

# Price Performance Lesson from Alexander the Great

*In this article, the author explains that, when it comes to value pricing, the source of value is not in what you do, but in what the customer receives. Per Sjöfors is the Founder and CEO of Atenga, a global pricing and customer intelligence consulting firm. Prior to Atenga, Per had more than 25 years of executive management experience, and has founded and built a number of successful, and very profitable, sales and marketing companies in Europe and in the US. Per also co-founded the industry association G-SAM, and has published a number of articles in industry press. He is a sought-after speaker at conferences. He can be reached at per@atengacorp.com.*

The first question that Alexander the Great asked when he came to the temple of Jupiter at Luxor was ‘What causes the Nile to rise?’ Julius Caesar said that the one thing he most wanted to know about the world was ‘Where was the source of the Nile?’ The Nile was (is) arguably the most important river in the world; it is certainly the longest. But while “everybody” knew about it, the location of its headwaters was not discovered until 1859, and these explorations and the controversy that surrounded them cap-

tured the imagination of the Western World for much of the middle part of the 19th century.

Similarly, “everybody” knows that it’s important to sell value rather than price.

Some consultants even go so far as to list the elements of value (the same for everybody): quality product, prompt delivery, low price, good service, a knowledgeable staff. The problem with this approach is twofold. First, if everyone is offering the same drivers, buyers will make their decision based on price. Second, it ignores the concerns that individual buyers bring to the buying decision.

**People do not pay premium products and services because of what the products do. They pay for products and services in order to solve a problem, or to generate a result.** They make the effort to seek out a solution, or they respond to solicitations, because they have a vexing concern, and need to get it resolved. Trying to spin generalizations about value, quality, good service into a defensible pricing strategy is doomed to defeat. There is a better way.

Talking about value in such a generalized fashion is not helpful. It’s often trivial. Many management teams tell themselves that value is what they talk about. But, all too often, they present it in terms that almost anyone could use. **The secret starting point is not in the focus on value as an abstraction. It’s the control of the sales process to drive focus on the customer’s problem, and your ability to solve it.**

When I was a young salesman selling computer services, I would often have sales conversations that began with the prospect saying “We need a report that ...” I learned very quickly that a proposal for a system that produced the report the user described rarely won an order, even

when it reduced the cost of preparing the report, promised less errors, and could be done much faster. And often, when it did, the customer was often unhappy with the result.

I learned that I needed to probe deeper. “Why do you need the report? What problem are you trying to solve?” I learned that the customer him (her) self usually knew they had a problem, but struggled to describe it in a useful way. To get at the real problem—the headwater for his/her perception of value — I had to control the sales conversation, ask the right questions, dig deeper, and uncover the real problem that would get the prospect to buy.

I’d like to say I figured this out on my own, but the fact is that my manager was singularly helpful. Week after week, in our one-on-one meetings, I’d walk in with a pipeline and tell him why I was going to beat the heck out of quota. I’d explain how this customer wanted this report and would pay an acceptable price for a system that would prepare it for him. I’d tell him how much it was costing the customer to prepare the report now, and how the savings were so compelling that the customer was certain to buy. And, week after week, he’d ask me the same questions (I guess I was a slow learner). Why does the customer need the report? Who else reads it? What problem does it solve that is important to the company as a whole? Who owns the problem? What happens if they continue to prepare it manually? How can we make our solution so compelling that the customer will pay more than he’s being offered from a competitor?

Finally I learned the location of the headwaters of price performance. I learned that the source of value is not in what we did, it’s what the customer received, which was a very different thing.