDOR AND VALUE SHARING

Setting the Price: The Corridor Between Floor and Ceiling

Once the EVC ceiling and the cost floor are established, the CFO must determine where within the price corridor the product should actually be priced. This is where economic analysis meets commercial judgment: setting the price too close to the EVC ceiling risks customer rejection (even if technically rational, customers resist paying close to their full value); too close to the cost floor leaves substantial value uncaptured. The price corridor framework provides a systematic approach to this decision.

7.1 The Price Corridor Framework

PRICE CORRIDOR — ENTERPRISE B2B SOFTWARE

Cost Floor (full cost):	\$28,000/yr	(never price below this)
Competitive Reference Value:	\$80,000/yr	(alternative product cost)
EVC (total value created):	\$185,000/yr	(from value case analysis)

Price Corridor: \$28,000 – \$185,000/year

Key Pricing Zones:

Zone 1: \$28K–\$55K	(below competitive floor; leave only for strategic deals)
Zone 2: \$55K–\$85K	(competitive parity; acceptable; not value-based)
Zone 3: \$85K–\$130K	(captures 10%–28% of differentiated value; optimal zone)
Zone 4: \$130K–\$185K	(aggressive; requires excellent value case; resistance rises)
Zone 5: >\$185K	(above EVC; customer is worse off buying; do not price here)

Recommended Price: \$105,000/year

Customer Surplus: \$185K – \$105K = \$80,000 (customer keeps 43% of EVC)

Vendor Capture: \$105K – \$28K = \$77,000 above cost (73% value share of diff.)

7.2 Value Sharing Principles

The percentage of EVC the vendor captures — the value share — is not a fixed number. It varies based on competitive intensity (more competition = lower vendor value share), product maturity (new products must share more value to overcome customer inertia and risk perception), relationship status (existing customers can sustain higher value share than new prospects), and customer sophistication (unsophisticated buyers may not fully appreciate value and default to cost-based evaluation).

As a general principle, the sustainable vendor value share — the share of EVC that can be captured in a stable competitive market — ranges from 15% to 35% for products with strong competitive alternatives, 35% to 55% for products with weak competitive alternatives and strong value differentiation, and up to 70% in monopolistic or near-monopolistic situations. The CFO should calculate the implied value share for every major pricing decision and monitor it over time. A declining value share may indicate that EVC is eroding (the product is becoming less differentiated), that competitive intensity is increasing, or that the sales team is systematically discounting below the optimal price corridor.

SECTION 8**COMMUNICATING VALUE: MAKING THE CASE FOR THE PRICE**

Value Communication: Translating Analysis into Commercial Conversations

A rigorous EVC analysis and a well-designed price corridor are valuable only if the value story is communicated effectively to customers and prospects. The most common failure in value-based pricing implementation is the analysis-to-execution gap: the CFO and pricing team build a sophisticated value model, the price is set at the analytically correct level, and then the sales team reverts to feature-benefit selling and cost-plus thinking in customer conversations because they were never equipped to use the value case as a sales tool.

8.1 The ROI Conversation Framework

Enterprise B2B buyers — particularly procurement teams, CFOs, and finance-involved decision-makers — evaluate purchases through a financial lens. The seller who shows up to a procurement meeting with a feature list and a price quote is playing on the buyer's terms. The seller who shows up with a documented value case, an ROI model, and a payback period calculation is changing the conversation from 'how much does this cost' to 'what is the return on this investment.' The second conversation is the one that supports premium pricing.

Conversation Type	Buyer's Frame	Seller's Leverage	Pricing Outcome
Feature-benefit selling	'What does it do? Is it worth the price?'	Low; buyer compares features to cost	Price pressure; discounting to close
Competitive comparison selling	'How does it compare to the alternative?'	Moderate; depends on differentiation strength	Price near competitive reference value
ROI / value case selling	'What return does this investment generate?'	High; price anchored to financial value, not cost	Price in the value corridor; premium realization
Outcome-based selling	'What specific outcomes does this guarantee?'	Very High; risk shifted from buyer to seller	Outcome-based pricing possible; highest value capture

8.2 The CFO-to-CFO Value Conversation

In enterprise B2B deals, the seller's CFO or VP Finance engaging directly with the buyer's CFO or Finance team is one of the most underutilized tools in value-based pricing execution. Most enterprise sales cycles involve CFO engagement on the buyer's side at some point — for the approval decision if not earlier. When

the seller's CFO can engage peer-to-peer with the buyer's CFO, bringing a rigorous value case built in the buyer's financial language, the conversation changes in a distinctive way: it becomes a joint financial analysis rather than a vendor sales pitch.

The seller's CFO in this conversation should: walk through the value case assumptions and invite the buyer's CFO to adjust any they disagree with; calculate the ROI at the buyer's adjusted assumptions rather than defending the original; show the sensitivity analysis that demonstrates positive ROI even at conservative assumptions; and close with the payback period question — 'If you agree the payback is under 12 months, what would need to be true for this to not be approved in your next budget cycle?' This reframes the pricing conversation as a capital allocation decision (high ROI, fast payback) rather than a procurement decision (lowest cost wins).

SECTION 9

METRICS FRAMEWORK AND CFO CHECKLIST

Value-Based Pricing Metrics and the CFO Checklist

9.1 Value-Based Pricing Metrics

Metric	Formula / Definition	Benchmark / Target
EVC Coverage	% of product lines with documented EVC model	>80% of revenue covered; update annually
Value Share (vendor)	$(\text{Price} - \text{Reference Value}) / (\text{EVC} - \text{Reference Value})$	15%–55% depending on competitive intensity
Price as % of EVC	$\text{Selling Price} / \text{EVC}$	Track by segment; should be stable or rising
Win Rate by Value Tier	Deals won at full price vs. discounted price	Rising full-price win rate = value case working
ASP vs. Competitive Reference	$\text{ASP} / \text{Weighted Avg Competitor Price}$	>1.0 = pricing at premium; track trend
WTP Research Coverage	% of major segments with recent WTP research	>75% of revenue segments; research < 18 months old

Metric	Formula / Definition	Benchmark / Target
Value Case ROI (customer reported)	Customer-documented ROI from case studies	Capture 5+ verified ROI case studies per segment
Price Corridor Compliance	% of deals priced within defined corridor	>85% target; outliers require CFO approval

9.2 CFO Operating Checklist

- EVC models built and documented for each major customer segment and product line: quantified in financial terms (cost savings, revenue impact, risk reduction, time savings); updated when product or competitive landscape changes materially.
- WTP research completed using at least one quantitative method for each major product: conjoint analysis for complex products or major pricing decisions; Van Westendorp for consumer products; transaction data analysis for existing B2B products with sufficient history.
- Multi-segment EVC analysis performed: value differential across customer segments quantified; pricing architecture designed to capture segment-specific value rather than averaging across segments.
- Price corridor defined for each major product: cost floor (from Part 2 analysis), competitive reference value, EVC ceiling, and target pricing zone all documented; corridor used in deal desk decisions.
- Value case template built and used: standard ROI model customized for each segment; sales team trained to present value case in procurement and CFO-to-CFO conversations.
- Value share calculated and monitored quarterly: implied vendor value share by segment; trend analysis; declining share triggers investigation of competitive pressure or product differentiation erosion.
- Five or more customer ROI case studies documented per year: verified financial outcomes used in sales materials, case studies, and pricing justification conversations.
- CFO-to-CFO engagement protocol established for enterprise deals above defined threshold: seller's CFO or VP Finance engages with buyer's financial team on value case before final pricing negotiation.

Closing Perspective: Value-Based Pricing as a Financial Discipline

Value-based pricing is not a sales technique — it is a financial discipline. The EVC model is a financial model. The conjoint analysis is a statistical measurement of a financial quantity. The price corridor is a financial constraint. The value case is a financial analysis. The CFO who treats value-based pricing as

belonging to the domain of marketing or sales is abandoning the financial leadership of the most consequential revenue decision the business makes.

The companies that have consistently achieved the highest pricing power in their industries — Apple, Salesforce, McKinsey, LVMH, Palantir, ServiceNow — are companies where the financial leadership has made value quantification a core discipline. They know what value they create. They know what their customers are willing to pay for that value. They know where in the price corridor their current pricing sits. And they manage the gap between current pricing and the upper bound of the corridor as a strategic financial opportunity, not as an afterthought.

The three-part foundation is now complete. Part 1 established the economics — willingness to pay, price elasticity, the profit leverage of price. Part 2 established the floor — cost-plus mechanics, break-even analysis, contribution margin pricing. Part 3 has established the ceiling and the architecture — EVC, WTP measurement, segmentation, value sharing, and value communication. With this foundation in place, Parts 4 through 7 will apply these principles to the specific financial architectures of SaaS, physical goods, services, and platforms.

Part 4 covers SaaS and Subscription Pricing Architecture — per-seat vs. usage-based vs. outcome-based pricing, freemium economics, tier design and packaging, expansion pricing mechanics, discounting discipline, and how pricing changes flow through ARR, NRR, LTV:CAC, and the SaaS income statement.

End of Part 3: Value-Based Pricing | Pricing Strategy — A 14-Part Series

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