

PRICING AND VALUE

Value-Based Pricing

Anderson · Ramanujam & Tacke · Skok

PAPER 02 / 02

A Furtherance reference compendium on the intellectual traditions behind organisational design, leadership, execution, and culture.

IN THIS PAPER

The series closes on the discipline of value itself – quantifying it, designing products around it, and governing it in recurring-revenue models. The question it answers: how do you turn “price to value” from a slogan into a repeatable practice?

Anderson makes B2B value measurable and communicable; Ramanujam and Tacke design the product around the price by testing willingness-to-pay first; Skok governs pricing and growth through the unit economics of recurring revenue.

James Anderson Value Propositions in Business Markets, 2006

B2B customer value management

CORE THESIS

In business markets, price to **demonstrated and documented value**. Build value propositions on the value drivers that matter most – using **resonating focus**, the one or two points of difference of greatest worth – and quantify them in the customer's own terms.

FRAMEWORK

Type of value proposition	What it claims
All benefits	Everything the offering does (weakest – benefit assertion)
Favourable points of difference	Where we beat the alternative
Resonating focus	The one or two differences worth most to the customer
Value quantification	Value word equations, documented in customer terms

METHODOLOGY

Business-market research on how value is created, quantified and communicated.

SIGNIFICANCE AND CRITIQUE

The rigorous school of B2B value quantification. The critique: doing it well is data-intensive and requires customer collaboration.

Ramanujam & Tacke Monetizing Innovation, 2016

Willingness-to-pay first · Simon-Kucher

CORE THESIS

Design the product around the price, not the price around the product. Most innovations disappoint commercially because **willingness-to-pay** is tested too late – so have the price conversation early, and let it shape what you build.

FRAMEWORK

Failure type	What went wrong
Feature shock	Too many features, muddled value, mispriced
Minivation	A real innovation priced far too low
Hidden gem	Value the firm never recognised or monetised
Undead	A product customers never wanted at any price

The remedy: test willingness-to-pay early, segment by need and value, and choose the **monetisation model** and price before committing to the build.

METHODOLOGY

Practitioner research across thousands of monetisation cases.

SIGNIFICANCE AND CRITIQUE

Reframed pricing as an input to product design rather than an afterthought. The critique: the register is practitioner, drawn from consulting cases.

David Skok SaaS Metrics · forEntrepreneurs, 2010–

Recurring-revenue unit economics

CORE THESIS

For recurring-revenue businesses, pricing and growth must be governed by **unit economics**. Lifetime value against acquisition cost, payback period, and churn decide whether growth creates or destroys value – and pricing tiers should track a real value metric.

FRAMEWORK

Metric	Healthy signal
LTV : CAC	Lifetime value at least ~3× acquisition cost
CAC payback	Acquisition cost recovered within ~12 months
Churn / net revenue retention	Low churn; expansion offsetting losses
Value metric	Price scales with the value the customer receives

METHODOLOGY

A practitioner and venture-capital synthesis of SaaS unit economics.

SIGNIFICANCE AND CRITIQUE

The standard mental model for SaaS pricing and unit economics. The critique: it is specific to recurring-revenue models and needs adaptation elsewhere.

Synthesis

Contribution	Focus	Key idea	Best fit
Anderson	Value quantification	Resonating focus; document value	B2B markets
Ramanujam & Tacke	Monetising innovation	Design around the price	New products
Skok	Unit economics	LTV:CAC; payback; churn	Recurring revenue

FOR THE OPERATOR

Value-based pricing becomes a practice when value is measured, designed for and governed – quantifying and documenting B2B value (Anderson), designing the product around a tested willingness-to-pay (Ramanujam & Tacke), and governing pricing through recurring-revenue unit economics (Skok). For the operator: quantify the value you create, let price shape the product rather than trail it, and hold growth to its unit economics. That closes the Pricing and Value series.