
Sustainability Pricing

How companies can integrate sustainability in their pricing

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▶ Main factors driving companies sustainability initiatives



Political Initiatives

- Paris Climate Agreement
- Sustainable Development Goals
- EU Green Deal



Regulatory Frameworks

- EU Taxonomy
- SFRD
- CSRD



Consumer Behavior

> 50 % of consumers in Germany would change their consumption due to sustainable aspects

▶ Sustainability Pricing Gap

> 40 % of consumers show increased willingness to pay, but:

- Maximum registered price mark-ups for sustainable products
- Price markups consumers are willing to pay



The pricing gap shows that companies have not found the balance in pricing sustainable products and therefore are not incentivizing sustainable behavior.

Short-term Opportunities: Measure & communicate the sustainable value

Consumers' perceived value (difference between benefits and cost) is key in using clever pricing strategies, which lead to an increased perception of value and purchase intention.

$$\text{Perceived Value} = \text{Perceived Benefit} - \text{Perceived Cost}$$



Benefit

Goal: Increasing the transparency of the benefit
e.g., savings in CO₂ emissions

Pricing Strategy: Heightened perceived benefit



Cost

Goal: Reducing the perception of the higher cost
e.g., sustainable reference prices or true cost

Pricing Strategy: Reduced perceived cost



Mixture of both



Our Solution: d-fine's consumer-centric value approach estimates the perceived value of your sustainable product and supports you in implementing your value-based pricing strategy effectively.

Long-term Opportunities: Nudge consumer behavior with pricing

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What companies should do to make sustainable products more attractive.

▶ Integrate the hidden environmental costs, incrementally!



With true cost accounting

Assess impact of negative externalities and reduce price distortions



Incorporate ESG ratings

E.g., in the loan pricing process and price functions

▶ Adjust current business model step-by-step



Implement internal carbon pricing mechanisms

Low-carbon innovations for operations



Move towards circularity by renting products

Price aftersales and maintenance services

▶ Leverage sustainable product innovation programs



Create product variations for customers

With tailored pricing for each customer group



Introduce new product innovations

E.g., in banking with sustainable linked loans



We have different approaches to address these issues.

Use pricing as a lever to move faster towards a sustainable company

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d-fine can support you with your short-term solution of bridging the sustainability gap and in the long-term with changing your business for the future.

From

Short-term Opportunities:

Value-based pricing:
Measure and communicate the sustainable value



Towards

Long-term Opportunities:

- Integrate the hidden environmental cost
- Adjust current business model
- Leverage sustainable product innovation programs



Consumers' perception of the importance of sustainability will increase and it does not exclude affordability - therefore take the chance and become a thought leader!
Start now to use your competitive advantage cleverly through sustainability pricing.

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