

The Pricing Power Report



Why strong brands don't compete on price – and how brand building drives margin.

Price is a number. Value is a story.

Every price tells a story. About power or parity. Value or volume. Strong brands don't charge more because they can. They charge more because they're worth more. Price isn't a number. It's brand perception. So here's our manifesto for putting price back where it belongs: at the heart of brand strategy. Whatever you do – don't be cheap.

The return of pricing power

Pricing power is back on the CMO agenda

For years, pricing quietly left the marketing agenda. It became a finance function, a procurement discussion, a tactical negotiation. Marketing moved on to optimized clicks, to chased conversions, to short-term wins. Price became a consequence, not a part of the brand strategy.

But the world is changing. AI has flattened advantage. Performance is automated. Product features copy themselves. And efficiency is no longer a differentiator, it's the minimum requirement.

Which leaves one question every brand must now answer: not how much can we sell, but what are we worth?

And that's why pricing power is back. Not as a spreadsheet exercise, but as a strategic priority for your brand. Because brands that can't command their price will end up competing on it. And in that game, there are no winners, only discounts.

We optimized performance.
And forgot about price.

Why marketing lost price



The great handover.

Marketing used to be a system.

Product.
Price.
Place.
Promotion.

Four forces working together to build value. Then marketing became a pipeline. Awareness at the top, conversion at the bottom and dashboards in between. And somewhere in that transition, price vanished. Not from the business, but from the brief.

Pricing was handed off to finance, procurement and revenue management. Marketing kept messaging, channels and campaigns. But lost pricing strategy, value architecture and commercial leverage

And when price left the mix, marketing stopped influencing one of its most powerful growth levers. What remained was communication with less consequence, creativity with less commercial weight and promotion without pricing power.

Why marketing lost price



The cost of losing price

When you no longer shape the relationship between brand and price, price becomes something you defend rather than design. When branding loses its commercial edge, performance inherits an impossible task: to replace value with volume – to sell more simply to earn less per unit. Discounts start carrying the business. Promotions replace position. Price turns from a growth lever into a survival tactic.

Economists saw this long before marketers did. More than 30 years ago, Marn & Rosiello showed that pricing is the single most powerful driver of profit.

A 1% increase in price delivers on average an 11.1% profit boost, compared to just 3.3% from the same increase in volume. Same effort. Very different outcome.

Price strengthens margin instantly. Volume depends on scale, efficiency, and execution, and still struggles to match the impact. One builds business resilience. The other creates operational pressure.

Ignore that equation long enough, and price stops working for you, and starts working against you.

Value is not calculated.
It's constructed.

Why price lives in the mind

The illusion of rational pricing.

We like to believe pricing is rational, that value is calculated, compared, and optimized in spreadsheets. That the majority of customers behave like analysts. That price perception is a decision made logically, based on facts. But it rarely works that way.

Price is not first processed in the brain's math center. It's processed in its emotional center.

Before a number is ever evaluated, it is felt.

As expensive.

As fair.

As worth it.

Or not.

And that first feeling matters more than the final calculation.

Because when we encounter a price, we don't ask:

"Is this theoretically correct?" We ask: "Does this feel right?"

And that feeling becomes the anchor for everything that follows.

Pricing doesn't begin with a number. It begins with perception.



Why price lives in the mind

Price starts before
the purchase.

When companies think about pricing, they think about cost structures, margins, competitors, and market models. But when buyers think about pricing, they don't think.

Something Daniel Kahneman, Nobel Prize-winning behavioral economist, concluded decades ago. To survive complexity, evolution equipped us with a system of cognitive shortcuts: intuition, pattern recognition, and emotion. Up to 95% of our decisions are made this way – automatic, intuitive, and emotionally biased.

Price lives in the story the brand has already told. This is why two identical products can command wildly different prices. Not because of what they do, but because of the mental availability they've built over time.

You don't decide what you're worth at the checkout. You decide it long before.



You can't charge more
if you're easy to replace.

Why differentiation drives pricing

Price elasticity is
the real battlefield.

Most pricing conversations start with numbers. But the real pricing battle is psychological. It's called price elasticity: how much demand changes when price changes.

High elasticity means customers react strongly to price. Low elasticity means they don't. Or in plain language: if a small increase in price causes a big drop in demand, your brand has *low pricing power*. If demand barely moves when price goes up, your brand has *high pricing power*.

This is why pricing power has nothing to do with courage and everything to do with elasticity. And here's the uncomfortable truth: brands don't set elasticity. They *earn* it.

Every experience, every campaign, every signal you send to the market trains customers how to react to your price. That training process is called brand building. Because elasticity doesn't live in spreadsheets. It lives in the emotional differentiation and in the distinctiveness you build over time.

Why differentiation drives pricing

Differentiation is the engine of pricing power

When prices rise, most companies expect demand to fall. What they underestimate is how much that fall depends on one thing: how replaceable the brand feels.

Econometric research across hundreds of brands and categories shows the same pattern over and over again: brands that invest in brand building become less price sensitive over time. In other words, differentiation doesn't just justify a premium – it changes how the market reacts to price itself

Advertising doesn't mainly persuade. It reinforces. It reminds people why they chose you and makes alternatives feel less comparable. And when a brand becomes harder to substitute, price stops being the main decision factor.

In real terms, pricing power means fewer discounts, lower switching, and customers who stay even when prices rise. Not because they've done the math, but because the brand feels worth it.

Brand building
is margin building.

Why strong brands protect margin

If pricing power is the outcome, then brand building is the system that produces it. When customers can easily replace you, price becomes the battlefield. When a brand feels distinctive, familiar, and trusted, price becomes less central, and less fragile.

But the true value of brand is not revealed in good times. It is revealed when conditions worsen. In downturns, weak brands discount and chase volume. Strong brands absorb shocks, recover faster, and hold price when others can't.

In uncertain markets, brand building is not a luxury. It is the most effective margin protection you have. Because when customers stay, you don't have to buy them back. And when price sensitivity stays low, pressure stays manageable. This is why brand is not a marketing line item, it is an economic stabilizer.

A hedge against volatility.
A defence against discounting.
An engine for pricing power.

Because the strongest pricing power doesn't live in models.
It lives in the mind.



Whatever you do, don't be cheap.

Selected referencces

Across industries and studies, the message is the same: Pricing power is not set by finance. It is built by brand strength, defended by differentiation, and sustained by consistency.

Marn, M. & Rosiello, R. (1992). Managing Price, Gaining Profit. Harvard Business Review.

Shows that price is the strongest lever of profit, with a far greater impact than volume or cost reduction.

Pauwels, K. et al. (2025). Why Your Brand's Pricing Power Depends on Marketing.

Demonstrates through econometric modelling that brand advertising significantly reduces long-term price elasticity.

Pauwels, K. et al. (2023). Linking Advertising to Price Elasticity. International Journal of Research in Marketing.

Shows that advertising reduces price sensitivity primarily among existing customers by reinforcing brand preference.

Mela, C., Gupta, S., & Lehmann, D. (1997). The Long-Term Impact of Promotion and Advertising on Brand Choice.

Finds that promotion increases switching and price sensitivity, while advertising drives long-term brand effects.

Yoo, B., Donthu, N., & Lee, S. (2000). Marketing Mix Elements and Brand Equity.

Establishes the relationship between brand equity, perceived value, and willingness to pay.

About us

In a world overdosed on dopamine and drowning in sameness, brands don't need more noise. They need tension. When beauty and tension collide, brands don't just get noticed – they get remembered. This is our Creative Compass™. Not north. Not safe. Not predictable. But pointed squarely at attention.

Our belief

- ⁽⁰¹⁾ **Ideas above all**
- ⁽⁰²⁾ **Better together**
- ⁽⁰³⁾ **Things matter**
- ⁽⁰⁴⁾ **Friction is good**
- ⁽⁰⁵⁾ **Safe is forgettable**
- ⁽⁰⁶⁾ **Be humble**
- ⁽⁰⁷⁾ **Care with passion**
- ⁽⁰⁸⁾ **Do good**



Contact

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