

WHAT DOES “WINNING THE SALE” REALLY MEAN?

By Troy Harrison

Recently, I was in the middle of a conversation with a business owner who has been achieving some admirable sales growth lately. He was bragging on his sales director, who, he said, had just “won a \$250,000 order by \$5,000.” When I asked him what he meant, he said that his sales director had put in a bid that was the lowest price – but by “only” \$5,000. I smiled and continued the conversation, but I was lost in thought.

You see, I don’t consider being the lowest price as “winning” the sale. Here’s why. To me, as someone who has been involved in and passionate about the sales profession for nearly 30 years, sales is a persuasive activity. That’s what I love about it. There’s nothing better in business than facing off against another salesperson, mano a mano, with the prize being a valued piece of business. To win a selling contest by persuading the customer that my solution is the BEST – that’s what I have lived for in my entire career. It’s gratifying emotionally, intellectually, and yes, financially.

I’ve never gotten that emotional charge by simply underbidding my competitor. When you get a piece of business simply by being the lowest price – even if it was a large piece of business and the margin of victory was small – all you’ve proven is that you’re willing to take the lowest profit in order to get the business. If there was persuasion involved, it was that you were no better than equal to the other competitors. You qualified. That’s all.

By now, you might think that I live in a fantasy world where no sales are decided by price. If so, you’re wrong; I do understand that some sales are decided by price, and that sometimes, you have to pencil-whip a piece of business to get it. I get that. I’ve been there. I’ve done that. And I’m not saying that you shouldn’t do it.

What I am saying is that **language matters**, and it’s important to be careful how you discuss these types of sales. When you celebrate a low-bid piece of business and refer to it as a “win,” (no matter how small the margin), you send the message to your salespeople that the way to “win” is to cut price. This is how sales forces lose the skills of actually winning sales through persuasive means, and become simple price-cutters.

When you do engage in low-price competitions for business, there are a few things to understand:

First, understand that price-selling is a **zero sum game**. Price selling is essentially playing chicken with your competitors to see who is willing to take the lowest profit in the interest of getting the business. The trouble with this approach is that there is (usually) a bottom beyond which price can’t be cut. Years ago, I cost one of my competitors about \$200,000 through one of these situations. There was an online ‘reverse auction’ for the services with a large customer, and each of five competitors could bid. We knew going in that we weren’t willing to be the lowest price, so we decided to have some fun. The rules of the auction allowed us to lower or raise our bid at any point, so I did a little trick. We put in an absurdly low price, watched our competitors go down into the dirt to try to match us, and then with 60 seconds left we pulled our bid and dropped the business on a competitor. Over the 5 year contract, they lost about \$200K on servicing the business. To this day, the owner of the company growls when he sees me.

The point is that you must be willing to walk away from bad business. That brings me to my second point. **Bad business doesn't get better.** Every sales manager has had the experience of having a sales rep come to us and say, "Hey, boss, I know this deal looks bad now, but it will get better over the long haul." The trouble is that it doesn't – when business is sold based on bottom-dollar price, it stays at bottom dollar.

The third point is that **low price customers tend to be unhappy customers.** When I was in the car business, we had a saying – "The higher the profit, the happier the customer." It was true there and it's true everywhere else. That's because a higher-profit customer has been well and truly SOLD. They have bought into you, your products, and your services, and a good foundation for a relationship has been established. "Bid wins" seldom have that quality.

Fourth, **Bid 'wins' aren't loyal.** Keep in mind – if the reason they went with YOU is a low price, that's going to be the reason you'll lose them, too. Someone, somewhere, will pencil-whip the numbers and come up with a lower offering, and then you're out the door.

And finally, **Bid 'wins'** set a bad example. Every sales manager, or business owner, works on his/her sales team to get higher prices – but you lose the moral authority to do so when you do lowball pricing. You lose it MORE when you celebrate those 'wins.' Remember, your example influences your salespeople.

So, how do you thread the needle between the sometimes-necessary practice of low-bidding, and still trying to maximize your profit?

First, keep low-bidding to rare and important circumstances.

Second, have clear and justifiable reasons for low-bidding.

Third, recognize that you haven't really built a true "relationship" with the customer, and manage accordingly.

Finally, don't celebrate as if you really WON a sale, so as not to send incorrect signals to your sales team.

Keep those concepts in mind, and you'll be able to occasionally grab a low-bid sale while still retaining the ability to have your salespeople achieve good profits.