

PEARSON HAM GROUP

THE PRICING SPECIALISTS



Excellence in Execution: The Five Essentials for Implementing a Successful Price Increase.

By Senyo Aidam

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You've laid firm foundations for your upcoming price increase - understanding what customers are prepared to pay and how the market is likely to react ([Read our article here](#)).

Now for delivery.

Implementation is not as straightforward as people think – there are several elements to carefully consider if you're looking to maximise the value of your price increase and avoid problems. So, what have we at Pearson Ham Group learned about how to make a price increase successful?



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You can't run a profitable business or invest in the future without price increases. Inevitably, you'll meet resistance which will erode all or part of your expected benefits. Some customers won't think the rise is justified, frontline sales staff might even feel the same, and will find ways to express their disappointment by switching to another supplier or choosing cheaper alternatives.

Rising inflation has made customers readier to accept price rises. But, as inflation begins to slow, convincing customers is going to be more challenging. In turn, staff may be tempted to either ignore the increases or water them down to appease disgruntled buyers, especially if competitors are circling with discounts and offers. So how do you make sure each increase you put through counts?

The five essentials for implementing a successful price increase:



1. Sincere, Personalised, and Precise Customer Communications



2. Strengthen Frontline Readiness



3. Proactively Manage Reactions and Negotiations



4. Build and Strengthen Relationships



5. Monitor and Track





SINCERE, PERSONALISED, AND PRECISE CUSTOMER COMMUNICATIONS

Make a clear and honest case for why you need to raise prices. Viable justifications typically fall into two categories:

- **Increased value.** Explain how you have been (or will be) investing in innovation, service improvements and infrastructure upgrades, all of which will ultimately benefit the customer.
- **Cost challenges.** Explain you have to pass on some of your rising costs to customers. For example, raw material cost increases, the need to increase salaries to help staff through the cost-of-living crisis and compete for scarce talent. Customers who value your product or service won't want service/quality to drop, so the rise is ultimately in their interest.

Articulate your message and make the most of visual cues to direct and reinforce your justifications. The latest developments in behavioural science can make a significant difference in framing and communicating the 'story'. We'd be more than happy to share our behavioural science principles to help support your communications – ([contact us to find out more](#)).

Also, choose your communication channel carefully to drive the desired outcomes. The messaging works best when it's personalised. Broad segment-focused messaging may also be appropriate, but it's important to make sure the messaging is relevant for all customers in that segment. For example, saying that you're investing in a state-of-the-art weight-lifting floor is of little use if the customer you're messaging has only ever used the spa.

Other potential minefields include offering freebies to soften the blow of the price increases. If the increase is well justified, this should not be necessary. Plus, the customer may not be interested in the offer and prefer to pay the price they had before without any extras. Save these tactics for your reactive tool kit.





STRENGTHEN FRONTLINE READINESS

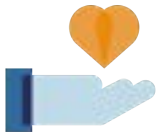
Frontline staff will have to roll-out the price rises so they need to understand why the change is necessary and be ready to champion it. The risk is spending months gaining insights into what customers value and are prepared to pay, but not considering staff sensitivities. Without staff buy-in, they may try to find ways to minimise or work around the increases through discounts or encouraging downgrades.

The starting point is sharing the analysis and rationale with your frontline teams, ideally at a deeper level than communicated to customers. Putting them in the know won't just help to ease concerns, but also demonstrate how much you trust and value them. You can also highlight the potential benefits – higher prices make it easier to reach revenue targets, for example.

However well explained, the price rise is still going to be tough on the staff bearing the brunt of the initial customer frustration. Listen to their concerns and help make life easier by sharing successful responses to customer objections. You can also show that you recognise the extra burden by offering more breaks, free lunch, more socials – anything to improve morale, especially in a call centre.

Check for any system workarounds that staff could exploit to erode the value of the increase. You can support this by building price level targets into performance objectives and incentives.





BUILD AND STRENGTHEN RELATIONSHIPS

On the B2C side, prime all your marketing touch points for the impending rise. Avoid provoking loyal existing customers by shouting about new customer offers and discounts. Quieten down your above-the-line marketing and substitute with more targeted direct-to-consumer campaigns.

On the B2B side, engage closely with customers to develop a better understanding of the challenges they face and explain the cost and margin issues you're coming up against. This will help to prime customers for price increases to come. The big mistake is just showing up when you're raising your prices. You should also avoid making yourself a hostage to fortune by promising that future increases will be lower to get this one through – we hear these promises so often, and you truly never know.



MONITOR AND TRACK

Develop KPIs to track movements in pricing and customer sentiment as they happen. Rapid KPI generation will help determine whether the strategy is working in practice, so you can intervene quickly. You can also use the KPIs to share wins and build confidence and momentum within your organisation.

Assemble the right stakeholders to review incoming data and make timely decisions. This expert team can also judge the longer-term lessons from the increase and how to build these into future rises.



IMPROVE PRICE INCREASE PROFITABILITY BY UP TO 25%

It's not just your revenues, but also your credibility with staff and customers that depend on making a success of price increases.

When executed effectively, these five essentials will help build organisational buy-in and bolster the effectiveness of the increase you task your teams with delivering.

Get the execution right and you could add 20% - 25% to the net benefit associated with your price increase campaign.

Get In Touch

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