



# PRICING IN B2B MARKETS USING SIMALTO



## FINDING OUT WHAT PEOPLE VALUE

Finding out what people value lies at the very heart of successful pricing research. Yet establishing the value that people place on the goods and services they sell is one of the most difficult tasks for the business-to-business marketer. If they pitch their price too high then quite clearly they will lose out to the competition. Equally, if the price is too low, the company is in danger of leaving money on the table for the customer.

For most b-to-b marketers, finding the right price is a judgment which many get badly wrong – usually charging too little because they don't realise the value of their offerings. What we really need is a tool to help us measure *value*.

Three main tools exist for measuring value. Each has its own merits and may be utilised in different circumstances

## THREE TOOLS FOR MEASURING VALUE

### POINTS SPEND

A very simple approach is to present the buyer with a list of the benefits and ask him/her to indicate their relative importance by spending a number of points according to which are most valued.

The points-spend gives a rough indication of how buyers see value in the products and services they buy.

This is a relatively crude and unsophisticated approach to researching price and value.

### CONJOINT ANALYSIS

This is a long-established technique used by market researchers for assessing the value of different elements of an offering. However, even with relatively simple conjoint concepts it is necessary to interview a minimum of 200 respondents in order to obtain an accurate result, and most statisticians would look for at least twice this number.

Conjoint analysis is not, therefore, without its problems for the business-to-business researcher.

### SIMALTO

The third and most powerful tool we recommend is SIMALTO. SIMALTO helps you to understand how your offering is valued, and can be an essential tool in investigating value in business-to-business situations.

To get a better idea of how SIMALTO can be used effectively in pricing research, read on...

## What Is SIMALTO?

SIMALTO is an acronym for **S**imultaneous, **M**ulti-**A**tribute, **L**evel **T**rade-**O**ff.

This tool presents interview respondents with a series of criteria and asks them where they would like to see improvements and how much they value these improvements. It does this using a grid.

## The SIMALTO Grid

Respondents are shown a **grid** (either through a website or faxed through) showing product or service issues.

For each issue, the respondent is shown different levels of service or features. They range from low levels at the left to high levels on the right. Accompanying these “levels” are **text descriptions** of what the service or product offering represents (this is useful since it helps to contextualise service levels in terms of real-world coordinates, rather than as abstract, numerical values).

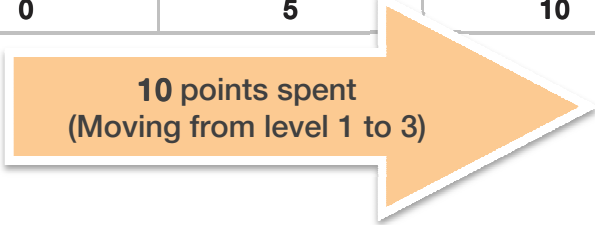
Services	1	2	3	4
<i>1. Face-to-face visit from salesperson</i>	We never receive a visit from a salesperson <b>0</b>	We receive an annual sales visit <b>5</b>	We receive a quarterly sales visit <b>10</b>	We receive a monthly sales visit <b>15</b>
<i>2. Knowledge of sales staff who visit you</i>	They know next to nothing about their products and the industry <b>0</b>	They have a basic understanding of their products and the industry <b>5</b>	They have a good understanding of their products and the industry <b>10</b>	They are experts in their products and the industry <b>15</b>
<i>3. Authority of the sales staff who visit you</i>	They have no authority and everything is referred back to their head office <b>0</b>	They can make minor decisions without referring back to their head office <b>5</b>	They are able to make most of the decisions on their own and without referring back to head office <b>10</b>	They have the ability and authority to make all the decisions themselves without referring back to head office <b>15</b>

## The Mechanics Of SIMALTO

- Respondents are asked to **choose issues regarded as most important** (the greyed out boxes down the left).
- For each of the issues that have been chosen, they are then asked what level of service (from 1 to 4) they are receiving from their **current supplier**.
- Next they are asked what their **ideal level of service** would be for each of the issues (from 1 to 4).
- The final stage of the SIMALTO interview is to ask respondents to **spend points** to theoretically “improve” service issues.

### For Example...

Services	1	2	3	4
1. Face-to-face visit from salesperson	We never receive a visit from a salesperson 0	We receive an annual sales visit 5	We receive a quarterly sales visit 10	We receive a monthly sales visit 15



10 points spent  
(Moving from level 1 to 3)

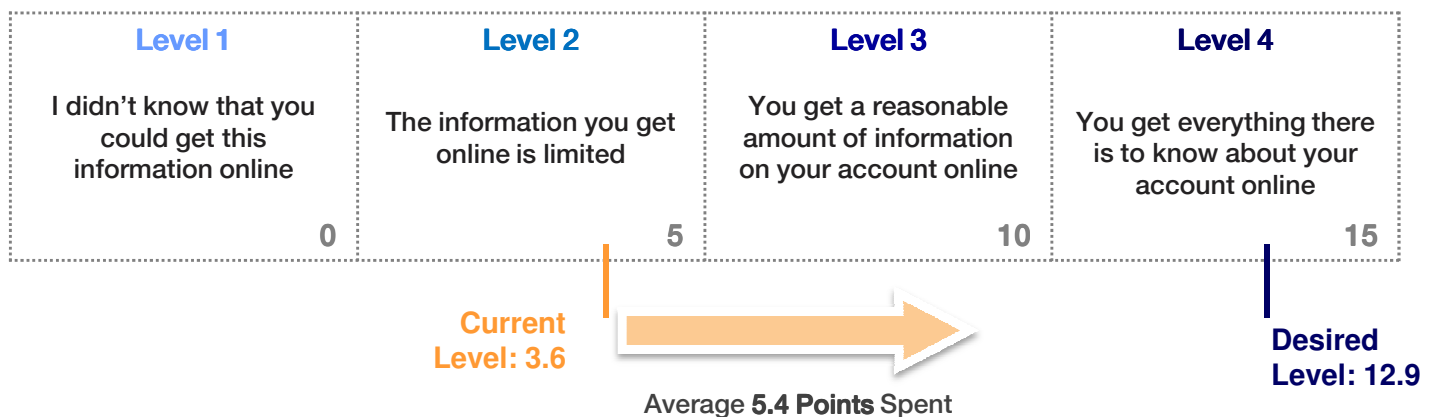
Current Service (1)                      Ideal Service (3)

- In this example, the respondent has chosen the issue “Face-to-face visit from salesperson” as an **important issue** in the first instance.
- They have given the level of service from their **current supplier** a “level 1” rating – that is, “We never receive a visit from a salesperson”.
- They have given their **ideal** level of service a “level 3” rating. In fact, the respondent regards this issue as important enough to allocate a limited number of points to fulfil this ideal.

## The Output From SIMALTO

- The output from SIMALTO enables us to see what levels of service people receive at present and what level they would like (desired level).
- The **points that people spend** to get from one level to another is an indication of the **value** that they place on these improvements and can be converted to dollar values.
- The example below shows (from an actual example) what people think of information they can obtain online and what they would prefer. It is clear that they would be prepared to spend a significant amount (5.4 points out of 30 points) to achieve the improvement.

Question: “The ease with which you can receive **online information** such as stock level reports and purchase summaries”



## Conclusion

Most business-to-business products and services have a price tag which is based on judgment. Too often there is no objective assessment of how customers value the different components of the offering. As a result, many b-to-b companies undervalue the products and services that they sell, and fail to capture sufficient value in their prices and their profits.

It is the responsibility of the marketing team to understand how the offering is valued, and this example has shown how SIMALTO may be the best option for investigating value in business-to-business situations.