

Fighting a Price War

This is a war, a price war. You're fighting an enemy, a pernicious challenger to your profitability. The battlefield is in your customer's head. Your opponent is price-shopper thinking.

The enemy is NOT the customer. It is the thought process that causes them to make buying decisions based solely on price. To help you understand the enemy, look inside the price shopper's mind to study this thought process.

Why shouldn't I shop price—everyone else does?

One-in-six buyers is a true price shopper. This means price is the issue. There is another group of customers for whom price is an issue but not the issue. There is another group, value-added shoppers, for whom price is less important because they focus more on return than investment.

Why shouldn't I shop price—salespeople promote their cheap prices?

In a recent study of price concessions at the nation's largest retailers, 80% of the customers that asked for a price concession got it. In our research of industrial salespeople, three-in-four cave in when the buyer objects to price. So, who is creating all this misery?

Why shouldn't I shop price—I don't see a dime's worth of difference between suppliers?

When salespeople fail to differentiate, they live with price resistance. One study found that 82% of salespeople fail to stand out from the crowd. Another study found that two-out-of-three customers can't discern the difference from one supplier to another. How can you reasonably expect to charge more if you don't stand out in some fashion?

Why shouldn't I shop price—it's just good business?

Extracting the last bit of blood from the seller may sound like sharp negotiating, but customers who feel their suppliers should operate as non-profit organizations are shortsighted. When sellers realize they could earn a greater return on their inventory dollars by investing in government securities, customers should worry. Who will supply customers if these sellers tire of the battle?

Why shouldn't I shop price—everyone else gets a better deal than I do?

This suspicion is the unfortunate outcome that price selling causes. When a supplier develops the reputation as a "deal house," it creates a customer base that never feels that they got the best deal.

Why shouldn't I shop price—I need to look out for number one?

This attitude reflects the thinking of a customer that sees the supplier as the enemy, or at best, a necessary evil. When buyers and sellers partner, their mutual benefit is a top priority. Equity is a two-way street. If it's not equitable for both parties, it can't be a long-term win for either party.

Why shouldn't I shop price—especially when I work harder to buy than the seller works to sell?

If the seller is taking orders versus creating opportunities, it's difficult to dismiss this point of view. Order-taking salespeople are nothing more than a conduit through which the product passes from manufacturer to consumer. If no value is added, you cannot reasonably expect to be compensated for it. If your company is nothing more than a satellite warehouse for the manufacturer, you have little ground to defend.

Why shouldn't I shop price—I never pay retail for anything?

This sounds good in negotiating texts, but in the real world there are times you will pay retail if you want something in a hurry and the competition is sparse. This thinking reflects a negotiating attitude that there is always a better deal to be achieved somewhere else. Big Box superstores and "value-pricing" advertisers create their own misery when they promote their prices as the cheapest in town. They make a covenant with the community that they will always be the cheapest. So, where do they make a profit? It must mean that they squeeze their suppliers for a better deal.

This enemy, price-shopper thinking, can be defeated by right-thinking salespeople who focus on contributing maximum value so they can extract maximum value from their customers. In this type of relationship, investing always precedes extracting. This is the basis for equity.

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Next Value-Added Selling public seminar is June 14-15, 2016. It is presented by Tom Reilly and Paul Reilly. Call to reserve your seat. 636-537-3360.