

How Important is Price when Selling?

by John Chapin

This week price has been coming up a lot on my coaching calls with sales reps but there was one comment in particular that compelled me to write this article. In a story related to a sale he made last week, a rep said, “I told the guy, ‘Look, you just tell me where the competition is and I’ll cut my price to match it or beat it.’” After instructing him to never utter those words ever again for the rest of his life, he came back with, “Why not? It’s an easy sale every time. All I have to do is make sure I’m the lowest price and I’ll get the sale every time. Besides, this guy told me he buys solely on price so that’s the only way I’ll get the sale.” In the salesperson’s defense, he’s only been in sales for three months. That said, if I had a nickel for every time a sales rep, from newbies to veterans, told me they lost a sale because of price, or they couldn’t compete because of price, or used any other similar type of price excuse for not making a sale, well, I’d have a mountain of nickels.

The first thing I asked the sales rep is why we need him if all sales simply come down to price. If prospects buy on price, I could literally show up, having never met the prospect before, with the equipment they need, ask what price they’re willing to pay, and then sell it to them right then and there for that price. Or, they could call the company, tell the receptionist what they want and what they want to pay, and the receptionist could take care of that transaction. If that’s the case, why are we paying your salary, commission, and expenses?

Next, I asked the sales rep if the prospect eats the cheapest food, wears the cheapest clothes, drives the cheapest vehicle, and lives in the cheapest house. If he does, he might be a pure price shopper, but my guess is he doesn’t. Why? Simple, in any area where he doesn’t simply buy the cheapest, he sees the value in paying more. So, if he saw value in your product, you, and your company, he’d be willing to pay more for these.

Here are a couple of other factors that may make prospects appear to be price shoppers. First, price is the one thing on a proposal that’s in English. Your prospect does not work in your industry day in and day out, they don’t understand the subtleties, and they don’t know the true differences and value in features, functions, and other variables between products, companies, and sales reps. Second, most of us been conditioned to ask for a better price since we were little kids because we know salespeople are almost always willing to budge on price, at least a little. As a result, in order to maximize the price drop, the average prospect will tell a salesperson they are strictly price shoppers and if they want the business, they’re going to have to give the maximum price cut.

The reality is, people know that you *do* get what you pay for, and they realize that products, companies, and sales reps are different, but when price is brought up, what does the average sales rep do? They immediately cut the price as the rep in this story did. It leaves the prospect thinking that maybe there is no difference other than price. I mean if there was, why wouldn’t the salesperson tell them why theirs is more versus just cutting price? The reason is that the average salesperson is lazy and it takes work to learn the differences between what you offer and what the competition offers. It takes work to calculate the potential value and put that into a form that the average prospect will understand and resonate with. Finally, it takes work to find out what’s

important to each individual prospect, determine whether or not our product is right for them, and then, if they are, articulate value in a compelling way. Most salespeople don't want to do that hard work, it's simply easier to cut price versus make the case for why someone should pay more for what you have.

Look, if you have two different brands of product, there are differences between them which equals a difference in value and price. Even if you have the same exact product but it's being sold by two different companies, you have a difference in value between the companies and the individual sales reps. In either of the above scenarios, you've got to know the differences and articulate those based upon what's important to the prospect.

That said, is price a factor? Yes. Is it the biggest factor? Study after study shows only about 7% of the population truly buy on price alone. 93% of the time, when you have a price issue, it's because your product costs more and you didn't show added value that was equal to or more than the additional investment. So, if you do your job correctly by building value and tying it to the prospects needs and desires, while price will still be a factor, it will only trip you up about 7% of the time. And by the way, you don't want to deal with the 7% that truly buy on price anyway because true low-price shoppers are a nightmare. They are never satisfied. They will call you and e-mail you at all times of the day and night, on weekends, and during holidays, and your response will never be quick enough or good enough for them. They will show no appreciation for you and they have zero loyalty. Even if you've been dealing with them for years, as soon as someone beats you on price, they'll be gone. On the other hand, the people who buy value are usually the exact opposite of that. They are loyal and a pleasure to deal with. So, while it may be some work up front to identify and articulate your value, your life will be much more pleasant, and you'll be a much more successful salesperson if you do that work.

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