GO-TO-MARKET & PRICING

A discount to one buyer can cost the others

A concession can change reference prices, bargaining positions, and channel expectations. Record the spillover before calling the discount a win.

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MANAGEMENT SUMMARY

A customer-specific discount is recorded on one invoice, but its consequences can travel. It can change what another buyer expects, what a channel partner can defend, and how the seller's margin is distributed across customers. Bargaining research shows that prices can reflect bargaining positions, while benchmarking and multichannel studies show that sales and profit effects need not move together. These findings do not establish a universal discount threshold or prove that transparency alone causes a result. They support a narrower governance question: what outside option, reference, channel relationship, or margin bridge could this concession change? This evidence review supplies a decision sheet without private account data.

Keywords: B2B discounting · Negotiated prices · Bargaining power · Channel conflict · Profitability

A discount is recorded on one invoice, but its consequences can travel. It can change what another buyer expects, what a channel partner can defend, and how the seller's margin is distributed across customers. The first question is therefore not whether the concession closed this deal. It is what the concession changes outside this deal.

That is a governance question, not an argument for one public price. Customer-specific pricing can be rational when differences in volume, service, risk, or value are real. The risk is an ad hoc concession that is treated as a one-time event even though other parties can observe, infer, or be compared with it.

Why is an individual invoice never an isolated market?

Grennan's structural bargaining model uses 10,098 hospital-month observations, 96 hospitals, and four manufacturers in a coronary-stent setting (Grennan, 2013). In that setting, a uniform-price counterfactual at mean bargaining power raises prices by 1.7% and manufacturer profit by 8% while reducing hospital surplus by 1.4% (Grennan, 2013). Those values are a conditional counterfactual in one market. They do not prescribe a B2B pricing policy.

The useful lesson is about distribution. A price is not only a number on one invoice. It allocates surplus between parties with different bargaining positions. A concession changes that allocation for one buyer and can become information for another. If the seller records only the approved discount and not the reason, the later comparison loses the mechanism.

How does buyer transparency redistribute negotiated savings?

Grennan and Swanson study negotiated prices with benchmarking information. Their results show savings for high-price, high-quantity hospitals receiving the intervention, while the effect for the lowest-price group is weak and fragile (Grennan & Swanson, 2020). This is evidence that information can move a negotiated outcome. It is not proof that a transparent price list produces the same result, or that every buyer benefits in the same direction.

The distinction matters for discount governance. A seller may describe a concession as a private deal. A buyer may treat it as a reference. A channel partner may treat it as a new price it must match. The same event has different economic meaning depending on who can see it and what the comparison set contains.

Can discounting lift sales volume while depressing contribution margin?

Lawrence and colleagues examine 3,653 B2B customers and 28,909 customer-month observations at one industrial seller (Lawrence et al., 2019). They find that online search and salesperson contact complement one another. Targeted discounts improve sales, while the profit effect is unclear in the studied setting. The result is valuable precisely because it does not collapse sales into profit.

Sharma and Mehrotra's channel framework keeps coverage, profitability, conflict, and strategic presence in the same decision (Sharma & Mehrotra, 2006). A discount that protects one channel can create conflict with another. A discount that wins volume can make service or partner economics harder to defend. None of those consequences is automatic. They are reasons to record the path instead of declaring the invoice a win.

Figure 1 The concession's spillover record

CONCESSION What changed on the invoice and for which buyer?	REASON AND CONDITION Volume, service, risk, timing, strategic presence, or another named condition.	REFERENCE THAT MAY TRAVEL Which buyer, channel, or prior price can observe or infer it?	SPILLOVER TEST What could change in another negotiation, channel, or service commitment?	MARGIN BRIDGE AND OWNER What must be recovered, and who reviews the result?

A concession can be rational and still have a spillover. Keep the reason, comparison set, and margin consequence separate so a later result can challenge the original approval.

Author's decision worksheet grounded in Grennan (2013), Grennan and Swanson (2020), Lawrence et al. (2019), and Sharma and Mehrotra (2006). The fields are reader inputs; no private account or margin data is supplied.

Why does the buyer's reference price dictate the discount outcome?

The reference is not necessarily a published price. It may be the last paid price, a competitor's offer, a partner's resale economics, or the concession another buyer believes it can obtain. A discount decision should name which comparison set it expects to create. If that set is unknown, the uncertainty belongs in the decision rather than disappearing into the approval note.

This does not require treating every customer as identical. It requires distinguishing a condition that can be defended from a number that can simply be repeated. Volume, term, risk, implementation burden, and strategic presence are possible conditions. They should be observable enough that a later reviewer can ask whether they held.

What diagnostic test should pricing teams run before concession approval?

Write the worksheet row before the concession is granted. Then ask four questions:

1. Who can observe or infer this price?
2. Which existing price or outside option could it become a reference for?
3. What sales, channel, service, or profit result would show a spillover?
4. What would make the concession no longer worth carrying?

Afterward, keep the actual result separate from the original reason. If sales rose but profit did not, that is not a failed record. It is the evidence needed to revise the rule. If another buyer uses the concession as a reference, the event was not a one-invoice cost. It was a change in the comparison field.

How do contractual conditions prevent margin erosion?

A price without its conditions is an incomplete commercial object. Volume, term, service burden, risk, implementation work, timing, and channel role can all be part of the reason a concession is defensible. The condition does not make the price immune from spillover. It makes the intended comparison set visible.

Grennan's bargaining model shows why the observed number cannot be read as value alone. In the coronary-stent setting, prices reflect bargaining positions and the counterfactual changes how surplus is distributed (Grennan, 2013). The study is not a template for another market. Its methodological lesson is portable: record the bargaining condition before treating a price as an unconditional reference.

This also protects the buyer-side explanation. A discount granted for a longer commitment is not the same object as a discount granted because the seller is under quarter-end pressure. If both are stored as a percentage with no condition, the next negotiation cannot distinguish policy from accident.

When does a concession expand the buyer's comparison set?

The relevant comparison set is larger than the buyers who receive the invoice. It can include a channel partner that has to defend resale economics, a sales team that must explain why a similar buyer received another term, or a future buyer using a benchmark as an opening position. Grennan and Swanson show that benchmarking information can change negotiated outcomes, with effects that differ across price and quantity groups (Grennan & Swanson, 2020). The finding is bounded, but it makes the information path impossible to ignore.

Write down who can observe the concession, who can infer it, and who is likely to compare against it. The answer may be different for a public list price, a contract clause, a partner quote, and a one-off approval. A private event is not necessarily an isolated event. It can become a reference through conversation, procurement systems, or a later negotiation.

The governance question is not whether information should travel. It is whether the organization knows what it has allowed the information to mean.

Why do volume growth and net profitability require separate tests?

Lawrence and colleagues find that targeted discounts improve sales in their industrial-seller study, while the interaction with profit is unclear (Lawrence et al., 2019). That result blocks a common shortcut. A successful order is evidence about sales under the tested conditions. It is not automatically evidence about profit after service, channel, support, and future-reference effects are included.

Sharma and Mehrotra place coverage, profitability, conflict, and strategic presence in the same channel decision (Sharma & Mehrotra, 2006). A discount review should therefore keep at least two outcomes visible: the immediate commercial result and the wider consequence for the relationship system. If the second is not yet observable, record it as unresolved rather than folding it into the first.

This is not an argument for waiting forever. It is an argument for assigning the right owner and review date. Sales can own the immediate result. Finance or channel leadership may own the later margin or conflict check. The concession becomes governable when those responsibilities are not hidden inside one approval.

How should commercial teams document pre-approval assumptions and post-deal outcomes?

Before approval, write the condition, the possible reference, the affected comparison set, and the result that would make the concession unattractive. After the transaction, add what happened without rewriting the original reason. If a buyer used the price as a benchmark, preserve that event. If no spillover appeared, preserve that too. Both results test the rule.

The record should be revisable. A concession may be sensible for one term, channel, or service burden and unsuitable for another. The durable rule is neither a blanket ban on discounting nor an instruction always to protect volume. It is to make the condition and the outside consequence explicit before a one-invoice decision becomes a market reference.

Boundary

The held research supports conditional bargaining, benchmarking, customer-journey, and channel mechanisms. It does not support a universal discount threshold, a causal claim that transparency alone produces savings, or a portable margin ratio. A discount can be a good decision. The decision is more defensible when its possible spillovers are named before the number is approved.

The spillover problem connects to pricing as positioning and the global price that is not one price, where a quoted number is read through a set of alternatives and market conditions.

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END OF ESSAY

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