



In this article, the author shares her experience in pricing to provide useful and actionable strategies for ending the power struggle and creating a strong, collaborative relationship between Pricing and Sales. Author Lydia DiLiello is a member of the PPS Board of Advisors. With more than 18 years of pricing experience, she is a renowned manufacturing sector pricing expert in the United States, Europe and Asia. She can be reached at lyndiliello@gmail.com.

Creating Collaboration Between Pricing and Sales: Making the Impossible Possible

How do you go about turning foe to friend? A challenging question often posed by both Sales organizations and Pricing teams alike. If your Pricing group is being viewed as the “sales prevention department” read on to learn how to make your greatest nemesis your new BFF (best friend forever). The benefits of providing a solution to this long established power struggle between Pricing and Sales are many: more sales (revenue), more closed deals, more profit and the avoidance of unintentional price wars, not to mention fever migraines. But how can you achieve this nirvana state? Although it may not be easy, it is possible.

to naturally distrust one another. Pricing wants profitable sales and Sales wants, well, sales period. These groups that initially seem to be at different ends of a continuum may have far more in common than they think. The challenge is how best to expose the commonalities. Common ground provides a solid environment to begin establishing trust. And to be effective, a two tiered approach is suggested addressing both operational and executive levels.

At an operational level, the creation of business processes that require Sales and Pricing professionals to work closely together is critical. For example, one process that was proven to be extremely valuable was to have Pricing share with Sales customer specific financial data that could only be obtained from Pricing. If a Sales person wanted to know their customers’ profit margins, review

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Step 1: It's all about Trust

Like any relationship, building trust is the first step and quite literally the basis upon which everything else will be built. Pricing and Sales are often set up

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“what if” profit scenarios or consider the impact of discounts, the Pricing team provided the information. This business process created an opportunity for open dialogue between a Sales person and a Pricer. Sales could experiment with much sought after “price tests (what happens to my financials if my price is x instead of y) while Pricers learned specifics about particular customers such as high maintenance accounts or accounts receiving “extra” services like custom packaging, freight, etc.

At an executive level, Pricing and Sales leadership collectively reviewing profit data and discussing the impact of specific top customer deals prior to C level visibility can also forge trusted business relationships.

A VP of Sales wants to know proactively and quietly that the net profitability on the Top 5 customers is in fact 12% less than the corporate reports reflect due to incentives, value added services, sample product, etc. Knowing that the same customer never pays on time, and typically achieves discounts of 30% below list are also vitally important. When this conversation between Pricing and Sales leadership takes place prior to any C level meetings, trust forms and Pricing is viewed as part of the Sales cycle instead of a hindrance to be overcome at the last moment.

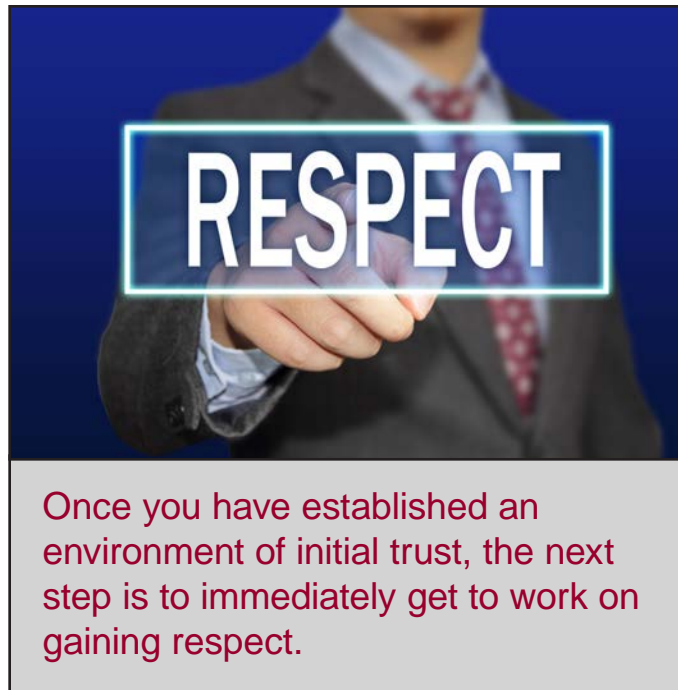
Additionally, it provides the opportunity to proactively share Pricing strategies to check for Sales receptiveness.

Perhaps you want to float an idea of targeted customer specific price increases on those accounts receiving all of the sales enticements (the same ones whose margins are low due to free freight and custom packaging). Sales VPs are all ears when you can provide financial data around these accounts and how to slowly tweak them creating a substantial positive profit impact (perhaps offer a discounted freight rate on the next contract,

or propose a new corporate policy that prohibits custom labeling and packaging without an X% price add). You get Sales thinking about ways to adjust price long before official price increases are issued resulting in a smoother less painful process for everyone.

Step 2: Sit down, shut up and Listen

So, you have a reasonable amount of trust established and are ready for the next step. The ability to deal with information and to non-defensively listen to input is the next big challenge. Over time, “sensitive” data will begin to be routinely shared from Sales (“that piece



Once you have established an environment of initial trust, the next step is to immediately get to work on gaining respect.

of business we were guaranteed to get isn't even a remote possibility”). **If you want to continue to cultivate a positive relationship between Sales and Pricing, it is critically important that divulged information be treated with confidentiality and not glibly discussed over the water cooler.** Common sense right? Yes, but the temptation will be strong. You will finally have the “real scoop” on those notorious customers. Keep it to yourself and see how much more “dirt” gets shared with you.

The speed of information is as power-

ful as the information itself. Sales is a fluid fast moving business that requires on-the-spot changes and a constant willingness to adapt to customer requests (which means Pricing needs to be that much faster!).

Information is likely to change from minute to minute and it will not be neat and tidy, which is an aberration for Pricing Professionals. For this reason, both Pricing and Sales Professionals need to learn each other's business rhythms and what is realistically required for a smooth flow of business. Listening is the key. “It takes too long” as pronounced by Sales provides no real information regarding true expectations. Do they expect a one day or one hour turnaround on price requests? Since Sales is finally talking and sharing information, take it in and seize the opportunity to ask for specifics. Just determining a clear definition of expectations will help clear the air.

Remember too that Sales' sense of “urgency” is often far different than what is customary in a Pricing department. Sales wants that updated customer request addressed right now and Pricing likely still has some of yesterday's updated requests in the queue waiting to be finalized. So, if business processes are creating difficulties, (like extended response time) ask the sales force to determine the top two or three pain points; then

understand what can be done to address them. A non defensive posture and a willingness to listen go a long way. You will be amazed at what the communication alone accomplishes.

Step 3: RESPECT

Trust is slowly being built and you are actively receiving input from Sales. For those of you more senior Pricers, Aretha Franklin had it right: R-E-S-P-E-C-T. Once you have established an environment of initial trust, the next step is

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to immediately get to work on gaining respect. At an executive level, ask your Sales VP if some of the more seasoned Pricing folks can attend Sales calls so that they can better understand the urgency and pressure that the Sales force faces on a daily basis. This, by the way, is very self-serving for Pricing. If as Pricers we see face to face what a customer is expecting, it helps us be more effective in our own roles. We get input straight from the source with no Sales “interpretation” added in. Initially this may be met with some skepticism, which is just one more reason why having established some trust previously is important. This is not an exercise to provide Pricing with the dirt on Sales! It is an opportunity to experience first hand what dealing with a customer is like and what they really want.

At an operational level, if you are the Pricer attending the Sales visit, look for a legitimate way to praise the Sales person in front of the customer. Every Sales person wants to be a hero in front of their customer. Communicate to the customer that “Judie has worked diligently on your behalf.” If you do this the next price increase will be met with far less angst and a Sales person will be willing to stand their ground all because you stood your ground for them.

And finally, don't be afraid to take the

heat from an unhappy customer. The single most impactful thing that you can do to gain respect from Sales is to go with them to an angry customer presumably due to a price increase and take the heat. (Or if there aren't any price increases pending, request to go and visit the customers that Sales finds to be the most challenging for any reason.) **Once Sales sees that you are in this right along**

Whether in front of a customer at an operational level or during a staff meeting at an Executive level, if Sales did something good, say so.

with them shoulder to shoulder sweating in front of Mr Furious/Difficult Customer, you gain instant credibility. But watch out, this strategy can backfire. You become so popular that you end up going to all irate customer visits.

Step 4: Love is in the Air

You have developed a hard won trust with Sales and garnered their respect for surviving the most ruthless customer they have. The final step is to be nice. Nice? When the situation presents itself, positive uncontrived comments regard-

ing Sales' ability to close a deal at a higher margin, negotiate a contract or make a price increase stick will seal the deal. Whether in front of a customer at an operational level or during a staff meeting at an Executive level, if Sales did something good, say so. No, I certainly don't suggest or vindicate extolling virtues that don't exist, but when something is worthwhile and beneficial to the company speak up. You will be surprised how far this goes in creating strong working relationships and turning foes to friends.

It's a great deal of dedicated work for both groups. A daily effort to be certain. Is

the payoff really worth the added effort? I believe so. I have seen the value these steps can bring. Close rates on key deals increased by more than 15% and at margins commonly 25% higher than the original position and dramatically decreased turnaround times. Additionally, having one extended team (Pricing and Sales) focused on the customer removes redundant work, misunderstandings and general wasted non productive time. When it works well and Sales and Pricing are functioning as a united “team”, the results all head straight to the bottom line.