

TEN GUIDELINES FOR DEALING WITH PRICE PRESSURE

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One of the most common concerns is how to negotiate against price and discount pressure. Such pressure typically is shown by customer comments such as:

- **“Your price is too high. You’ll just have to do better than that.”**
- **“You know you’re in a competitive situation. Your competitor can beat that price, what are you going to do?”**
- **“You’ll just have to show me more flexibility on your discounting. After all, we’re one of your most important customers, aren’t we?”**

When salespeople concede too quickly in these situations, they not only reduce the profitability of their sales, but also devalue their customer’s perception of the product or service.

Here are ten guidelines skilled negotiators use to deal with price pressure tactics:

Ten ways to deal with price pressure:

1. **Position around value**
2. **Compare value, not price**
3. **Build negotiating space into your proposals**
4. **Concede slowly and reluctantly**
5. **Exchange price concessions for true commitment**
6. **Avoid negotiating on price alone**
7. **Get to the real business need**
8. **Uncover the underlying personal needs which are met by price concession, and work to meet them**
9. **Uncover the whole rationale for the price/discount request**
10. **Use “limited authority”**

1. Position around value

Make sure you have strong, value-based positioning for your product or service, and can state it with conviction. Remember, as soon as you begin negotiating on pure price and discount levels, you are negotiating about the wrong subject. The key to maintaining price points in sales negotiations is having a clear, convincing “story” you can tell about the added value you will provide. When faced with true conviction on the part of the sales professional, many buyers will lower their expectations about the price concessions they can expect.



2. Compare value, not price

When confronted by price comparisons to competitors, it’s important to shift the focus to value comparisons.

Unskilled negotiators respond directly to customer comments about competitor pricing by asking: “What’s the price they’re offering you?” This is a mistake, because it shifts the focus to pure pricing and discount levels.

Skilled negotiators shift the focus to value comparisons. They influence the customer’s thinking about unique value received from their company’s product or service. They might say something like: “I know price is an important consideration. I’m committed to providing you a solution that meets all of your needs. I promise to come back to the price issue as soon as I’m certain that I fully understand your needs. In order to do that I’d like to explore.....”. This way the focus shifts

to the relationship between benefits and price not just price level.

3. Build negotiating space into your proposals

Structure your deals in anticipation of price or discount pressure, and leave yourself space when you hear client price resistance.

This may mean a higher initial price point. However, it should also mean consciously increasing the scope of your product or service offering by adding features to your proposal, which can later be removed at the same time you cut price. You can then offer to work with the customer to cut scope in an effort to meet the customer's true needs at a lower price. When a customer expects to *get* less by *paying* less, price pressure can be reduced.

Finally, some skilled negotiators anticipate price pressure by offering a number of options to the customer, each with a different price. Rather than getting locked into a negotiation over a single price point, this allows the customer to choose between options, each of which has a different price and scope.

4. Concede slowly and reluctantly

If you have price or discount space, do not give it all away at once. Instead, concede slowly and reluctantly. Inexperienced sales negotiators often ask their sales managers for authority to give an extra discount requested by a customer, then find that when they give it all at once, the customer asks for even more. A skilled negotiator who gets authority to give an extra ten percent discount only offers the client five, then concedes the rest slowly.

5. Exchange price concessions for true commitment

Inexperienced sales negotiators find themselves giving price or discount concessions, only to discover that they are confronted not with a closed order, but with even *more* price pressure. The customer thinks "I got 10% from them – I bet I can get more!"

When a customer asks for a price or discount concession, experienced negotiators deal with this by trading price concessions for

major commitments. It sounds like this: "If I'm able to get you the product at that price, we need to know we have a firm deal. Do we have your commitment?"

6. Avoid negotiating on price alone

Make sure price or discount is part of the whole package, not separate negotiation.

Do not negotiate all aspects of the deal, and then focus separately on price. Your customer must be clear from the start that pricing changes as the scope of your proposal changes.

7. Get to the real business need

When confronted with price resistance, ask for more data on the underlying problem solved by a price or discount concession, then work to solve it.

Skilled negotiators manage it this way: "I'd like to understand more about the issues surrounding the investment level of our proposal. Is it a budget problem (what if we spread it out over two budget years)? Is it a perceived value problem (what would it take to increase the perceived value)? Is it an issue of persuading your boss (how can we work together to sell the boss on the solution)?"



8. Uncover the underlying personal needs which are met by price concession, and work to meet them.

Sometimes a customer's request for a price concession represents a non-financial need, such as feeling of having "won" in the negotiation, looking good to the boss, or feeling more important than your other customers. Often you can meet these underlying person needs with other negotiables, and still maintain your price points. In such cases, search for "elegant negotiables" - those which have high perceived value to your customer, but low cost to your company.

9. Uncover the whole rationale for the price/discount request

If you give a price concession to a customer simply because they say your price is too high, you may find that your price is *still* too high after you make the concession.

On the other hand, if you get your customer to give you their complete and substantive rationale for the price or discount request, it makes it more difficult to justify further discount requests in the future.

10. Use "limited authority"

Skilled negotiators use "limited authority" to ensure that they do not have to commit immediately to price and discount concessions. The extra time you create by going back to the office to discuss your request with a higher authority can be time spent developing strategies for minimising the price concession you finally offer.

In addition, you will sometimes discover that the delay you are proposing is unacceptable enough that the customer is willing to settle at the initial price. In these situations, "limited authority" allows you to discover that price is not as big a barrier to closing the sale as you originally thought!

Price and discount pressure is an unavoidable part of selling in today's competitive environment. With good planning and an effective negotiation strategy you can minimise price concessions, and increase both your sales volume and profit margin.

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