

# Critical Elements to Enable Value-Based Selling and Successful Pricing

Sales teams around the globe are undergoing transformation to drive growth and profitability for B2B companies. Critical to this successful transformation is equipping salespeople for value-based customer negotiations rather than negotiations based on price. In markets as varied as computer hardware and financial services, senior managers see this approach as a means to avoid the relentless commoditization of products and services. While this pursuit is well-intended, many managers mistakenly rely on a shifting foundation of rhetoric rather than a bedrock of value.

# Sales Transformation for Profitable Growth

The rhetoric about value focuses on words alone. While these words may describe the end goal, they fail to describe and deliver the essential drivers and impact attributed to true customer value. True value entails a process by which products and services deliver positive financial impact to customers. Salespeople are provided with and use appropriate messages and tools to leverage that value to level the playing field in tough negotiations.

Sales transformation efforts fail for many reasons. The primary reason is often management's failure to adopt an integrated, systematic approach to value across the multiple functions of the organization. Unified, cross-functional processes support sales execution as the final phase of value creation within the firm. Upstream processes align other key activities, such as how products are rationalized to meet the range of customer needs relative to competitors, how they are organized around value and how the pricing strategy is determined by market and the firm's business objectives, and whether managers provide salespeople with the right tools and messages to ensure success. The processes link marketing and sales activities to the common goals of servicing the varied needs of the customer and the firm's need for increases in both volume and profits.



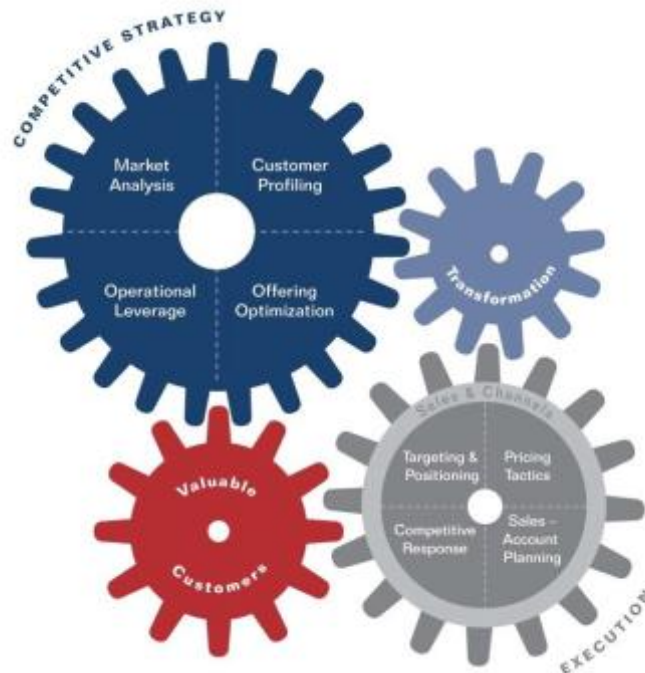
## The Value Discipline

Even companies who have started building value capabilities have trouble making their investments payoff. To achieve unified, cross-functional value creation, organizations must develop their capabilities in three critical areas:

1. **Strategic:** Allocate resources where they can return the highest value to the organization.
  - a. Prioritize high-value markets
  - b. Identify and pursue high-value customer segments in those markets
  - c. Understand how customer behaviors might differ even within high-value segments
  - d. Develop an offerings portfolio that meets the varying needs and behaviors of customers
  - e. Exploit operational and process excellence for competitive advantage
2. **Execution:** Ensure that activities in the go-to-market process are in alignment with the firm's strategy.

- a. Provide sales teams with target customers, the appropriate value messages, and the tools to prove that the value is monetized
  - b. Set pricing to reflect the value of the offer to a customer relative to next best alternative solution and implement with controls and discipline
  - c. Focus the sales teams on developing the appropriate negotiating approach for price, relationship, value, and poker playing customers
  - d. Develop an overriding plan on how to win against various competitors in local market situations
  - e. Create the appropriate metrics to evaluate results and make improvements
3. Change management: Make a fundamental paradigm shift, a change in the beliefs about what the company can do and the value it offers. Best practices for achieving lasting change include:
- a. Senior management alignment and visible leadership adopting, supporting and enabling change
  - b. Process management with the goal to standardize, optimize and ultimately innovate—internally and externally—in ways that continue to improve value delivered
  - c. Consistent, ongoing and transparent communication through every level within the firm
  - d. Training—to teach what and how to change
  - e. A coaching culture – an accountability system to support the “stickiness” of change, and encourage adoption of new skills and behaviors
  - f. Clearly defined metrics to “inspect what you expect”

### The Value Discipline<sup>SM</sup>



It is only when firms have this type of systematic process in place that value-based selling programs can support the salespeople with simple, credible tools and the right offerings to assure success with customers.

We call this process the Value Discipline<sup>SM</sup>.

## The Starting Point is Customer Value

Customers use products and services to achieve something of value in their businesses. By focusing on what that business value is and how it differs from alternative solutions salespeople are able to accomplish a number of important things. First, they are able to understand how to respond to different competitive situations with customers. Second, they are better able to recommend offering packages that either match or beat alternative solution's performance or price. This alternative offering approach forces customers to make choices based on either price or value. We find that, despite what they might say in the middle of a negotiation, most customers prefer value over low prices. Third, by asking probing question to uncover value, they often discover insights into new product and service features that customers may be willing to pay more for and that will provide some form of competitive advantage to the organization.

The trick is attaching a dollar sign to your customer's decision to use your product versus an alternative solution. That dollar sign should be based on customer-specific results in the form of lower operating costs, increases in capacity, freed up working capital, more sales, new markets, or reduced risk. Credible tools can monetize value for both the salesperson and the customer. Those tools help the salesperson to ask questions that are relevant to the customer and elicit responses which will help identify how the customer will improve business performance as a result of adopting the right solution. These tools can be complex, web-based analytical programs or simple spreadsheets formatted to accept customer inputs and provide calculations of value and return on investment on a real-time basis.



## Sales Planning and Preparation are Critical for Profitable Outcomes

Margins are won and lost in the offices of purchasing agents around the globe. A well-prepared sales force understands that advanced analysis and planning is essential to shifting the discussion from price to value and that not all customers are willing to make that shift. To be successful, customer facing teams need to prepare for negotiations at three levels:

1. Strategic: Allocate resources where they can return the highest value to the organization
  - a. What is the relevant background data about the account?
  - b. How do our products create value relative to competitive offerings?
  - c. Who are the key members of the buying center, what role do they play, and how much power do they have in the process?



2. Negotiating Approach: By analyzing the research, how should the account team meet account objectives and develop plans for the following:
  - a. What is their likely buying behavior?
  - b. Given their likely behavior and buying center analysis, how should the sales rep deploy key executives in the account?
  - c. What offering choices should the rep plan for the customer?
3. Negotiating Preparation:
  - a. Given the analysis above, how should the team position and package the proposal?
  - b. Are the key internal stakeholders aligned on the negotiation tactics and walk away stance?
  - c. What is the customer's expected response to that proposal? Sure, it may be a guess, but it provides understanding of what offering is best and what approach may work.
  - d. Given that response, what should the backup approach be?

## Conclusions

Improved sophistication in sales planning and execution clearly leads to more revenue, profits, and customer loyalty. The planning must be backed by unified, cross-functional processes that link the right value offering to the right customers and it must do so in a way that accommodates the customer's business needs and buying behaviors. Effective sales transformation programs do as much to protect the firm's value offerings as to sell value to the customer. This value protection happens through low-value "fighting brands" or flanking products to defend against low-price competitors and provide options for customers.

Further, salespeople and the entire customer facing team are provided training and tools to support their understanding of the offerings, and know when and how to offer the best solutions. They develop the sophisticated skills necessary to understand customer business operations, how their products apply to those operations, and how they provide differential value over alternative solutions. They do more than sell; they learn to ask questions in the customer's language and listen to the response.

Finally, firms can support their sales teams by developing comprehensive value creation programs aligned to the right customers. The programs are driven through coaching and metrics designed to support salespeople and encourage profitable, value-focused behaviors during difficult negotiations. We don't suggest this transformation is easy. We do know that the only way to gain control of the value exchange with customers is with a consistent, disciplined and proactive approach to value and execution in markets and alignment across the customer facing teams

#### About Holden Advisors:

Holden Advisors are thought-leaders in B2B pricing and executing price through the sales force. We have years of experience helping companies understand customer value and hone their internal capabilities to price, market and sell based on the difference they make for customers. We teach our clients to understand value from their customers' points of view and craft solutions to meet customers' evolving needs. Our proven methodology drives improvements in close rates, ROS, margins and cross-functional cooperation.

[www.holdenadvisors.com](http://www.holdenadvisors.com)

#### About the Author:



**Dr. Reed K. Holden** is Dr. Reed K. Holden, Founder of Holden Advisors, is a world-class pricing expert who helps clients build go-to-market strategies to drive price leadership, selling backbone, and profitable growth. Dr. Holden published the 2<sup>nd</sup> edition of *Negotiating with Backbone: Eight Strategies to Defend your Price and Value* and co-published *Pricing with Confidence: Ten Ways to Stop Leaving Money on the Table*, a top selling pricing book for the executives.

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