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## **Taking the Fear out of Pricing**

Recently I was having coffee with a colleague. We were discussing an upcoming Pricing Workshop I was planning to give. During the course of our conversation my friend asked me: “How do you overcome the fear of asking a customer for a price increase.” My initial response was you need to work on your “value” proposition and marketing message. However, after our meeting I started to think about his question. Then it hit me the answer resided within the question. That is, if all you are doing is asking your client for a price increase without enhancing your products and services then you should be fearful!

### **What can happen with this approach?**

From a business to business relationship, hitting a client with a blanket price increase can strain the relationship. Some of the outcomes can include:

- The client reevaluating the current working relationship by looking for other suppliers to substitute for your products and services.
- Create mistrust between your company and the client.
- Potential eliminate your company from future contracts or projects
- Create a potential adversarial relationship.

### **So how can we increase pricing?**

I mentioned earlier understanding your value proposition and marketing message are key to communicating to your client the value your company brings to the relationship. However, I also believe the strength of your current relationship is also critical. In an earlier paper I discussed relational versus task oriented organizations. Now let's take that one step further and apply this to our clients. If we view our clients only in a transactional manner we will never build the relationships necessary to have critical conversations on value. Note I didn't use the word price! Those companies who have a strong relation with their clients can have these discussions on an on going basis. By doing so, the client will start to see your company as an integral team member and not just another supplier. Keep in mind it cost your clients to change suppliers. Bringing on a new supplier impacts their day to day business operations. So contrary to what they may tell you they have just as much invested in you as you in them. The stronger the relationship you have with your clients the less you have to fear about having discussions about the value of the products and services you provide.

### **Value Strategies to employ**

Here are some strategies to integrate into your relationship with your clients:

- Have periodic reviews with your client to ensure they understand all of the support you provide to them.
- Your objective is to maximize your revenue stream from each client. Look for ways to create value added services. Offer to partner with your clients to reduce their cost by providing products and services they are currently doing in house.
- Ensure your customer support is superior to your competition and to your client's in house

alternatives.

- Look for ways to bundle products and services together to enhance your revenue streams.
- The flip side is, look for ways to debundle products and services where the client does not value certain products or services of your offering.

### **Is it ever ok to just have a blanket price increase?**

This paper focused mainly on business to business transactions. One can have a blanket price increase if the following apply:

- Your products are in a commodity market and you are following the competition. The airline industry does this all of the time. Just beware of potential price fixing issues.
- You want to fire a customer! We all have had the one customer who was 5% of our revenue but 50% of our effort. You may want to adjust your pricing to reflex the support you provide them. However, in doing so, try to maintain a professional and positive relationship.
- Obsolete products. These are products where the components and support cost are too high to maintain profitability. However, have a strategy to migrate your customers over to the next generation of products.

Pricing is both an art and a science. Understanding how to articulate your value is critical in achieving your financial objectives.

Mountain Global has developed a portfolio of products to help businesses enhance their revenue streams. For more information contact us at: [bthilmont@mountainglobal.biz](mailto:bthilmont@mountainglobal.biz).