

BEYOND DISCOUNT BANDS

Pricing Authority — The Operating Model Decision Everyone Defers and Every P&L Feels

Why Distribution Businesses Redesign Everything Except the Decision That Shapes Their Margins

Giovanni Leonardi

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1. The Quarterly Review That Reveals the Gap

The numbers were on the screen — twelve markets, twelve country P&Ls, and a consolidated margin three points below plan. The chief commercial officer had the data. The chief operating officer had the process. The finance director had the targets. What none of them had was the answer to a question that should have been settled months earlier: who, precisely, was authorised to set and move prices, under what conditions, and within what boundaries?

This is not an unusual scene. In my experience, it is the scene — the one that recurs in multi-country distribution and B2B operating models with a regularity that would be remarkable if it were not so predictable. Operating model redesigns consume months of careful work on process architecture, capability placement, shared services, and governance forums. Pricing authority, meanwhile, slips between every one of those workstreams. It is too commercial for the process design team, too operational for the strategy function, and too politically charged for anyone who has to work with the country managing directors afterwards. So it goes undesigned. And the P&L; feels it every quarter.

2. The Ownership Vacuum

The reason pricing authority falls through the cracks is structural, not accidental. In most B2B and distribution operating models, pricing sits at the intersection of three legitimate domains: commercial strategy, which sets positioning and list prices; operations, which manages cost-to-serve and fulfilment; and local sales, which faces the customer and feels the competitive pressure in real time. Each domain has a credible claim. None has a complete one. And the operating model design process, which is built to allocate whole

capabilities to clear owners, has no natural mechanism for a decision right that must be shared, bounded, and sequenced across all three.

The result is one of three patterns, two of which are at least intentional and one of which is corrosive.

Central pricing captures economies of scale and enforces consistency. A central team sets list prices, discount bands, and approval thresholds. In distribution businesses with high product complexity and thin margins, this is the rational default — and it works until it meets a local market where the competitive set, customer mix, or channel structure makes the central framework unworkable. The country team knows this. The central team suspects it. Neither has the data infrastructure to resolve the argument quickly, so the escalation path becomes the de facto pricing process, and every deal above a modest threshold requires a conversation that neither side has time for.

Local pricing wins on speed and market fit. Country or regional commercial leads own the price within a broad corridor, and the centre sets only the floor. This works in markets with strong local brands and differentiated service models, but it erodes discipline the moment volume pressure arrives. A regional head facing a quarterly target and a competitor's aggressive bid will use every degree of freedom available — and in a locally-owned model, the degrees of freedom are considerable. The pattern is familiar: realised prices drift steadily below list, the gap is explained quarter by quarter as market conditions, and by the time the trend is visible in the consolidated numbers it has become structural.

The undesigned middle is the worst outcome, and it is the most common. No explicit decision has been taken. The operating model documentation refers to pricing as a shared accountability or a centre-led, locally-executed process — phrases that sound decisive but resolve nothing. In practice, what emerges is discounting as the shadow operating model: a network of informal approvals, relationship-based exceptions, and inherited practices that no one designed and no one governs. I have watched organisations operate in this mode for years without recognising it, because the quarterly margin variance is always explainable by something local, and the cumulative erosion only becomes visible when someone finally compares realised margins across markets on a like-for-like basis.

3. Decision Rights, Not Pricing Policy

Pricing authority is not a commercial policy question. It is an operating model design decision — and it deserves the same rigour, the same explicit allocation of decision rights, and the same governance architecture that we routinely apply to investment approval, headcount allocation, or technology selection.

We are fluent in designing decision rights for capital. Every operating model of any maturity has an investment approval framework: clear thresholds, defined escalation paths, explicit delegation from the board downwards. We do this not because capital decisions are inherently more complex than pricing decisions, but because the

consequences of ambiguity are immediate and visible — someone signs a cheque, and either they were authorised to or they were not.

Pricing decisions are different only in their visibility, not in their impact. A country managing director who approves a fifteen-per-cent discount on a strategic account is making a margin decision with annualised consequences that may exceed many capital investments that would require board-level sign-off. Yet in most operating models, that discount approval sits in a spreadsheet, governed by a policy document that was last updated two years ago and interpreted differently in every market.

Treating pricing authority as a first-class operating model decision means three things in practice.

Explicit envelopes. Every pricing role — from the central pricing function to the country commercial lead to the key account manager — operates within a defined envelope: the range of price movement they can authorise, the products or segments it covers, and the conditions under which it applies. The envelope is not a guideline; it is a delegation, as formal as a capital expenditure authority matrix. Movements within the envelope require no approval. Movements beyond it trigger a defined escalation — not an ad hoc conversation, but a structured decision with clear ownership and a time-bound response.

Escalation thresholds tied to margin impact, not deal size. Most pricing approval frameworks, where they exist at all, are built around revenue thresholds: deals above a certain value require senior approval. This is the wrong metric. A high-revenue deal at standard margin needs less scrutiny than a modest deal at a deep discount. The threshold should be the margin impact — the gap between the proposed price and the expected realised margin, measured against the relevant benchmark. This requires data infrastructure that many distribution businesses do not yet have, which is itself a signal of how far pricing authority lags behind other operating model decisions.

Transparency on realised versus list. The most powerful governance mechanism in pricing is not approval; it is visibility. When every market's realised price performance — the actual transacted prices as a percentage of list — is visible to the centre and to peer markets on a rolling basis, the informal discounting that thrives in opacity becomes self-correcting. Not because anyone intervenes, but because the comparison itself changes behaviour. The country head whose realised-to-list ratio is fifteen points below the peer average will want to explain it before being asked.

4. The Algorithmic Accelerant

None of this is new in principle. What makes it urgent now is the accelerating deployment of algorithmic and AI-assisted pricing in B2B and distribution contexts. Dynamic pricing engines, margin optimisation models, and AI-driven quote generation are moving from pilot to production across the sector. Each of them requires an answer to the authority question before it can be deployed at all.

An algorithm that recommends a price needs to know whose price it is recommending — the centre's, the region's, or the account manager's. It needs to know the envelope within which it can operate autonomously and the point at which it must defer to a human decision. It needs to know whether its objective function is margin maximisation, volume

protection, or customer lifetime value, and who arbitrates when those objectives conflict. These are not technical configuration questions. They are operating model questions, and organisations that attempt to deploy pricing technology without first settling the authority architecture find themselves automating the very ambiguity that was costing them margin in the first place.

The pattern I have observed is consistent: organisations that have done the design work on pricing decision rights can deploy algorithmic pricing in months; those that have not spend the same months discovering that the technology has surfaced a governance vacuum they had been managing around for years.

5. The Decision That Pays for the Redesign

Pricing authority is rarely glamorous enough to lead an operating model programme. It lacks the structural drama of a shared-services migration or the visible ambition of a digital transformation. But in margin-sensitive businesses — and distribution is nothing if not margin-sensitive — the cumulative value of designed pricing authority exceeds most of the initiatives that consume the programme's attention.

The starting point is not a pricing strategy review or a technology procurement. It is the same question that should open any operating model design: who decides, within what boundaries, and how do we know it is working? When that question is asked of pricing with the same discipline we apply to every other consequential decision, the answer tends to pay for the redesign several times over.