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THE ULTIMATE B2B FIELD GUIDE

THE PRICE

FOR RAISING PRICES

INCREASE

WITHOUT LOSING CUSTOMERS



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For Brooke Holt, Sales Gravy's first Million Dollar Club member. Thank you for the pivotal role you have played in turning Sales Gravy into a training powerhouse.

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Preface: A Tactical Field Guide and System for Selling Price Increases

B2B organizations have counted on their sales teams to sell price increases to customers since the beginning of the Industrial Revolution more than 125 years ago. However, in the twenty-first century, as disruptive economic cycles have become more frequent and shareholder pressure for growth and profitability has become more acute, executives are exerting greater pressure than ever on their sales organizations to extract price increases from customers.

Inflation, demand surges, supply shortages, increased costs, shareholder demands, growth initiatives, mergers, and capital-intensive investments can all lead to the need to approach customers with price increases – as can the regular costs of doing business. Likewise, in our hyper-competitive marketplace it is common to acquire new customers at low (sometimes unprofitable) price points with the intent to raise those prices down the road once the relationship, trust, and value exchange are anchored.

In all cases, it is critical to the financial health of B2B organizations that sales professionals hone the skills to successfully approach price increase conversations with customers.

Over the past 10 years, my team at Sales Gravy has helped hundreds of organizations teach their sales professionals how to successfully sell price increases without losing customers. We've developed a repeatable system that reduces anxiety, builds confidence, and is easy to learn, coach, and deploy in the field.

Still, since more than 80 percent of training dollars are invested in developing sales skills for the purpose of acquiring new customers, I recognize that most sellers and leaders are not going to receive professional training for selling price increases. For this reason, I wrote *Selling the Price Increase* as a tactical field guide for frontline sales professionals, account managers, and sales leaders who wish to improve their price increase sales skills and acumen.

In these pages, I give you a complete system for selling price increases. You'll learn strategies, tactics, and techniques for approaching customers confidently and gaining price increase acceptance without damaging long-term relationships.

Part One is a discussion about how to manage the fears, worries, and disruptive emotions you feel when approaching price increase conversations with customers.

Part Two dives into the keys to protecting relationships and retaining customers. You'll learn how to get price increases without causing customers to resent you for it.

Part Three teaches you a repeatable framework for targeting, planning, and setting the stage for crucial price increase conversations.

Part Four focuses on how to build messaging that reduces resistance and facilitates acceptance.

Part Five gives frameworks and tactics for handling price increase objections and negotiating better price increase outcomes.

Part Six teaches front-line sales leaders how to lead price increase initiatives and coach price increase sales skills. (Note that I also include "Coaching Tips" for leaders throughout the book.)

Along the way, I've included exercises designed to help you master the *Selling the Price Increase* system. Parts One through Five are for front-line sales professionals, account managers, and customer service professionals. In Part Six, the focus shifts to managers, who need additional skills to lead their teams through price increases.

Foreword

For legions of sales professionals and account managers, the conversation that follows is an all too familiar and maddening reality:

- MANAGER:** Before I close out this morning's meeting, I need you to inform our clients that we're going to be increasing prices by 10 percent.
- SALESPERSON:** Okay, but what should we tell them?
- MANAGER:** I'll leave that up to you.
- SALESPERSON:** Yes, but what reason do we give them for raising our prices?
- MANAGER:** Well, there's a lot of reasons! Cost of material is up. Labor cost is up. Cost of doing business in general is up. Pick one!
- SALESPERSON:** How do you suggest we deliver this news?
- MANAGER:** I'm sure you'll figure it out. That's why we pay you the big bucks.
- SALESPERSON:** Will these increases be effective immediately, or will there be a grace period before they actually kick in?

- MANAGER:** It's immediate.
- SALESPERSON:** Well, they're not going to be happy about that! We are going to lose customers to our competitors!
- MANAGER:** Look, you have the relationships so I'm sure you'll find a way to break the bad news to them gently without upsetting them.
- SALESPERSON:** Well. . .okay. I'll do my best.
- MANAGER:** Great! Now, if there's nothing else, this meeting is adjourned. Let's get out there, close some deals, and let's stay positive.

This common scenario is why so many companies fail to maximize price increases, sales professionals and their leaders feel frustrated, and unhappy customers are lost along the way.

Sales professionals are ill prepared to talk with customers about price increases because they don't get trained and there are almost no resources to help them develop the skills to do so. If you scour the internet for information on how to sell price increases, you'll be hard pressed to find any system, process, or framework for these crucial conversations.

That is why this new book from my friend Jeb Blount is so important. As far as I can tell, no one in history has ever written an entire book on how to approach B2B customers with price increases. But that's Jeb – grab a piece of the sales puzzle, blow it out, and show you exactly how to do it. This is why I wasn't surprised when I learned that he was writing *Selling the Price Increase* because, quite frankly, it is a book that only Jeb could write.

If you've ever had to deliver price increase news to a customer, then you know it isn't easy. Yet when sold effectively, customers accept price increases, remain loyal, and often buy even more. In *Selling the Price Increase*, Jeb gives you exactly what you need to successfully sell and defend price increases without losing your customers.

Jeb knows sales. He is one of the most gifted sales strategists of our generation. Pick a subject, sales discipline, or situation and Jeb has studied it, done it, and understands it. This is why when Jeb talks, salespeople pay attention, and you should too.

—Victor Antonio,
Author of Mastering the Upsell

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Writing a book is incredibly disruptive. It turns life upside down. “The book” takes precedence over everything. People, family, business, life, and fun are put on hold. Everything is sacrificed for the book.

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PART |

I

Disrupt the Mindset of Fear

1

Sales

Professionals

Hate Price

Increases

I clearly remember the very first time in my career that I was asked to go out and get price increases from my customers. My boss called a meeting with all of the account managers in our region. At the meeting, he handed each of us a list of our accounts and the monthly revenue volume of each account.

I sunk in my seat as he dropped the bomb. We each needed to get a net 6 percent increase from our account base. He asked us to go through the list and choose the accounts to approach for price increases. He gave us until the end of the week.

Back at my office, as I started pouring over my accounts, I became sick to my stomach. I'd worked hard to establish those relationships. Many customers had become friends. Raising their prices felt like a form of betrayal.

As I evaluated each customer, I found good reasons why I shouldn't approach them with a price increase. I went through the

list again and again but could only identify a few accounts to go after. I came to the conclusion that it would be impossible to net a 6 percent increase on my customer base.

When I met with my boss at the end of the week, I unloaded all of my excuses. But to no avail. He told me flatly and firmly that our leadership wanted a 6 percent increase and there would be no excuses. I had no choice.

I left that meeting feeling deflated and consumed with fear for how my customers would respond. I almost quit my job over it. Prior to being told I had to sell price increases to my customers, I loved my job. Now, I was questioning everything. I'd rather have done a thousand cold calls from inside a shark tank than approach a single customer with a price increase.

Mostly though, I was afraid. I procrastinated and avoided those conversations until I was forced to get the job done because I was out of time. I made lots of mistakes and fear got the best of me. It was one of the worst periods of my sales career. I made it through that awful ordeal but the lessons I learned about confronting fear stuck with me.

Salespeople Hate Price Increases

Over the years I developed thicker skin and a more effective approach to price increase conversations. But I still don't like to do it. It's one of things I share in common with most sales professionals and account managers – nobody likes price increases.

The truth is that salespeople love close sales, love to give discounts, love to make our customers happy, love to solve problems. But, as a rule, we have a psychological aversion to and loathe selling price increases.

Approaching customers with price increases sits at the tip top of the pantheon of things sales professionals hate. It sits higher than collecting receivables, cold calling, and entering data into the CRM.

Given the choice between selling price increases and doing anything else – and I mean *anything* – salespeople will always choose anything else. There are many reasons why, including:

- Conflict avoidance
- Fear of rejection
- Desire to be liked by their customers
- Awkwardness of communicating price increases
- Sympathy for customers
- Fear of losing customers, sales, and income
- No buy-in to the justification for the price increase
- The price increase is not aligned with compensation
- Lack of understanding of the impact of price increases on their organization

Price Increases Matter

One of the reasons that I hated price increases and believed that I was betraying my customers is that I didn't understand basic business fundamentals. I didn't understand that price increase campaigns are far more effective at generating profit and free cash flow than increasing top-line revenue through sales volume increases or acquiring new customers.

Nothing else in the business-to-business sales arsenal protects the health of your company like price increases. They protect the enterprise during inflationary periods, produce capital for investment in growth, help improve quality and service delivery, boost stock prices, and protect jobs.

The payoff for price increases is massive. They can drop through as much as 400 percent more profit as increases in sales volume. For example, a 1 percent increase in sales volume, will produce 3.3 percent in profit. However, a 1 percent increase in price, when sales volume remains stable, delivers an 11.1 percent increase in operating profit.¹

The bottom line is that increasing prices is the single greatest profit improvement opportunity and strategy for B2B enterprises.² That is, of course, if you retain your customers along the way.

Customer retention is exactly why your company leans so heavily on you to execute price increase campaigns. Sales professionals have the most intimate knowledge of the customer base, are skilled communicators, and professional closers.

Except that, in overwhelming numbers, sales professionals express deep anxiety and lack of confidence with price increase initiatives. They fear that they will lose customers and permanently damage important relationships. They feel that they lack the skills to approach price increase conversations effectively. Compounding this is the fact that most companies provide little to no formal training for selling price increases, even for frontline leaders who must coach this critical skill set.

Without a process, system, or framework for selling price increases and handling subsequent objections, sellers usually underperform in these crucial conversations. Price increase initiatives then become little more than anxiety filled distractions that negatively impact overall sales performance. It's no wonder that upwards of 70 percent of leaders express little confidence in their sales teams' ability to execute price increase conversations effectively.³

Types of Price Increase Initiatives

In this book, we'll address the most common B2B price increase scenarios for which you will be responsible.

Broad-Based Price Increase Campaigns

Broad-based campaigns are executed at the enterprise, divisional, or regional level and impact many customers at the same time. They typically require the entire sales and service team to engage.

Targeted, Account-Based Price Increases

These initiatives target specific accounts at contract renewal, on reorders, or for specific line items. Targeted price increases are usually leveraged to improve the profitability of specific accounts and to optimize pricing that was set too low when the customer was acquired.

Non-negotiable

With non-negotiable price increases, your organization has calculated that the reward of implementing the price increase is high while the risk of losing customers is low. Marketing will usually take the lead with messaging and notifying customers of the impending increase. Sales and customer service will primarily be responsible for answering customer questions, calming dissatisfaction, and defending the price increase.

Non-negotiable with Exceptions

In some cases, non-negotiable price increases may be administered with exceptions for certain classes of customers like new accounts, strategic accounts, accounts that are in jeopardy due to service issues, and angry customers who push back hard.

The sales and service teams will be responsible for identifying the accounts marked for exceptions and communicating the reasons behind the exceptions to the management team. Your primary role will be to defend the price increases when confronted by upset customers so that the increases stick.

Negotiable

With larger accounts, bigger price increases, complexity, risk, and competitive pressure comes the need to negotiate with customers that push back. This is where talented sales professionals with knowledge of the accounts and established relationships are needed most.

With negotiable price increases there will be greater emphasis placed on account targeting, pre-planning, messaging, risk management, and business case presentation. Leaders will need to set clear individual goals and objectives and define reasonable negotiating parameters.

Format

Within these initiatives, price increases may be applied in a ***unit-based*** format to individual line items, which is typical for physical products, or a ***broad-based*** format on the entire account's billing, which is typical for services.

Challenges

As sales and service professionals, we all face different challenges with selling price increases to our customer base. If you didn't have challenges, it is unlikely that you would be reading this book.

These challenges are often unique to your industry, product or service, account sizes and types, stakeholder relationships, competitors, and region, and the various scenarios listed above.

In sales and customer service, there are few one-size-fits-all solutions or applications. Therefore, as you advance through the lessons in this book, use your unique challenges as a guide to inform where you need to place the most attention, what you need to adjust for your specific situation, the ideas and lessons you take with you, and what you leave behind.