



Pricing project implementation :

How to manage sales force
in a B2B context ?

JEAN CHRISTOPHE GANTOIS

HEAD OF PRICING

PPG Architectural Coatings EMEA, South Europe

Agenda

- **About me and my company**
 - 5 min
- **Pricing in a B2B context**
 - 5 min
- **Key questions when managing Sales in a pricing project**
 - 40 min

About me and my company

- Jean-Christophe Gantois

Head of Pricing South Europe

PPG Architectural Coating EMEA (≈ 1–1,5B\$)



We protect and
beautify the world™

- Previously

- PSA Group



#Automotive #Pricing #Management Control

- Citroën brand pricing control manager for Europe 30
 - Peugeot, Citroën and DS pricing and profitability manager for launching projects

- SAFRAN



#Cost killing #Productivity improvement

Focus of today's presentation :

PPG French captive network : 500M\$



- Market :

- Professional paint market (B2B)

- Company :

- +200 own stores in France
 - +250 sales representatives who visit around 30–50 customers per week
 - 2 major brands respectively top1 and top4 on the French market
 - 20–25% of total market share
 - Paint manufacturer (several plants in France)

- Customers :

- professional painters
 - 30,000 to 40,000 customers (per year)
 - Small artisan (1–50 people) to larger businesses (50–200)
 - High churn rate (20% each year)
 - High regional pricing dispersion (1 to 1,5 index)



Pricing in a B2B context

- **Multiple products, multiple prices, multiple customers**
 - Large assortment of products with high technical specificities
 - Sales representatives have a role of prescriber and seller
- **No clear market prices**
 - Pricing insights from our competitors are very hard to collect
 - Local factor is huge (price between regions may vary by more than 50% !)
 - Nearly 90% of prices are negotiated on a face-to-face between Sales representative and customer
- **Proactivity in the pricing process :**
 - Sales are the last brick of the pricing process and they would have the “last word” even with the most sophisticated pricing process
 - There is a key issue regarding the delegation process that should be quick but sharp enough to avoid any toxic pricing
- **Since Sales “make” prices they often take pricing initiatives more as a new constraint than for growing their business**

Pricing mechanisms

Net price = Gross price – Rebate

→ **Rebate is determined by Sales** through a pricing process (based on a dedicated IT system)

Pricing process includes :

- **pricing guidelines** for each product and for each class of customer
- **Delegation process** when price is over guidelines

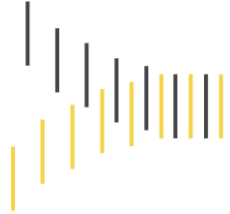
Today's project focus

**Revision of the
delegation process**

Key steps

Revision of the delegation process

- Project definition, sponsoring and validation
- Designing tools and process
- Communication, evangelization, implementation



Project definition and sponsor

Should we do the same for all Sales people ?

Which KPIs would be the most effective with Sales ?

Who is the best sponsor ?

Project definition and sponsor

Should we do the same for all Sales people ?

- **Customers (>30 000) are segmented by size / total purchase potential :**

- Small artisan / painter with less than 5 employees
- Medium size paint company/ 6 to 20 employees
- Big paint firm/ above 20 employees

MARKET ?

-
Left behind free
appreciation of Sales
Low secured

+
Consistent with customer
potential and market

- **There are 4 different grades of Sales representatives :**

- Junior
- Senior
- Key Account Manager (100% dedicated to big firm)

MATURITY ?

-
Not directly linked to
customers

+
Highly Secured
Consistent with Sales
maturity of each rep.
Fair with sales

- **Average price level and customer behavior is really different between regions. We identified 3 groups :**

- Low price (index 1), low loyalty, low quality
- Medium price (index 1,2), high loyalty with strong gap between customers
- High price (index 1,5), high loyalty and mainly high quality

FIELD ?

-
Unfair between regions
and issue with
multi-regional customers
(10-20%)

+
Most conservative
solution in term of pricing



Project definition and sponsor

Should we do the same for all Sales people ?

- Which criteria would best classify Sales Rep ?
 - Customer size
 - Grade of seniority (I, II, III)
 - Localization
 - ...

Our choice :

We picked some segmentation criteria that are neutral for Sales and would not create any « unfair » distinction among sales representatives.

Everyone needs to **feel comfortable** with the classification or it will generate useless and parasite talks.

We've chosen to mix seniority grade and customer group.

**Fair sales reps
segmentation**

Which KPIs would be the most effective with Sales ?

- Delegation process affects several KPIs including :
 - Turnover
 - Pricing performance
 - Time
 - ...

Our choice :

All communication (objectives and results) should be done with a KPI that is simple and understandable and directly impacted.

In our case **time** is key to share a common objectives which is « how many time would we be able to save ? ».

It gives a direct benefit that is tangible and simple to measure.

**KPIs that sales
reps can
relate to**

Who is the best sponsor ?

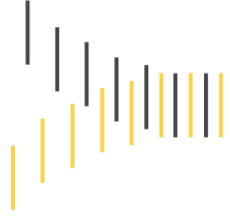
- Several options to consider beyond top management:
 - Sales Director
 - General manager
 - Finance or Marketing director
 - ...

Our choice :

To be 100% sure to get a full attention from Sales we've chosen a sponsor not from support department (marketing, finance) but that supervises Sales, that is to say from general management.

Since pricing function is very transversal, it is key to be sponsored by **top management** to add some hierarchical authority to our projects.

**Sponsor =
Sales**



Project definition and sponsor

Should we do the same for all Sales people ?

Fair sales reps
segmentation

Which KPIs would be the most effective with sales reps ?

KPIs that sales
reps can **relate**
to

Who is the best sponsor ?

Sponsor = **Sales**

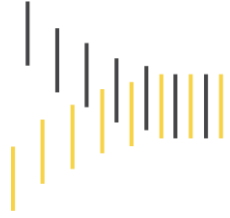
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What about you?

10 min talk

Key steps

- Project definition, sponsoring and validation
- **Designing tools and process**
- Communication, evangelization, implementation



Designing tools and process

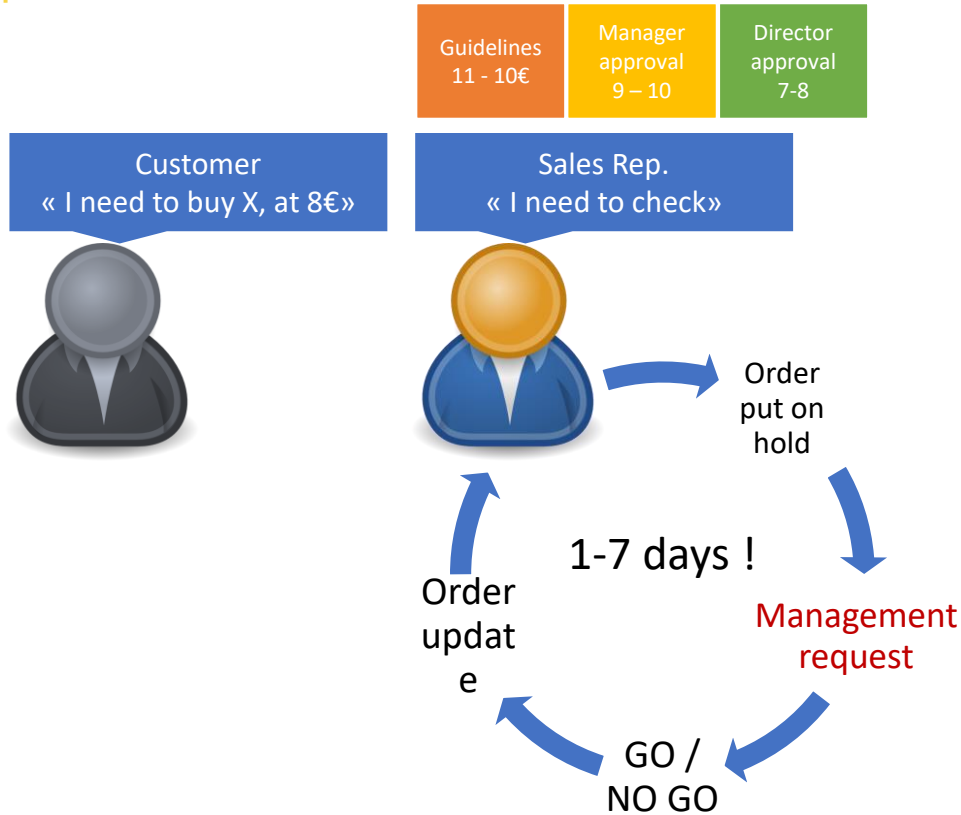
Improve existing tools or create new ones ?

How to compose a steering committee ?

How be sure that it is going to work ?

Designing tools and process

Improve existing tools or create new ones ?



Obstacles to change...

+1000 specific price request per day	+10 years average seniority
+250 Sales rep.	Same workflow until 2006
Specific pricing = 30-40% of total business	

Request on IT system for specific price
E-mailing manager → GO / no GO
E-mailing director → GO / no GO



Designing tools and process

Improve existing tools or create new ones ?

- Creating new tools enables a perfect fit with strategy without compromise
- Recycling existing solutions saves time and avoids any disruptive effect that could be highly counterproductive

Our choice :

In our case we evaluated that it was more risky to change our existing system even though it would have enabled us to progress in terms of pricing. Sales rep are numerous and deeply used to existing solutions. We preferred to go ahead step by step instead of explaining at the same time a new tool and new pricing guidelines.

**Maximize
recycling**

How to compose a steering committee ?

- We should determine which function to select and how to weight them among :
 - Regional Sales director
 - Sales managers
 - Sales representative
 - Transversal Sales function (key-account...)

Our choice :

We worked with a small team of 6-7 people composed of all Sales seniority levels to ensure we took into account all points of view. In order to have open discussions we grouped people with no direct report with each other. Nevertheless, we decided to over-represent middle management functions (sales manager) because they are both close to the field to understand customers deeply and at a high level of engagement in the company's strategy.

**Overweight
middle
management**

How be sure that it is going to work ?

- Several approaches may be considered
 - Data analysis
 - Workshops
 - On field testing

Our choice :

As we have hundreds of Sales rep. involved and we wanted to foresee all last minute details that could make our tool or process ineffective, we organized several on field tests to be sure we identified all "real-life" details that could severely impact the solution.

**Small details
count**



Designing tools and process

Improve existing tools or create new ones ?

**Maximize
recycling**

How to compose a steering committee ?

**Over-represent
middle
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How be sure that it is going to work ?

**Small details
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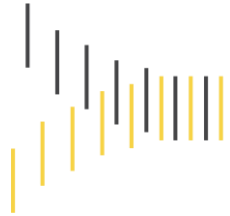
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What about you?

10 min talk

Key steps

- Project definition, sponsoring and validation
- Designing tools and process
- **Implementation**



Implementation

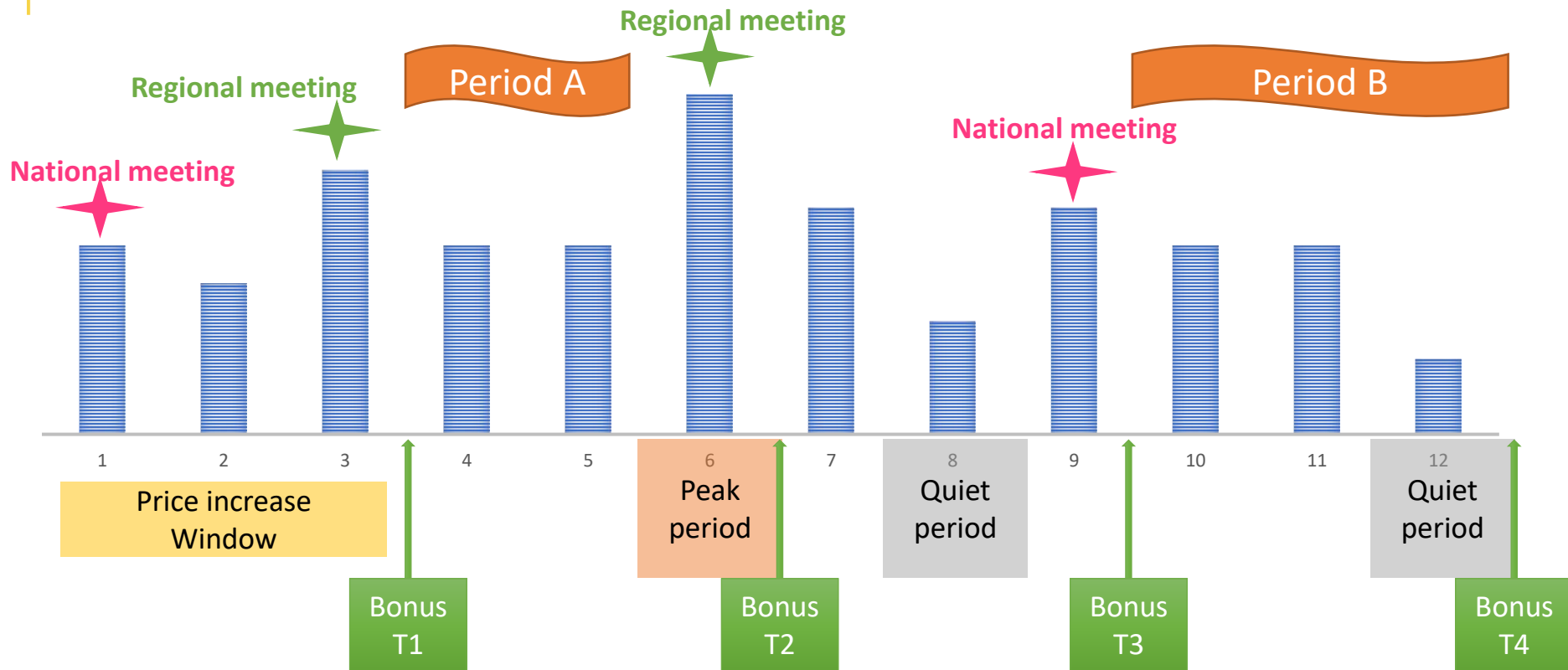
What is the perfect timing for implementation ?

Should we have incentives ?

Evangelization

Implementation

What is the perfect timing for implementation ?





Implementation

What is the perfect timing for implementation ?

- When to implement taking into account pricing cycle ?
- How long should it take ? In one go or step by step ?
 - Quick : risk not to meet the target
 - Slow : risk of obsolescence
- Many criteria may influence the choice for a perfect timing :
 - Sales seasonality
 - Bonus calculation rules
 - People's availability for national or regional kick-off meetings

Should we have incentives ?

- Pricing projects often come with more constraints. We might be tented to motivate Sales with incentives
- A way to look at the question :
 - Are we improving the way they do ?
Yes ? no incentives...
 - Are we changing the way they do their job ?
Yes ? Incentives...

Evangelization

- What are the most effective ways to communicate and train ?
- "Must have": kick-off meetings and tutorials
- "Better to have": Trainings with dedicated resources, E-learning, hotline...
- "Best to have": on field coaching (with defined key users / « evangelists »)

Our choice :

Windows for change in pricing processes are constrained by price increase periods (1-2 per year), as we want our Sales reps to focus 100% on price increase negotiations. Change in pricing processes always comes with some risk on the sales side. In order to **limit risk** (in a high seasonality market like ours), we avoid a project implementation during sales peaks. Any slowdown should be limited to low sales periods.

Because of the nomadism of our sales force, they meet rarely and organizing a **kick-off meeting** might be a problem. We also consider the impact on bonus scheme of any change in pricing processes.

Our choice :

We don't use incentives to support change new pricing processes implementation.

Since change in delegation process was designed to drastically save time, additional incentives seemed useless and **redundant** in this case.

You should always answer the question « what will sales reps gain by doing it ? ».

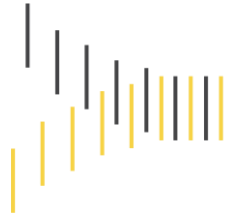
Our choice :

We developed many different materials to explain what to do but the most effective one seems to be on the field Sales coaching. We did it via key users among Sales representatives and in organizing local trainings with small teams, taking as examples real customer cases.

There is
no perfect
timing

Sales reps
should **benefit**
from it

On the field
coaching



Implementation

What is the perfect timing for implementation ?

There is
**no perfect
timing**

Should we have incentives ?

Sales reps should
benefit from it

Evangelization

**On the field
coaching**

?

What about you?

10 min talk



Thank you !