

It Always Comes Down to Price — Or Does It?

Winning a price negotiation war with a customer

I had a prospect once whose staff sold billboard space. I suspected that the amount of sales training his group needed would cost about \$18,000. But when he asked me about price, I responded by asking *him* a few questions. First, what he thought the problem was and why he thought that problem was occurring. And second, what the impact of fixing that problem would be on his bottom line. This is when it got interesting...

He said improving his staff's prospecting success could add \$1 million in revenue, about 65% of which would be profit. Bingo! *He'd* just told *me* about the potential value to him of my training solution. With that information, I could more easily make a case that investing \$18K in training to generate a potential \$650K of profit was a great deal.

If I'd started off the conversation describing my sales training program and mentioning the price, what do you I would have heard? Most likely "that's not in my budget" or "we can't afford it."

I've never had a sales opportunity where price *wasn't* an issue. But by the same token, anyone who finds themselves continually pressured by customers to slash prices is probably making some mistakes in their sales process. Here are a few tips for winning a price negotiation war with a customer. .



Are customers undervaluing your solution?

I'll assume that you set a fair price for the solution you offer to your customers. If they spend a lot of time trying to negotiate that price down, then the real issue may be that they don't value your solution enough.

That's a problem that's your fault, not theirs. You haven't been effective enough at getting the customer to appreciate the benefits of making a

change—and the true costs of *doing nothing*—so they think the price you're asking is too high.

What can you do? Correcting this problem has to start with your earliest contacts with a customer, and be reinforced throughout the sales process. As paradoxical as it may sound, there are a number of places where you need to *slow down* your sales process so that you can help your customer buy faster. (This is one of the many reasons why the title of my new book is *Slow Down, Sell Faster*.)

1. Dig to expose more than one customer need. When you first contact a customer, don't stop probing as soon as they mention a first need. Spend more time talking to them, asking questions that will get them to talk about other problems they are experiencing, other opportunities that may be around the corner. The more problems and needs you (and they) identify, the greater urgency they will feel to make a change sooner rather than later.

2. Make sure the customer understands the full impact of their problems (or potential cost of missing an opportunity). My own customers ask me all the time for a ballpark price on the sales training I offer. I never answer that question until the customer appreciates what it is costing them to continue living with the problems they have—and what can be gained by improving the situation. I have to avoid diving into my pitch and instead get the customer to talk.

3. Link priority customer needs to your differentiators. Remember that buying criteria—the factors that will decide which solution the customer chooses from which vendor—are a subset of all the decision criteria. Any criteria linked to features or benefits where all the potential providers are substantially equal do not help the customer make a choice... so they disappear as *buying* criteria.

In your sales presentations and proposals, focus on the differentiators of your solution (where you are superior to your competitors). Make clear links between those differentiators and the customer's priority buying criteria. If they see that your solution can do a better job of solving their problems—and solve more problems—than your competitors' solutions, customers will be more likely to choose your option even if your price is somewhat higher.

You can reduce pricing issues by making sure you expose all customer needs and their impact, and focus on differentiators that link to priority customer needs.

5 Steps of Price Negotiation



Even if you follow all the steps above, chances are still good that your customers will ask for a lower price. Here is a five-step method that will help you deal with that part of the negotiation more easily:

1. Say to the customer, “What I hear you asking for is _____ [restate the request verbatim]. Is that correct?”

The customer’s first demand is often unreasonable and may come as a surprise. By repeating it back you achieve two goals:

- a) When your customer hears from you exactly what they just demanded, they may recognize that it is unreasonable.
- b) Gives you some time (even if just a few seconds) to think.

2. Ask, “Other than price, is there anything else we need to discuss?”

This isolates the demand and prevents the customer from “nibbling,” making additional demands after you have made concessions on the first demand.

3. Ask, “How much of a difference are we talking about?”

You need to know exactly what number the customer is looking for, and what factors they are considering in making the request.

4. Ask, “May I ask how you arrived at that number?”

Perhaps that’s the price your competitor quoted, perhaps their price demand is all that’s in their budget, or maybe the customer is not comparing apples with apples. Knowing how they came up with their price demand gives you an opportunity to fix any misperceptions and clarify the issue before you discuss discounting.

5. Depending on how the customer answers the previous questions, you have a decision to make.

If you decide to show *some* price flexibility, at the very least get something of value in return. “If I’m able to gain approval to

_____ [e.g., *per-unit pricing*], would you be willing to _____? [Mention something you would like from this customer—add-on services, consideration of other products, increased order size over a longer time frame, faster payment schedule, etc.]

Using the phrase “gain approval” suggests some flexibility but limits your authority, which may reduce the pressure on you.

Creating Urgency

Selling is the process of developing urgency in the mind of your customer to make a change *now*... preferably by purchasing your solution! And the more value they perceive in your solution, the less likely they will be to haggle extensively over price.

That said, you will always have customers asking about potential price cuts, so you also have to get better at win-win price negotiating. That’s how you can carry forward the customer’s momentum for change and increase the probability of completing a win-win sale—one where you don’t have to give away the barn to sell the horse.



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