



How Effective Are You at Pricing Your Products and Services?

#2 COMPETITIVE PRICING INTELLIGENCE

We Gather Competitive Pricing Intelligence from Two Sources Allowing the Sales Force to Make More Informed Pricing Decisions

When selling to businesses customers, it is difficult to remain fully aware of competitive pricing. You believe you know market pricing information but prices are constantly changing and your perspective is heavily biased by anecdotal information (e.g., “we lost a big deal earlier this month and our

prices were 10% too high”). Unfortunately, “corporate myths”, based on insufficient or incomplete information, are often the driving force behind pricing policy rather than solid market intelligence.

As an example, the management team of a construction equipment rental

company was certain their rental rates were “mid pack”—some competitors’ prices were higher and some were lower. When we gathered the facts from each of their 100 local markets, it turned out this company was the low price bidder in 70% of their markets. They were unaware of the effect that their rate cutting and discounting were having on their ability to sustain profitable margins in line with their competition.

This information is rarely known by companies selling to businesses customers because they have no systematic approach for monitoring market pricing. Most companies that attempt to collect competitive prices typically gather list prices rather than actual contract rates or negotiated rates. This information is obviously less useful.

How then can companies gather information about competitive prices? It is very difficult to do without third-party support. There are two primary methods that we have used for gathering this information and both are designed to be performed by an independent third-party:

Information Collected from Lost Prospects and New Customers

Whenever a bid/quote is won or lost, we interview the new customer or lost prospect. We ask several questions about the competitive situation including questions about pricing. Not all prospects/new customers will share this information, but many will. This provides a source of current market prices. A third-party will

ISSUES CONSIDERED IN GATHERING MARKET PRICES

In some business-to-business industries, pricing is extremely straight forward—e.g., a single product with little pricing flexibility. But in most industries, it is not that simple. Therefore, the gathering of market prices needs to consider issues such as the following:

- In many situations, special efforts must be made to obtain negotiated or contract rates rather than list prices.
- In addition to the main product or service, most industries have complementary services that are priced and can be negotiated—such as delivery charges, insurance, optional installation support, etc.
- For many business-to-business industries, bundled pricing is common. Therefore, pricing information needs to be understood within the context of the entire bundle being purchased by the customer
- There are frequently seasonal or peak/non-peak pricing differences which need to be understood and considered
- Pricing often varies by geography and customer market segment. The market pricing data gathered must be obtained in sufficient volume to be useful within the context of this segmentation.

be more successful at obtaining this information for two reasons:

- 1) New customers/lost prospects feel more comfortable sharing information with an independent third-party.
- 2) There is an art to asking the proper questions that yield useful information about pricing. Our people are trained and highly experienced in asking the appropriate questions to gather insightful, tangible and actionable pricing information.

Information from Mystery Shopping Transactions

Mystery shopping works in most business-to-business selling environments but is most effective if conducted by a third-party to collect objective information. We have conducted mystery shopping transactions for over 100 companies across multiple industries including steel distributors, small business bank-

ing, computer products, HR services/outsourcing, hotel conferencing, office products and many others.

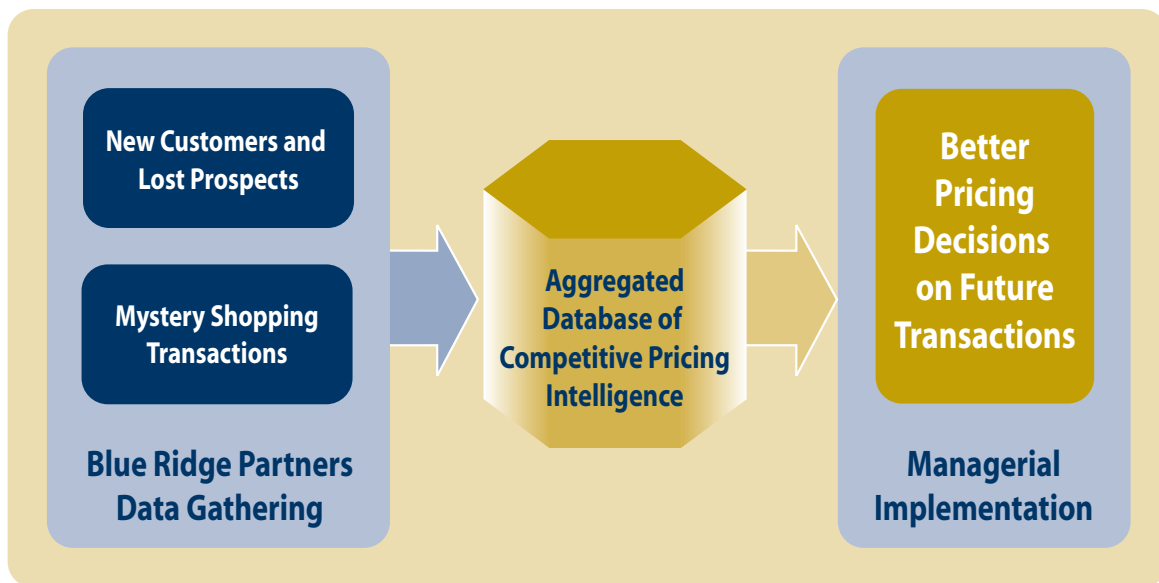
Our focus is not on the speed with which phones are answered or the friendliness of service but rather on pricing information. What are the prices quoted to new customers and more importantly what price can be negotiated? These transactions provide insightful information about the status of market pricing.

Blue Ridge Partners provides a valuable service to its clients by gathering competitive pricing information. Some of our clients ask us to gather pricing information from both sources—lost prospects/new customers and mystery shopping transactions—and sometimes they just ask us to use one source.

▶ WHAT'S THE SOLUTION?

Blue Ridge Partners has developed a proprietary approach for gathering competitive pricing information from two different sources—lost prospects/new customers and mystery shopping transactions. This information can be used in conjunction with internal pricing data (e.g., price curves showing pricing distribution across a range of prices) to make decisions about pricing policies, pricing schedules and individual transaction pricing. Better information about market prices can only lead to better pricing decisions by our clients.

Our approach involves gathering competitive pricing information from two sources and making this information available to critical points of the sales organization—sales force, sales management, pricing czar, and others—for use in pricing decisions.



BLUE RIDGE PARTNERS

HEADQUARTERS

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INFORMATION

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