Improving international sales and pricing power is a challenge for many multinationals—especially when local entrepreneurship is valued and needs to be preserved. This article presents four practical and proven solutions to increase sales and pricing power, resulting in a head to tail pricing process redesign. Juriaan Deumer, MSc is a Senior Consultant at Simon-Kucher & Partners in Amsterdam. He specializes in price and profit optimization and in sales excellence. Alejandra Lugard, MBA is a Consultant at SKP and has extensive experience in international and corporate strategy, sales excellence and pricing power optimization and strategy implementation. Jos Mulder, MSc is a Consultant at SKP and focuses on accelerating change, long-lasting organizational embedding and sustainable bottom-line growth. They can all be reached via www.Simon-Kucher.com.

Which of the following statements apply to your organization?

- We operate in a B2B environment.
- We sell products in multiple countries at different price levels.
- Price levels are mainly historically grown and based on cost-plus pricing.
- Sales management and the sales force have little focus on improving price realization levels.
- Quotations are mostly prepared based on gut feeling.
- We monitor our sales results mainly based on revenue and volume.

If the majority of these statements is true for your organization, your sales and pricing power can be improved. Boosting your sales and pricing power will have an immediate positive impact on your profitability. Project experience shows that improved sales and pricing power typically results in 1%-2% ROS. This article presents four practical and proven solutions to increase your sales and pricing power, resulting in a head to tail pricing process redesign.

Improving sales and pricing power

Selling a broad product portfolio in multiple countries creates specific pricing challenges, especially when local purchasing power is (historically) incorporated into current discount rates.

Companies in this situation need a rigorous but practical approach for price setting, quotation development and monitoring. This helps them to structure processes and improve country benchmarking. Gut feel is replaced by fact-
based decisions and more targeted steering becomes possible. Ultimately, it increases companies’ overall sales and pricing power. To be most effective, this approach should be supported by practical, user-friendly tools that turn insights into action.

Best practices show that this approach should consist of a combination of solutions, impacting four stages in the deal pricing process:

1. **Value pricing**: setting prices and discounts based on market and data insights.

2. **Deal preparation**: preparing deals in a structured way.

3. **Deal assessment**: determining the feasibility of a price increase based on bargaining power.

4. **Monitoring**: monitoring sales and price performance using a specific key performance indicator dashboard.

These four sales and pricing power solutions are illustrated in figure 1 and described in more detail below.

### 1. Set prices and discounts based on market and data insights

![Figure 1: Four solutions to improve sales and pricing power](image)

The first step to improving sales and pricing power is to set a clear pricing strategy. For example value-based pricing, that prescribes prices based on the perceived value in the market, rather than just on cost or competition. When applying value-based pricing, the key is to obtain customers’ willingness to pay and set the right price realization goals or net price targets. Commonly you will find that customers’ willingness to pay differs from segment to segment. To fully exploit your customers’ varying willingness to pay, a differentiated price realization goal per segment is essential.

To achieve the set price realization goals, the commercial organization requires a value pricing process with three main items:

1. **Value-based list prices** which reflect the value drivers of products/services both logically and consistently. The key here is to explore how much customers are really willing to pay. This can be done with expert interviews, price experiments and price surveys.

2. **A conditional discount framework** based on a set of discount rules. This helps sales to replace gut-feeling discounting with a transparent, structured approach.

3. **A surcharge policy** aimed at exploiting customers’ willingness to pay for additional services.

Since the first three items create a one-size-fits-all value pricing structure, a fourth item is needed to account for differences in price levels between countries.

### 2. Prepare deals in a structured way

![Figure 2: Value pricing process](image)

This process involves

- **Value-based list prices**
- **Market corrections**
- **Conditional discount framework**
- **Surcharge policy**

The commercial organization requires a value pricing process with:

- **Value-based list prices**
- **Market corrections**
- **A conditional discount framework**
- **A surcharge policy**

These four items, illustrated in figure 2, replace gut feeling in the pricing process and exploit customers’ willingness to pay. They form the starting point of the deal process.

### 3. Deal assessment

When considering the total deal process...
(from client meetings and deal negotiations to order placement), only limited time is spent on the actual preparation of the deal. And yet, proper deal preparation is crucial as it increases the realized deal price and reduces the time spent on the total deal process.

A structured process is one of the most important prerequisites for proper preparation. Especially in more complex (international) sales processes or (international) environments with high sales force attrition rates, a structured approach for deal preparation is vital. The design of the process steps should be based on the knowledge of the senior sales force.

A highly effective solution in practice is a tool-based solution. The knowledge of senior sales is absorbed, combined and processed into a user-friendly deal preparation tool. This tool helps to assess customers, identify their needs, indicate how to meet these needs, determine cross-selling and up-selling opportunities, and direct sales toward the most suitable objects of quantifying the value story. In short, it structures and simplifies an extensive but highly relevant process.

**3. Assess deals based on bargaining power**

Many of the quotations made in business are based on gut feeling, a cost-plus mentality and/or are historically grown. This is far from ideal as these quotations generally result in lower average deal prices. Moreover, gut feeling tends to make the quotation process blurry. Often, past deals or comparable customers are taken as a starting point for the deal at hand. But circumstances change and customer characteristics rarely really match. So the chances of finding the ideal starting point are slim – and it is therefore unlikely that you will end up with the best possible quotation.

A more systematic approach is essential. The value-based pricing framework, as described in solution 1, is used to set an indicative target price for the deal. Next, deal-specific bargaining power is determined and taken into account to set the actual deal target price.

Relevant factors in determining bargaining power include for example competitor pressure, time pressure, customer segment and the role of the product in the final consumer product. Bargaining power can be quantified by determining the relative importance of the most relevant bargaining power factors, based on the company’s expertise. Keep in mind that (the importance of) bargaining power factors may vary according to region and product group. At the end of the day, having higher bargaining power in a negotiation, indicates room for you and your sales force to increase the actual deal target price.

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A simple method can be used to support the deal assessment process described above. The method guides the salespeople in defining and quantifying bargaining power, resulting in a specific target price. Additionally, it defines an optimal floor price and walk-away price and can also include surcharge options. In many cases an Excel-based tool can fulfill these requirements, enabling you to choose a simple or more sophisticated design. This systematic approach allows you to easily monitor deals and use the knowledge you gain to improve the process itself.

4. Monitor sales and price performance

Although most companies have KPIs to monitor their business, pricing related KPIs are generally missing among them. However, to effectively monitor and improve sales and price performance, a dashboard with specific sales and pricing KPIs is crucial. The dashboard should enable the evaluation of a limited set of performance indicators (e.g. average price, discount percentage, volume, up-selling and cross-selling). It should benchmark these KPIs against target and/or the previous year’s performance. Ideally, the dashboard also allows you to view multiple aspects of the KPIs (e.g. period, country, account manager and customers) in a flexible way.

The dashboard is designed to deliver clear insights into areas that require extra or other effort. Measuring both input and output performance indicators ensures that not only the results, but also the cause of those results, are known. In the end, however, it is not about the figures; they merely serve the discussion. It is about understanding the story behind them and jointly deciding on the right response.

Setting up and implementing such a dashboard might sound complex. It is not. The key is to start with a small selection of metrics and a simple (Excel-based) solution (see figure 3 on the next page). This will clarify which information you really need and what the next version of the dashboard should look like.

**Case study: Improving sales and pricing power at a leading Dutch manufacturer**

A Dutch multinational B2B manufacturer, with numerous subsidiaries, agents and distributors worldwide, concluded that it needed to improve its grip on sales and pricing. Local entrepreneurship was, however, highly valued and could not be undermined. Moreover, only one single list price was communicated to clients worldwide, whereas average realized prices varied significantly between countries. They needed to raise awareness...
among the subsidiaries and to strengthen HQ’s grip on sales and pricing power in a pragmatic way.

In three months a worldwide approach for customer and product segmentation, list pricing, discounting, deal preparation and deal assessment was developed as well as a complete sales and pricing KPI dashboard. This created the foundation for higher price realization and improved steering and monitoring of sales and pricing processes. Moreover, it left local entrepreneurs free in their market approach, but made benchmarking with and learning from other subsidiaries and the headquarter much easier.

**Conclusion and recommendations**

Improving international sales and pricing power is a challenge for many multinationals – especially when local entrepreneurship is valued and needs to be preserved. Three areas are particularly relevant:

- **Stop the use of economic differences as an excuse for low prices**
  
  When you optimize your international prices and discounts, account for the economic differences between regions by including country factors. Simplicity and intelligibility are key when it comes to acceptance. Inclusion of country factors will be rewarded with better company-wide price alignment.

- **Overcome unstructured sales approaches and reliance on gut feeling**
  
  Use a systematic approach and supporting tools that capture the know-how of the senior sales force to ensure that the sales force moves away from gut feeling when assessing deals. Your realized prices will increase, you will be better able to compare deals and your sales force will be more confident in setting prices.

- **Take action based on the right, commonly defined measurements**
  
  Your sales and pricing progress can be measured only with dedicated KPIs. You need those measurements to decide on the right actions to take. Commitment to KPIs starts with influence during the development process and results in understanding and acceptance of the actions taken to improve sales and pricing power.