

WHAT IS A FAIR PRICE?

When it comes to price objections, your attitude and beliefs are greater obstacles than a low-ball price competitor. After training over one hundred thousand salespeople I'm convinced that how you perceive your selling price influences the buyer more directly than another company's attempt to buy the business. Sounds harsh, doesn't it? It's reality.

What are these attitudes that so negatively influence the sale?

Fear of losing the business. Many salespeople have deluded themselves into believing that if they do not cut the price they will lose the order. Here's a thought: maybe the buyer is bluffing about being able to buy it cheaper somewhere else. Maybe it's better to lose one sale on price than to have your discounting ruin the profitability for your whole territory.

Easier to cut the price than work for the more profitable sale. Whoever is better prepared for the price objection will negotiate from a position of strength? If you're better prepared to handle an objection than the buyer is to give it, you will be able to hold the line on your prices.

On the other hand, if the buyer is better prepared to hand you the objection than you are to respond, you will probably cave in on price. Here's a thought: how much effort does it require on your part to sell greater volume in other places to compensate for the lost net profit on the one deal?

Lack of skills or knowledge for selling at higher prices. No one ever taught you how to sell profitably! This is the most understandable of the four. Learn more about what you sell and the impact it has on the customer's world. Let your natural excitement for this solution carry your presentation. Passion sells and enthusiasm is contagious.

Guilt, perception of greed, and the sense of fairness. This is the most frustrating for me as a sales trainer to deal with because it's so arbitrary. Many salespeople have difficulty selling at higher prices because they feel guilty charging the buyer that price. Psychologists characterize this phenomenon as the "sense of fairness" syndrome. Each of us possesses an arbitrary sense of what's fair and what's not. When we go beyond our standard of fairness we begin to feel uncomfortable. We feel that we're taking advantage of someone.

I've been unable to determine with any precision what's fair and what's not. When I ask this question in seminars I generally hear vague answers that contain the word "reasonable." Upon further questioning I attempt to nail down "reasonable" and no one can give me a specific number. Is twenty-five percent profit margin acceptable? How about thirty-five percent? Does fifty percent go beyond the pale? No one can tell me what it is, but they all know what it is in his or her gut.

One group of very successful salespeople told me that they didn't know if they were gouging the customer until they first determined their profit margin. This is another way of saying that if you charge the customer ten dollars for something and your cost is nine dollars you're probably okay in asking for that price. On the other hand if your cost is three dollars, you're gouging the customer because you made "too much profit."

Both examples ignore the obvious. What impact does your solution have on the customer? How have you made his life better? Here's a news flash: buyers don't care about your costs. They only care about what it means to them. In the words of a major airline CEO to Boeing Aircraft, "I don't care what it costs you to build an airplane. I only care what it costs me to buy and operate it."

If buyers really cared about your costs, you would never have difficulty pushing through price increases. Their compassion and understanding would grease the wheels for you. Try taking that to the bank. In buying and selling, there is a simple principle at work: equity. If buyers feel that they are getting as good as they are giving, they will stand in line to buy your product and bring their friends. If you concentrate on giving the buyer as good as they are giving you, you will get what you want and then some.

Author byline: Tom Reilly is a professional speaker and author of twelve books. Tom is literally the guy who wrote the book on *Value-Added Selling* (McGraw-Hill, 2010), the book that started the value selling revolution. For more information on Tom's presentations, training, and products, visit his website www.TomReillyTraining.com or call his office, 636-537-3360.