VOLUME 27 ISSUE 1 2025

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KNOWLEDGE TO SPEED PAST THE COMPETITION

Human Connections: Building Trust, Driving Innovation

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STRATEGIC ACCOUNT MANAGEMENT ASSOCIATION

LEVEL UP YOUR NEXT RENEWAL WITH SMARTER PRICING

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Driving account growth is more than just staying on top of renewals. When you're assigned a 5-10% growth target, you need a different approach to effectively navigate market competition, align price changes to client value, and communicate that value clearly and effectively.

In that planning, you generally have two options — either sell new products or increase prices. Typically, there's going to be a mix of both, but wouldn't it be nice if fair price changes could get the job done? How do you know if it's time to increase prices? On which offerings? How do you implement a price increase properly? What's the best way to show your value? How does that value translate into opportunities for growth?

We're finding that SAMs largely do not have the tools to answer these questions. They are often met with pressure to discount from aggressive procurement teams ("Inflation is slowing — where's my price decrease?") and threats of increased competition with similar offerings.

This leads to misalignment between price and value, reduced impact, and lost opportunities.

As we've worked with companies over the last few years on price increases, we've seen them unlock significantly more revenue (24%) through improvements in "price-getting": negotiation approaches, value quantification, and value communication.

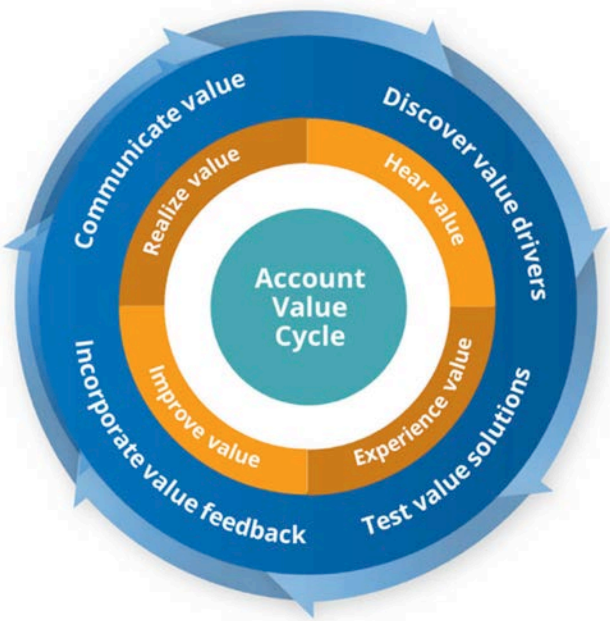
Below are our key takeaways for renewal planning and ensuring you're prepared to go get that 24%.

Understanding your differential value

This is your fuel for growth. In its simplest form, you need to understand how you are creating value for an account, and how that differs from your competitors. At the most basic level, value takes on one of three forms: how does your solution make them money, save them money, or mitigate some kind of risk?

This can be a moving target because markets are constantly changing — and so are your customers and their needs. Not every account derives the same value from your solutions, and you need to understand that value for each company and how best to communicate it to them. A best practice is to learn and test throughout the period of performance, so you're informed when the renewal comes.

FIGURE 1: ACCOUNT VALUE CYCLE



Understanding that value in context will help you position your offerings and which features/benefits you prioritize or deprioritize depending on their value.

Think about a heavy machinery manufacturer like Caterpillar. If you try to sell them a solution designed for optimizing high-precision cleanroom robotics, it won't be as useful to them as a predictive maintenance system tailored to rugged equipment operating in harsh conditions.

If Caterpillar, during the contract period of performance, experiences $5M in value through reduced downtime, extended equipment lifecycles, and/or fewer on-site maintenance visits, they're likely to renew and/or expand the relationship. Understanding their specific operational challenges and showing measurable outcomes helps you prioritize the features and benefits that matter most to them.

Preventing the ambush at renewal

Have you ever had a customer share a bad report card suspiciously close to your renewal? It's hard to turn back the clock when you're hit with this feedback so late in the game. We often see poker-playing tactics in negotiations that tie back to unclear expectations that were never expressed. They're then used as a bargaining chip to demand a lower price through 11th-hour complaints:

- Speed of the work: "You took too long on deliverables."
- Quality of team members: "John's work was not satisfactory."
- Available resources: "We thought you'd have more expertise in (specific area)."
- Innovation: "Solutions didn't push us forward."
- Proactive engagement: "Issues were addressed only after escalation."

A good way to avoid this trap is by creating your own scorecard. It becomes a vehicle to stay aligned across teams and will also help you understand what the client values and where you are differentiated. Think about their problem set and the things that seem most important to them. This might include stakeholder perspectives outside of your day-to-day relationships, which also help to build relevance across an ever-expanding buying center.

The table on the next page shows an example of a value scorecard from the heavy equipment manufacturing industry.

Once you're aligned on metrics, make sure you're revisiting the scorecard on a regular cadence (i.e., monthly, quarterly, or annually). You may find that you're adding new metrics to track over time or seeing value drivers evolve or even fall off as circumstances change. The point of the scorecard is to stay connected on how best to keep providing value where it matters most.

Not only does this mitigate the ambush at renewal, it's also a way to remind customers of all the great things you do for them that they didn't realize. The intended effect is to

EXAMPLE OF A VALUE SCORECARD FROM HEAVY EQUIPMENT MANUFACTURING INDUSTRY

Value Driver	Solution	Priority	Primary Stakeholder	Value Initiative	Annual Financial Impact
Operational Efficiency	Predictive IoT maintenance platform		COO	Reduced machine downtime through predictive maintenance	**$500,000 in saved repair costs** *10 fewer maintenance events at $50,000 each*
	Production scheduling software		Plant Manager	Streamlined production line & increased throughput	**$2M in additional revenue** *50,000 units x $40/unit profit increase*
Quality Improvement	Advanced defect detection		Quality Control Director	Improved defect detection using advanced sensors	**$1.5M in reduced waste** *15% defect reduction x $10M production value*
	New polymer formulation		Head of Customer Service	Enhanced product durability through material innovation	**$750,000 in mitigated warranty claims** *500 fewer claims x $1,500 per claim*
Energy Efficiency	Energy-efficient upgrades & monitoring		CFO	Implemented energy-efficient equipment in facilities	**$600,000 in energy savings** *2M kWh saved x $0.30/kWh average rate*
	Carbon tracking and compliance services		Compliance Officer	Reduced carbon footprint to comply with regulations	**Avoided $2M in potential fines** *10 compliance failures avoided x $200,000 fine*
				Total	***$7.35M** annual financial impact*

drive appreciation and retention, justify your current pricing, and potentially set yourself up to monetize value in the future that you may not (yet) even be charging for.

When they're bluffing to get a lower price

We're always training our accounts on how to behave, and vice versa — when you grant a discount, expectations of future discounts are also set. The slippery slope is a steep one.

When you're regularly aligning on the value you deliver, it helps to keep guardrails on future price concessions. These conversations should look a little bit different depending on who you're speaking with. Aways cater your communication depending on what is most important to each buyer type:

- **Price buyer:** These are the people who will immediately switch when your price is 1% above a competitor's. While many may seem to care only about price, true price buyers are rare in the SAM world — generally they wouldn't need us, nor would they want to pay for us.

If you know your customer or prospect is buying solely on price, sharpen your pencil, put forward your most bare bones solution at the lowest price, and don't waste time or resources making a case for value. Decide on a walk-away price and stick to it!

If you lose this opportunity, you can always win it back by — you guessed it — lowering your price later.

- **Relationship buyer:** This buyer not only appreciates your value, but they also look to you to advise them on what solutions to buy. If they call you with a problem, you want to pick up the phone, listen, and collaborate on a solution together.
- **Value buyer:** This customer is somewhat of an expert in your field and evaluates decisions carefully. The goal here is to have regular conversations about the value they're seeing (or not) and calibrate on where they'd like you to invest further vs. unused features. These data points help to adjust for better value in the next contract.
- **Poker player:** When the P&L owner who loves you is suddenly replaced by supply chain, you know you've got a poker player. Be sure that value conversations are happening early and often, well before the negotiation. When you're put through the procurement buzzsaw, those buying center members can help be your advocates.

Complaints around your service or product are not the only tells that you're dealing with a poker player. When you feel a change in energy where one of the following behaviors is demonstrated, your account may be posturing to get a lower price.

- Referencing the "strategic partnership" you have, suggesting there are upsell opportunities in the future if you lower your price today
- Handing you off to procurement suddenly or introducing you to a new decision maker

- Expressing new doubts about your ROI
- Mentioning new competitors and their prices that hadn't been mentioned previously
- Attempting to delay the purchase decision
- Saying their hands are tied around budget but that they need more services

The best defense is a good offense with this behavior: make sure you're prepared by referencing your value (see the scorecard on the previous page) and preparing give-gets (value tradeoffs that align with price), tiered offerings that give customers choices, and clear ways to remove value if or when they demand a discount.

When to step into the ring

In some cases, you'll have different services of varying importance, with different decision makers, under different contract dates or durations. The first step is looking at which items you're renewing at which time.

How do you know when to keep solutions unbundled and separate versus trying to get approval for everything at once under a single agreement?

When **separate agreements** are an advantage
• Different use cases, stakeholders, and decision processes the customer prefers to keep distinct (combining would be time consuming and complex) • Solutions are of similar importance and revenue impact (portfolio theory: diversify your revenue streams in case one is lost) • There are critical service issues and/or high risk of churn with one specific solution
When **combined agreements** are an advantage
• A single stakeholder group makes decisions (streamlined process for all parties) • Solutions are complementary — using two or more together enhances the value or addresses broader customer needs or audiences • A dominant (or sticky) service is up for renewal — combining smaller ancillary solutions can lengthen the minor service agreements to match the primary service • Excess value delivered from one service can prop up the price of a bundle

Once you've decided how to approach bundling or unbundling, make sure you're prepared with tiered offerings and give-gets. This gives you a structure to add or take away solution elements based on value, usage, and needs when you're in renewal discussions. Buyers needs to be in the driver's seat with choices — which means you need to be prepared with an offer structure that enables that flexibility so they're not just demanding a discount and getting your one-size-fits-all high-value offering for a low-value price. In the case of "monolithic" offers, discounting becomes an expectation, and your uneven playing field will only get worse as you renew in the future.

Most of us, as consumers, are familiar with the concept of good-better-best. Think of car commercials pitching you different versions of sedans at increasing price points. As SAMs, the same concept applies to our accounts as you think about how to structure offering tiers.

The chart on the next page gives an example of tiered maintenance offerings in B2B manufacturing.

The goal is to create a packaging methodology which will:

- Create pricing discipline by aligning to value
- Defend value
- Account for existing features
- Accommodate new feature creation while capturing value
- Accommodate feature upgrades while capturing value

After choosing an offer scope aligned to customer preferences, value-based tradeoffs (give-gets) are great tools to leverage during the pointy end of the negotiation. If/when they still ask you to sharpen your pencil on price, give-gets are a way to keep the conversation focused on value and help your buyers make choices based on what is most important to them; these can often be adjacent features or services that are separate from the product or solution option selected. Think about what tradeoffs will help drive a partnership versus a transaction, and if there are ways to increase the stickiness of the account for the future.

Some examples of give-gets could be:

- Lead time (available today vs. future date)
- Level of service (experience and/or seniority of the team, dedicated vs. pooled resource)
- Availability of resources (access to more data, but for a discrete window of time)
- Co-creating on a future offering — focus on increasing

B2B MANUFACTURING: PREDICTIVE MAINTENANCE EXAMPLE

Good	Better	Best	Add-ons
Core Functions	***Comprehensive***	***Best-in-class***	
• Basic machine health monitoring (vibration, temperature) • Critical failure alerts • Single-site deployment • 30-day data retention	• Advanced health monitoring (pressure, humidity) • Predictive analytics for maintenance • Multi-site integration • 1 year data retention • Standard API for ERP integration	• Full-spectrum monitoring • Dynamic production optimization • Global multi-site integration with unlimited data retention • Dedicated account management and 24/7 support • Integration with IoT & supply chain	• Real-time energy monitoring • Custom app for on-the-go insights • Advanced compliance reporting • Integration with augmented reality (AR) tools

stickiness of the account (i.e., “test our product for 90 days and provide us a review and testimonial”)

It’s normal to offer a discount if a customer buys more of your offerings. But if you can find a way to establish a path for customer growth, the give-get can be a way to have them experience a new product or offering in exchange for a price concession. You’re not asking them to move big pieces of business if they already buy those services from another company, but you are demonstrating that you believe in your product and are driving towards a stronger relationship. This approach can help evolve customers from a more transactional to a more strategic relationship where they become an advocate.

The best defense is a good offense

Driving meaningful growth with your accounts is often a function of your ability to understand, quantify, and communicate your differential value throughout the contract. This is often a moving target when that value is constantly changing based on competitors, markets, and decision criteria. So the more you can stay in touch with how these value drivers are changing (and adjust to them!), the better off you’ll be.

Renewals and negotiations can serve as opportunities for SAMs to drive growth, build trust, and deepen your client relationships. Finding the right ways to communicate your value throughout the contract, and in the right buyer type frame, can help protect pricing and shift dynamics to ensure you are co-creating value as a partner. By improving your value communication with your accounts, they’ll be able to extract more value by understanding what you’re delivering for their business, while making the case to reinvest that value back into your offering to co-create in bigger ways together. ■

Finding the right ways to communicate your value throughout the contract, and in the right buyer type frame, can help protect pricing and shift dynamics to ensure you are co-creating value as a partner.

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