PRICING PROFESSOR

THE VALUE-TO-CHARGE (V2C) MODEL

WHITEPAPER

"The important thing in pricing is not to chase competitors' prices but to discover new ways of capturing value."

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Introduction

In an era where markets move faster than a freight train and competition cuts deeper than a discount scalpel, pricing remains the **unsung hero of business success**. Yet, across industries, pricing strategies often cling to outdated relics: cost-plus margins that ignore customer perception, competitor benchmarking that mimics mediocrity, and gut instincts that leave profits bleeding on the table. For distribution companies wrestling with razor-thin margins, retailers battling commoditization, manufacturers juggling production costs, SaaS founders navigating subscription fatigue, and consultants striving to justify hourly rates, the pricing conundrum is universal yet uniquely challenging. The result? Missed opportunities, eroded value, and a nagging sense that there must be a better way.

Picture this:

- a SaaS founder scratching their head at $9.99 subscriptions while competitors rake in millions
- a retailer slashing handbag prices to clear inventory
- or a distributor haggling over margins on a loading dock.

Outdated cost-based pricing is a universal thief, sapping value from every industry.

Enter the Value-to-Charge (V2C) Model, a groundbreaking framework that promises to redefine how businesses across these diverse sectors approach pricing. V2C shifts the focus from arbitrary numbers to the dynamic interplay of perceived value and customer willingness to pay. This whitepaper introduces V2C as a practical, actionable tool, tailored to the specific needs of your market. It recognizes that each industry faces distinct market phases—startup struggles, growth challenges, and maturity dynamics—and offers a unified yet adaptable solution.

Why does this matter in 2025? With global supply chains still reeling from post-pandemic shifts, consumer expectations evolving at breakneck speed, and technology democratizing pricing data, businesses can no longer afford to price by habit. The Pricing Professor, drawing on decades of industry experience and a critical eye for corporate nonsense, presents V2C not as a theoretical exercise but as a mindset shift, a bridge between research-backed insights and real-world practice.

This whitepaper will explore how V2C navigates "phase transitions" in pricing, provides industry-specific applications, and delivers measurable results. Let's dive into the framework that could redefine your bottom line.

Core Concept

The V2C Ratio is a simple yet powerful metric that aligns pricing with customer perception:

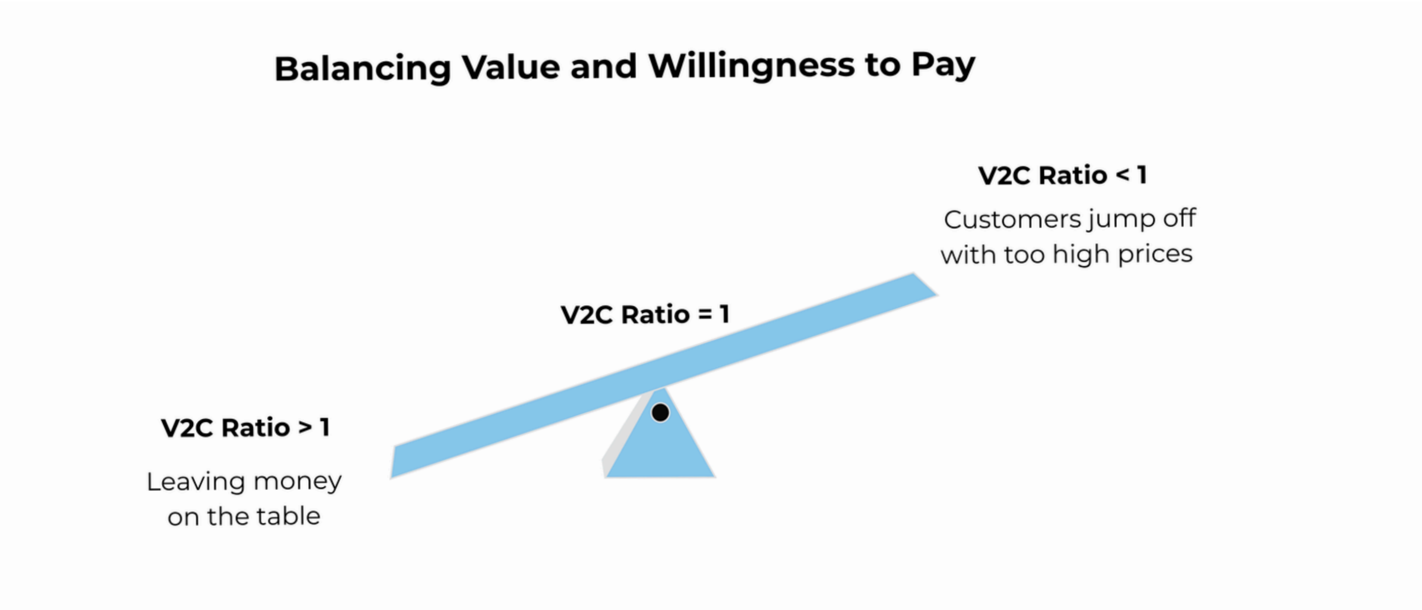
V2C = Perceived Value (PV) / Willingness to Pay (WTP)

- Perceived Value (PV): The total worth customers attribute to your offering—encompassing tangible benefits (e.g., product quality, delivery speed) and intangible ones (e.g., trust, support). Measure it through customer surveys, feedback forms, or quick market assessments.

- Willingness to Pay (WTP): The highest price customers are prepared to accept, influenced by market rates, competitor pricing, budgets, and psychological factors. Gauge it via competitor analysis or direct customer input.

Interpreting the Ratio
- **V2C > 1:** You're underpricing, leaving money on the table.
- **V2C < 1:** You're overpricing, risking lost sales or churn.
- **V2C ≈ 1:** You've hit the optimal balance, maximizing value capture and customer satisfaction.

Think of it like balancing a seesaw: too high, and customers jump off; too low, and you're leaving money on the table.
Unlike traditional models that fixate on costs or competitors, V2C adapts to market dynamics.

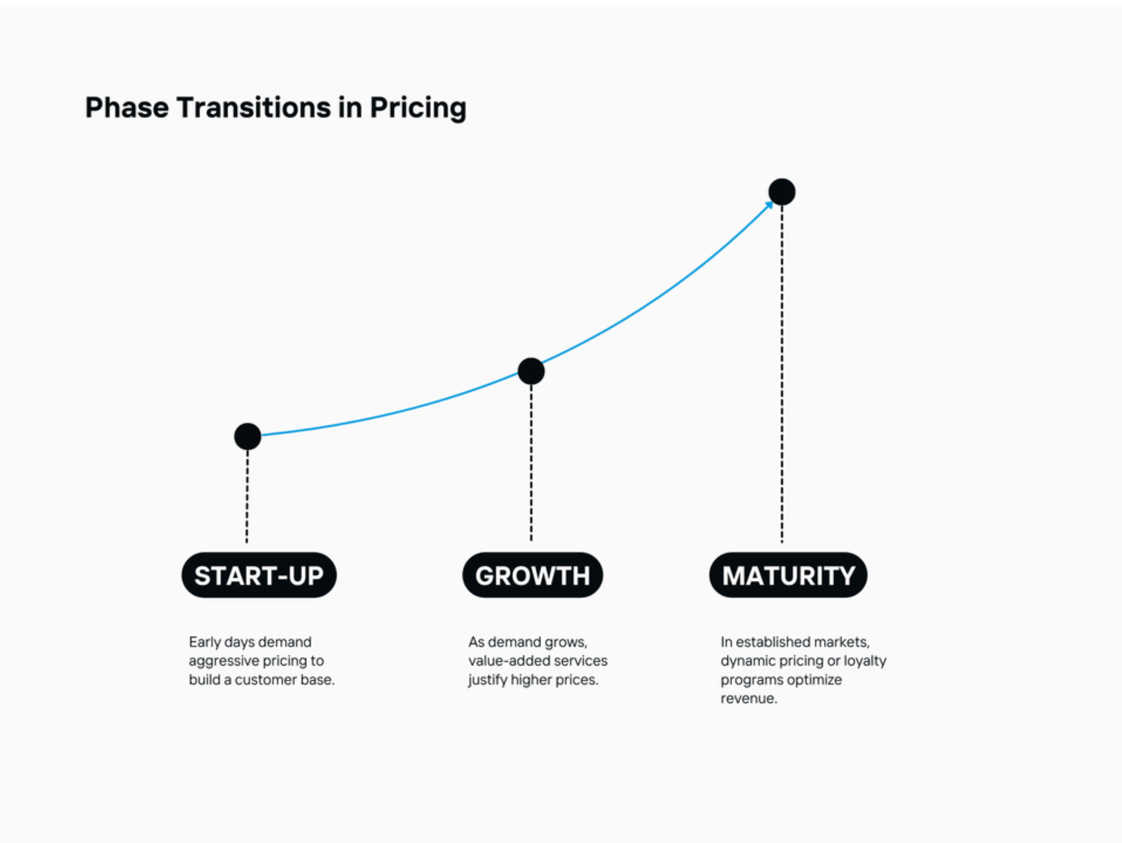


Phase Transitions in Pricing

Pricing evolves as your business and market mature, much like a product moving through a supply chain. These “phase transitions” are critical to applying V2C effectively:

- Startup Phase: Early days demand aggressive pricing to build a customer base. A SaaS founder use freemium, or a consultant offer introductory rates.
- Growth Phase: As demand grows, value-added services justify higher prices. A distributor adds next-day delivery, a retailer enhances in-store experience, a manufacturer highlights quality, a SaaS introduces premium features, or a consultant ups rates with proven results.
- Maturity Phase: In established markets, dynamic pricing or loyalty programs optimize revenue. A distributor customizes bulk deals, a retailer adjusts for seasonality, a manufacturer tiers product lines, a SaaS scales subscription plans, or a consultant locks in retainers.

Misaligning pricing with the phase is like shipping perishable goods without refrigeration—disaster looms. V2C ensures you’re in sync with your market’s rhythm.



Industry Specific Applications

The V2C Ratio is your new best friend in pricing, it's all about figuring out what customers think your product is worth (Perceived Value, or PV) and what they're willing to pay (Willingness to Pay, or WTP), then setting a price that hits the sweet spot where PV divided by WTP is close to 1. The V2C model doesn't expect WTP to equal PV, it's about finding a sweet spot. If PV is €1,000 and WTP is €600, V2C is 1.67, meaning you're undercharging. You can tweak the product or test a higher price to get closer to 1.25 or 1. The gap reflects costs and risks, which customers weigh subconsciously. Your job is to bridge it with value that outweighs their caution.

In this chapter, I'll walk you through how different businesses use this model to optimize prices. I'll explain how they capture value (the "why" behind the worth) and measure it, plus how they figure out WTP with data, not just guesses. Let's break it down like you're starting from zero!

Saas Founders

Let's image you're building a software service (like a CRM or project tool). You are fighting between users canceling subscriptions because prices feel off, and adding too many features confuses everyone. Growing the price as more people use it is a headache. The value comes from saving time (like automating tasks), letting teams grow without limits, connecting with other tools (like email or calendars), and having support ready 24/7.

Scenario 1: Time savings as main value driver

In this scenario we are applying the V2C Ratio on the value driver of time savings. In 2025, you notice users save €950 a month (PV) because they finish tasks quicker, but they only pay €475. The V2C Ratio gives a value of 2 here. Why is this value there? Becaus your tool cuts out manual work, giving them back hours to focus on big wins.

To measure this, you could dig into user activity logs seeing they save 47.5 hours a week per team (€20/hour × 47.5 = €950), proven by a 5% speedup in tasks. For WTP, you could use a model on payment data from 1,000 users, which predicts they'll stick around at €475, checked against a rival charging €450.

To capture more value, you add an AI feature that predicts sales trends, bumping PV to €1,200 because it helps users earn more. You test this with 500 users at €900 for 30 days, and 25% more sign up—boom, your new price!

V2C Action: Set the price at €900, keep testing with different user groups, and tweak the AI every six months.

Scenario 2: Growth as main value driver
In this scenario we are applying the V2C Ratio on the value driver of growth of the customer. Now, picture your tool helps teams meet deadlines, worth €1,900 a month (PV), but users only pay €1,140, with V2C = 1.67. The value is in keeping projects on track, avoiding costly delays. The perceived value is measured by analyzing 2,000 completed projects, finding out a 15% time cut can deliver €1,900 in value, because late projects cost money.
For measuring WTP, a model using past cancellations and competitor prices shows €1,140 is the max they'll pay.

To capture more value, you add the feature of collaboration tool that speeds up teamwork, lifting PV to €2,200.

V2C Action: Experiment with a new price around €1.500 a month.

The key takeaway I would like to share to SaaS Founders is that your software's worth is in the value drivers (time and growth) it gives. Use and analyze your data to show it and price it right.

Manufacturing Companies
If you make products like chocolates, rising costs (say, 10% more for cocoa in 2025) and competitors offering cheaper options cap what buyers will pay. Adding new features or products can stretch your resources, and new regulations (like sugar taxes) add pressure.
The value comes from taste (how good it is), texture (smooth or crunchy), packaging (fancy or eco-friendly), and any special traits like being organic or fair-trade.

Scenario 1: Boosting Value with Existing Chocolates
Imagine you run a chocolate manufacturing company selling a classic milk chocolate bar. In 2025, customers love it at €3 a month (PV) for its tasty flavor and smooth feel, but they only pay €2.50—V2C is 1.2, a bit off. The value comes from the joy of that first bite and the creamy texture they can't resist, which you see in their repeat buys. To figure out what they'll pay, you look at historical sales and see €2.50 works, especially since rivals charge €2.40-€2.60.

To make it stand out, you improve the packaging to look fancier, adding more appeal.

V2C Action: Experiment with €2.80 and if quantity stays the same, this is a direct increase in revenue and margin.

Scenario 2: Launching Organic Chocolate
Now, you launch a new organic chocolate bar. The old one was worth €3, but this one feels worth €4.50 a month (PV), because it's healthy and eco-friendly. However, the price is set at €3.50, this make the current V2C rato at 1.29, a gap to close. The value is in feeling good about eating clean and helping the planet, which you notice in their excited chats. To check what they'll pay, you ask a few shoppers what they'd pick, finding €3.50 fits, backed by organic rivals at €3.40-€3.60. To shine brighter, you shout about the organic story on the wrapper, making it more appealing.

V2C Action: Try €4 with some customers, and if more people buy set it as the new price.

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Retail/ Distribution
If you distribute goods or sell in stores, you juggle hundreds of products with tiny margins, face nonstop haggling, and deal with 2025 delays messing up stock. Besides that you face online price wars and empty shelves add pressure.
Your value is in delivering on time, keeping shelves stocked, offering help with tech or service, and having exclusive deals.

Image you run an online grocery store with 500 items, worth €1,425 a month (PV) because you deliver in 12 hours instead of them shopping themselves. But buyers pay €950, what brings the V2C ratio at 1.5; leaving money behind. The value is in saving them time and effort, which you notice in their happy reviews. You split products into must-haves (milk, bread) and extras (snacks) using customer invoice data. To check what they'll pay, you look at old orders and see €950 fits, lined up with a competitor's rate. To stand out, you offer a premium 12-hour delivery slot, making it feel worth more.

V2C Action: You test the new price of €1050 which brings the V2C ratio closer to 1 and increases profits with more than 10%.

Consultants
If you advise businesses, proving your worth in 2025's crowded market is tough, with low offers and extra work cutting your 20% margin.
Your value is in custom plans that fit like a glove, clear results they can see, deep know-how, and building a solid client relationship

Imagine you're helping a company get back on track, worth €4,750 a month (PV) because it fixes their mess, but they pay you €2,850. This brings the V2C ratio is 1.67. The value comes from turning their losses into wins, giving them hope, which you see in their growing sales. To figure out what they'll pay, you look at past deals and notice €2,850 keeps them interested, similar to what others charge.

V2C Action: To capture more value, you offer a plan where they pay a part now (€1,425) and more later (€2.500) after results. Show the wins and charge what you are worth. This brings the V2C Ratio closer to 1.

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How to proceed? Toolkits & Playbooks

If you would like to apply the V2C model to optimise your pricing, I'm offering my toolkits & playbooks. This isn't just any toolkit—it's a custom-crafted treasure trove for SaaS founders, manufacturers, retailers, distributors/wholesalers, and consultants, brimming with industry-specific tools to capture Perceived Value (PV) and measure Willingness to Pay (WTP) like a data wizard.

What's Inside the V2C Toolkit?
Each toolkit delivers a downloadable PDF (10-12 pages) packed with templates, a detailed playbook to capture value and measure WTP, and an Excel file with a regression-powered V2C Tracker. Whether you're A/B testing features, dissecting attributes, or plotting sales curves, this toolkit turns data into a profit party!

How to play with your Pricing Power?

- Capture Value: Get industry, specific ways to capture value.
- Measure WTP: Run regressions in Excel, cross-checked with rival rates, over 2-6 weeks.
- Optimize: If V2C > 1, test a higher price and aim for 10-25% revenue leaps, balancing that seesaw of costs and risks.

Order your toolkit here.