



Best Pricing Strategies



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Art Waskey is a speaker who truly delivers. In addition to a 45 year career in sales and marketing, Art is the author of multiple books on selling and a monthly column The Art of Sales. He shares these insights as an in demand event and conference speaker as well as leadership coach.

The pandemic has disrupted supply chains, resulting in shortages of goods and rapidly escalating material costs. Many suppliers have had to adjust their pricing policies. The owner of a successful distributorship recently sought my advice on how to deal with price fluctuations. Some of his largest durable goods suppliers were adding surcharges to all future deliveries. Other suppliers were changing their pricing policy to “priced upon delivery.” With no control over supplier cost policies, he wanted to know about the best pricing strategies for his business.

Pass it on

A recent Welding and Industrial Gas Survey conducted by Robert W. Baird & Co. stated that an overwhelming majority of respondents expect to be able to fully pass through rising input costs. Among those costs that would be passed on, inflation-related increases in 1Q21, were reported by 87% of those surveyed. On a positive

note, respondents expected growth to pick up in 2Q21 and build additional momentum through the year. However, those surveyed worried that pent up demand could put added pressure on a weakened supply chain and labor pool and could drive costs up even higher.

From a quick survey of suppliers, I found most have already initiated changes and would probably make additional price increases in Q3. ***To protect your margins and net profit, be sure to consider implementing pricing strategies.***

Dealing with price fluctuations

While the pandemic is unique, I have witnessed similar periods of price instability in the past. Lessons learned from previous events can enable many to deal quickly with today’s challenges. My sales experience suggests you consider the following actions when dealing with price fluctuations in your markets.



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- **Make price increases timely** – The media brings the rising cost of goods to everyone’s attention as they occur. Added costs also show up early in the grocery aisle, so your customers will be well aware of price increases. If your suppliers have initiated an increase, give your salespeople copies of suppliers’ letters to share with their customers. These will support your need to raise prices. Don’t get caught waiting. **Adjust your prices as early as possible.**

- **Review contracts** – Be sure your contracts include an escalation clause. These allow you to make price increases due to unforeseen circumstances. Most clauses will require you to provide proof of need to raise price when a situation occurs. A sales manager should meet with each rep and review all contract pricing. This will minimize the number of accounts that won’t qualify for increases.

- **Anticipate surcharges** – Be aware that with rapid changes, **most manufacturers will include a surcharge to recover their increased cost.** This is especially true of products that are quoted with long manufacturing lead times. Maintain a vigilant communication between your vendors and customers. In some instances there may be room for negotiations.

- **Price at time of delivery** – Give the customer your best estimate cost but reserve the right to change it. Make the final price conditional to the cost you incur from your supplier. To protect his margins, I know a contractor who is quoting his projects with a surcharge for final adjustment when they are completed. **When costs are changing rapidly, it’s wise to quote the final price at time of delivery.** In the final analysis it is much wiser to overestimate the cost and reduce the charges then to surprise your customer with a last minute hike.

Be proactive

The strategies listed above are important to consider in these uncertain times. Occasions of rising cost can provide an opportunity to improve customer relationships through better defined communications. When confronted with a period of price fluctuation, be proactive.

5 KEY TAKEAWAYS

1. Pass through rising costs in a timely manner
2. Consider escalation clauses in your contracts
3. Anticipate surcharges and keep communications open
4. Quote final price at time of delivery
5. Be proactive