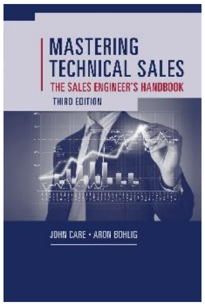

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Pricing And The Sales Engineer

Know Everything, Say Nothing!

What should a Pre-Sales engineer contribute to the pricing discussion? Most sales people would respond with “absolutely nothing” – a statement I mostly agree with. In the grand scheme of things which delineate what sales and presales are responsible for – handling pricing is clearly a sales function. That said, understanding product pricing is a skill which every Senior SE should master.

So let’s examine the differences between a quiet understanding and a self-proclaimed knowledge of pricing. We’ll look at the advantages and the disadvantages of an SE understanding pricing and then how to optimize the value of that knowledge during a sales cycle. For the purposes of completeness we’ll include product configuration together with pricing as they usually go hand-in-hand.

The Upside of Pricing Knowledge

Just to be perfectly clear let me state that the initial configuration and pricing work is the responsibility of the sales person. For a new rep it is then the responsibility of sales management to assist. Once an SE starts down the slippery slope of helping sales ‘just once” there is no going back. Pre Sales is usually the organization of last resort in most companies, adding pricing to the mix doesn’t help anyone. I have noticed that SE’s in hardware-oriented organizations and those that sell-through partners are far more likely to engage in pricing than other companies. The recent transition of many companies to subscription-based pricing has also pushed more towards the SE team (and you’d think that would make it simpler!)

1. Getting A Valid Configuration. It is your responsibility to ensure that any configuration is technically accurate and complete. That means all required modules, interfaces, accessories etc. have been included. Your professional reputation is at stake here as you don’t want to be known as the SE whose customers always need a “redo” on their contract. As a former IT executive I can tell you that other than being directly lied to, nothing annoyed me more than being sold an incomplete solution and then have the vendor tell me I needed to buy something else. That is an instant demotion from strategic partner to plain ordinary vendor. There are companies out there that make a configuration “good enough” to get the deal and then expense corrections to that config as a business model – not exactly a way to convince the customer that you know what you are doing!

2. Understand Sales Motivation. Compensation drives behavior. By understanding the pricing and compensation structure for the reps you work with you will also understand how they are attempting to maximize their commission. Pay particular attention to any quarterly SPIFFs (incentives) or contests – you might suddenly understand why certain partners are engaged or why a strange cross-sell is being proposed.

3. Help In Discovery. Many US-based companies charge extra for international deployments or use by foreign subsidiaries. Other companies differentiate on a per seat or per socket price based upon a headcount (human) as opposed to an automated (appliance) type user. As the technical wingman of the salesperson you can understand and uncover such plans from the customer far better than the rep can. In one recent instance an SE added $100,000 to a deal by uncovering the fact that some licenses were eventually going to be transitioned to Japan (which cost 20% more).

4. Match Problem Size to Solution Size. By understanding pricing and configuration you can very early in a sales cycle determine if you are trying to fix a 50k problem with a 500k solution. It is the SE's job to validate that problem size matches solution size. How many times have you been told to ignore something like this? Has the deal ever happened without a heavy discount?

The Downside of Pricing Knowledge

At heart we are still technicians and we love to talk about subjects we know. There is always that temptation to jump into a pricing conversation with a customer. It rarely ends well. Over my career I have seen millions of dollars, pounds and euros be lost due to the inexperienced "helpfulness" of a junior SE.

5. What Could Go Wrong? Actually it is more like "what could go right?". A very wise World Wide VP of Pre Sales once said "when we lose a deal – sales has three reasons – price, product and pre-sales". You have nothing to gain, short-term for the deal, or longer-term in your career, by discussing pricing topics in front of the customer.

6. The Purchasing Manual. Just as we have sales training and methodologies, customers go through purchasing training. One of the golden rules is "always ask the vendor's techies about pricing and discounts". You are a target so ignorance is bliss. Claim ignorance – it's OK.

7. Other Customers. Customers like to hear stories about how other customers successfully used your solution to solve their business problem and obtain desired results. Customers (see previous rule) also like to hear about deployment details, discounts and creative deals other customers received. So again – don't go there. If in doubt, be silent or invoke confidentiality.

How An SE Can Leverage Pricing Knowledge

Just because you claim zero knowledge of pricing doesn't mean that you know nothing. Here are some ways, with the explicit permission of the salesperson, that you can leverage your knowledge.

8. Set The Anchor Price. The first price mentioned is always the one the customer remembers once the quote appears on their desk. A price in the range of 1 to 2 million Euros automatically becomes one million. So co-ordinate with the rep to set an anchor point if he wants your help. One common set-point is " a customer about ½ (or twice) your size deployed a similar solution for about …". That leaves plenty of wiggle room but helps set an initial estimate.

9. Training and Services. It is also your job, as a customer advocate for customer success, to ensure that sufficient training and professional services (implementation, best practices) are included in the contract. Failed deployments account for more unhappy non-referencable customers than any other cause. The reason this is a challenge is that selling training and services may be at odds with the compensation plan, which usually pays a higher rate for the actual product than for ancillary services. This form of revenue stream manipulation is very common with new or struggling reps, but ends up being a false economy. Many larger enterprise class companies now require that a certain percentage of an initial order be devoted to training and services to circumvent this problem. <u>Monthly subscription pricing has only made this situation worse.</u>

10. Competitive Information. The opposite of the purchasing manual question is "always ask the customers techies about competitor pricing and configuration". In particular you can approach it from the viewpoint of a fair comparison – "I just want to make sure our quote covers everything theirs does – and vice versa." You would be amazed at what you can discover for the sales team.

11. The Risk Of Do Nothing. I've written about how many deals are lost to "Do Nothing Inc." as opposed to other vendors. By understanding your pricing structure you can ask questions to raise the risk of doing nothing, and plant the seeds of an up-sell to help increase the deal size. You can actually use the inverse of point #7 (other customers) to promote an additional module/add-on – just make sure the customers doesn't want it for free.

Summary

The SE's role in pricing is therefore simple – the standard operating procedure is ***say nothing, do nothing and understand everything***. Only discuss pricing and configuration options as a strategy agreed upon with the sales person and remember if the rep doesn't understand pricing it is his managers job to explain it (even if you can do a better job). <u>However</u>, you are responsible for the technical fit and accuracy of the solution provided to the customer. Get it right.

"Too many people today know the price of everything and the value of nothing"

Ann Landers, author & journalist.

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