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Can the Sales Team
Be Utilized for Pricing Research?

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When companies seek to understand how market prices are evolving, they can often rely on comprehensive reports from market research institutes, especially in the B2C sector, particularly in cases where substantial marketing budgets of international corporations are being planned based on clear market analyses.

The situation is different in the medium-sized sector, especially in the realm of B2B. Extensive market studies do not prove cost-effective here because markets tend to be smaller and highly segmented. In the absence of external studies, it's essential to explore alternatives. Why not harness your own sales team for market and pricing research?

This is the subject of today's newsletter.

The Sales Team and Anecdotal Evidence in Pricing

When you inquire with your sales team about whether your company has competitive and market-appropriate prices and whether you should raise prices in the coming year, you'll probably encounter limited agreement and enthusiasm.

On the other hand, your sales team will repeatedly present individual cases where significant orders were lost or not won at all solely due to pricing. I call this anecdotal evidence in pricing: drawing general conclusions from individual cases can be somewhat precarious.

Which Direct Pricing Questions Won't Yield Valid Results?

If you ask your sales team directly for the "right" price for a product, there's a reasonable chance that there will be some reservations. This is primarily for two reasons:

- Sales teams are generally still primarily driven by sales targets and corresponding incentives (very rarely by the achievement of price goals or the reduction of average discounts granted).
- Losing customers is something sales departments definitely want to avoid. After all, they know from their own long-term experience how challenging it is to compensate for revenue losses through acquiring new customers.



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Fig. 1: Asking the right questions: A key success factor when using the sales team for pricing research.



Fig. 2: Online survey tools will facilitate pricing research when using your sales team.

Moreover, a reasonably experienced sales representative will always present a competitive offer that has been “confidentially” shared with them by one of their long-term customers and boasts “unbeatable” prices.

Why Incorporate the Sales Team into Pricing Research Anyway?

Even if obtaining reliable and valid results in pricing research through the sales team is not entirely straightforward, why should you still use them as an information source? Depending on your methodological approach, this can be a pragmatic, simple, and cost-effective instrument for pricing research.

Furthermore, sales team members learn to observe the market and customers more closely regarding pricing: it sharpens their focus on essential questions. In the end, a reliable systematics can even emerge.

How Reliable and Valid is the Pricing Research Conducted by the Sales Team?

In our experience, it primarily depends on:

- Asking the right pricing questions to the sales team.
- Approaching the price topic indirectly and instead exploring the value drivers of your products and solutions
- Using the same questions and systematics across all sales organizations within a company.

“Utilizing your sales team is a pragmatic approach for pricing research - some pitfalls should be avoided in order to increase the validity of your results. ”

Prof. Dr. Hans-Christian Riekhof

Pricing Research

Pricing Research: Asking for Value Drivers

If a company wants to command relatively high prices, it should have a very clear understanding of the value drivers from the customers' perspective: which performance components, product features, application advice, service elements, or process elements are so crucial to the customer that price takes a back seat? How important is delivery performance? Where does the customer expect flexibility?

It is the task of each sales team member to discover this. These insights must then be evaluated, processed, and priced systematically by the marketing department. Simply compiling a list of 20 value drivers without weighting them is insufficient.

Pricing Research: Figuring out Supplier Switching Costs

While the question of value drivers can be discussed on a factual level during customer conversations, it is somewhat trickier to determine how high the costs of switching suppliers are for the customer.

This requires insight into the customer's processes:

- Are their products certified?
- Are they used within validated production processes?
- Do the products lead to measurable cost reductions or lower error rates in the customer's production process?
- Are there maintenance and service synergies?

Pricing Research: Figuring out Individual Price Components

It is possible to openly discuss the importance of individual price components with the customer:

- Is it more important to offer a higher discount on the list price?
- Are promotional cost subsidies crucial?
- Is an annual bonus or rebate more important than the (preferably low) net price?
- Should special, previously unbilled services be invoiced to present a better net price?

Customers don't always decide based solely on the exact net-net price calculation.

Pricing Research: Figuring out Quality Dimensions from the Customer's Perspective

Sometimes, it's the simple questions that lead us forward. I have personally found that customers can be asked how they define the quality of a product and what criteria they use to measure it.

Take the example of a commercial vehicle manufacturer: Do customers primarily expect a more or less trouble-free lifespan of the key components over 1.5 million km? Is it the breakdowns and unplanned workshop visits in the first 36 months? Is it the quality impression of the vehicle? Is it the repair costs after the warranty period? Is it the number of workshop visits? Is it the residual value after 3 years, as high-quality vehicles command better prices in the so-called second life?

Pricing Research: Figuring out Price Sensitivities

An interesting approach is to ask the sales team not about a customer's absolute willingness to pay but to compare or rank the willingness to pay for a product within a price differentiation strategy in different industries, distribution channels, or customer groups:

- Do customers in the pharmaceutical industry pay more for the essentially identical product than those in the food industry?
- Do contract manufacturers perhaps have the lowest willingness to pay?
- Are distribution partners very price-sensitive?

Some of our pricing projects suggest results along these lines, and the sales team can play a significant role in pricing research. It will be quite challenging to quantify price sensitivities so our recommendation is to create a rather simple price sensitivity ranking of customer groups or industries.



Fig. 3: Calculating price sensitivities might be difficult in many industries because of limited data availability. A simple ranking of customer groups might be a valuable alternative.

Pricing Research: Figuring out the Relevance of Competitors

Generally, it's possible to gather information about the share of your products compared to competitors at one specific customer. Do you share the market with another premium manufacturer? What's needed to take half of a competitor's market share? Are there aspects where your competitor does not need all customer requirements? Is your customer experimenting with a low-cost provider from China? These conversations often indirectly provide insights into your own position and allow for a better assessment of your pricing.

OUR CONCLUSION:

It is worthwhile to involve your Sales Team in Pricing Research

In summary, it's worthwhile to involve your sales team in pricing research. However, it's crucial to

- ask the right questions (e.g., about value drivers),
- adopt a systematic approach,
- and compare results across different sales organizations or distribution channels.

Over time, the sales team will become better at assessing potential pricing opportunities.

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