

Price Equals Perception



How to turn a “price” buyer into a “value” buyer

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Has a current or potential customer ever told you, “We view your product as a commodity, and we buy it strictly on price?”

How do you react?

First, let’s think about what a commodity is. A “commodity” is any item about which there are no discernible differences, one from another. The truth is, there are very few genuine commodities in this world; people just view them as such.

However, if you concede to the idea that your product is a commodity, you give away your competitive edge and ability to differentiate your product and, therefore, receive a higher price. That’s why the job of the salesperson is to know how and why his or her product is different, why those differences are important to the customer, and how to effectively communicate that to the customer.

Let’s even go so far as to say that your product truly is a commodity. Even so, that doesn’t mean your customer will not pay you a premium price for your product. The fact that your customer is buying your commodity from you and not your competitor means that the *deal* is different even if the product is not.

Your customer will pay you a premium price if you are better to do business with. Perhaps you provide better service, give more care and attention to customer needs, offer quick response time, are less of a hassle to place an order with, have less (or more clear-cut) paperwork, are closely located, share the same business philosophy, or have a compatible way of doing business (shipping, receiving, documenting). In fact, customers will not only pay a higher price to one vendor than another for a commodity item, they will even pay the *same* vendor a higher price for the *same* item. Examples are paying more for cold beer than warm beer at a supermarket or liquor store, or buying box or general-admission seats instead of bleacher or standing-room-only seats to a ballgame or concert that you can see or hear anyway.

There are many everyday examples of situations in which people buy items at inflated prices, or at least higher prices than they could have paid elsewhere. These include borrowing \$10,000 to buy a car through dealer financing rather than bank financing and paying a higher interest rate through the dealer because it was “quicker” or “easier;” buying virtually anything at a convenience store or in an airport; regularly buying a newspaper at a newsstand instead of subscribing; drinking at any bar or oasis; or having room service instead of the same food in the hotel restaurant.

There are comparable examples in business, such as the corporation that pays higher than prime interest rates to the bank for the money it borrows; that uses company credit cards for gasoline purchases; that buys office, shop, plant and warehouse supplies from the vendor that delivers daily or that will bill the company; that buys first-class airplane tickets for corporate executives; or that has box seats at the ballpark for customer and employee use.

Tricks to Get You to Cut Your Price

The reality is that customers don’t buy on price. They often think they do. They almost always tell you they do, but it doesn’t *mean* they do. Let’s talk about some of the things that customers do to try to get you to cut your price.

They give you the “stiff arm.” A customer is giving you the stiff arm when he tells you, “We can only pay so much money,” or, “We can’t pay any more than \$8 for this product.”

When this happens, always respond with the question, “How did you arrive at that figure?”

Invariably, the customer will say, “Because my boss said so,” or the engineer, or the guys out in the shop, or whomever. In effect, he is identifying for you the people who are making the decisions to buy your product. Your trick is to get to that decision-maker. That, of course, is known as “back-door selling.”

“I can get the same stuff down the street, only cheaper.” When a customer tells you this, the first thing you need to think about is: Can he get the *same* stuff? Things aren’t necessarily always the same. They are often just similar. For example, yours is blue and your competitor’s is black. The customer can’t *really* get the same stuff; he can only get similar stuff.

The next thing your customer will say is, “It doesn’t make any difference; I don’t care what color it is.” He will try to negate your difference. But often, it *does* make a difference, and a good sales rep will point out why. Frequently, minor differences are *very* significant differences.

But what if you do have the same stuff, or the minor difference really isn’t important? Your customer may say, “You are just selling a commodity. You’re selling copper pipe, and it’s half-inch rigid copper. One guy’s is just like another guy’s. In fact you and your competitor both buy from the same manufacturer. Everything is identical about it, and I can get it cheaper down the street.

How should you react to this? Agree that you have the same stuff, but that doesn’t mean that it’s the same *deal*. Even when your competitor has the same stuff, your cus-

tomer may very well prefer to buy it from you because you are easier to do business with, you are close by, your billing procedures are better, you have better operating hours, your people are friendlier, you have same-day order turnaround or whatever.

When a customer tells you, “I can get the same stuff down the street, only cheaper,” he might be able to get the same stuff, but he’s not going to be buying it from the same company. What your customer is really telling you is, “I want that guy’s price, but I want the way you do business.”

However, the next thing the customer will say is, “Yeah, but that doesn’t make any difference. Those guys are just as good as you are.” But the customer knows they’re not; that’s why he is spending time talking to you. If the customer really thought those guys were so good, he would be talking to them and not wasting time talking to you. The trick here is this: When you’ve got a customer telling you, “I can get the same stuff down the street, only cheaper,” and particularly if you *know* this is true, *waste a little of his time*. When you’ve got a customer who’s telling you he can get it down the street cheaper, and he knows he can, he is not going to let you waste much of his time.

“We are very happy with our current vendor.” How do you handle a potential customer telling you this? Well, he may be telling you the truth. However, if it is the truth, then there is a high degree of unlikelihood that you’re going to

get a sale, and he will probably run you off. So the criterion to use, once again, is waste some time. If the potential customer is really very happy with his current vendor, he won’t let you waste his time. But, if he talks to you for very long, he’s really signaling you that he is probably not as happy as he is saying, which means you probably have something other than low price that he *is* interested in.

“Your prices are too high.” When someone tells you this, your reaction should be, “Well, of course we’re higher than anybody else. And I’m very proud of that. Let me tell you *why* we’re higher.”

When you acknowledge openly and honestly that your prices are higher than someone else’s, you trigger the “the-hell-you-say” mentality: “The hell you say. Where do you get off getting that kind of money?” When you tell someone knowingly, openly and honestly that your price is higher than somebody else’s, you trigger the most open, receptive and responsive mentality to receiving a sales pitch that you can possibly trigger in a customer. Remember, price makes a statement. Price makes a credible statement. Low price makes a negative, diminutive, derogatory statement, and high price makes a positive, salutary, credible statement. You tell somebody your stuff costs more; they’re going to believe you. The only thing they’re going to want to know is *why* or *how* you get off getting that kind of money. That is your opportunity to sell.

Buyers Need

- A. Reinforcement of the idea that they are doing something – cutting a deal.
- B. Respect and power. Feed their ego. Defer to their position.
- C. Help or guidance on complex purchases.
- D. To buy what they are told to buy (occurs in excess of 30 percent of items bought).
- E. To get what they buy – quality, quantity and timeliness.
- F. To avoid shutting their place down for lack of parts/materials equipment.
- G. To minimize inventory carrying costs (just-in-time delivery).
- H. In most cases, to buy from a technically current and financially sound vendor.
- I. More certainty on “A” items vs. “B” or “C” items.
- J. Production-capable vendors (capacity).
- K. Sometimes, technical capability and design assistance.
- L. Courtesy, speed and accuracy of vendor sales reps in:
 - 1. Accepting orders and answering questions.
 - 2. Responding to order problems or delays.
- M. Speed and accuracy in invoicing.
- N. Vendor order and sales service department help.
- O. Oftentimes, two or more vendors.

Buyers Like

- 1. Easy job – “no brainer” – automatic relationship.
- 2. Reliability – history from a relationship.
- 3. Predictability – based on history.
- 4. Flexibility and responsiveness to needs.
- 5. Short delivery times and on-time delivery.
- 6. Help reducing costs or realizing savings (at least on paper).
- 7. Knowledge that vendor has history of breadth and depth in their quality programs.
- 8. Total product offerings.
- 9. Thoroughness and follow-through on sales rep’s part.
- 10. Willingness of sales rep to “go to bat” for buyer if problems arise.
- 11. Service reps who know their product line.
- 12. Sales reps who know the buyer’s product line.
- 13. Sales reps who are prepared for their sales calls.
- 14. Sales reps who make regular, predictable sales calls.
- 15. Technical education about what they are buying, if relevant.
- 16. Infrequent short shipments.
- 17. Ease of interpretation of vendor price lists/quotes.
- 18. Early notice of shipment problems.
- 19. Advance warning of discontinuance of items.
- 20. Understandable and legible shipping documents.
- 21. A low price

They change the quality, service or delivery agreed to after they've signed a contract with you. This is a really nasty way to try to get a discount or price break. The way a customer does that, almost always, is to call you up. He won't look you right in the eye or visit you personally because he knows you ought to punch him out because he's just trying to beat you. So, to avoid that possibility, he'll call you up and (almost always) he'll have this nervous laugh, and (almost always) it goes like this: "Hey, ha-ha, you know that stuff we set up for 30-day delivery? My boss said we've got to have that by Thursday. That won't be any problem, will it? Ha-ha."

You, being a born sales rep and not knowing the first thing about telling someone "no," are then supposed to say, "Oh yeah, we can do that."

What has your customer done? He just euchred you out of expedited delivery at unexpedited prices.

How should you handle that? Simple. If you can deliver at the earlier date, simply say, "No problem. We can get it for you by Thursday, but that will cost you 10 percent extra."

They lie about how much they're going to buy. How do you handle the liar? Easy. It's known as a "slam dunk." You simply ask, "Are you ready to sign a contract for that many?" When you've got a bald-faced liar, *go after the sale.*

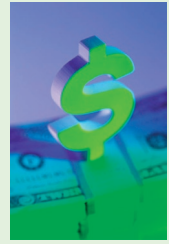
They give you the "buyer's slam-dunk." The customer says, "I don't have time to listen to you sit here and tell me how wonderful your company is (or your quality or your service). Just give me the price." Or he'll go even further and say, "You want a shot at this order? You better give me your best quote, and you better give it to me right now."

How do you handle that kind of situation? Slam-dunk him back. When you've got a customer who says, "I've got to have your rock-bottom quote right now," respond by asking, "Can you commit right now?" Understand the logic of the slam-dunk. If you've got a customer who says, "Look, we buy strictly on price. I know everything I need to know about you, your company, your product and everything else. The only thing I don't know is your price, and I've got to have your best price right now," then as soon as you give him the price, he should be able to commit. Put the same pressure on him that he puts on you.

They ask for throw-ins. A teacher of negotiation seminars for people who do buying likes to instruct buyers to ask for throw-ins. He calls it "nibbling." For example, you are buying a car, you've negotiated your best deal and now you're ready to buy, but you don't want to pay too much. So, just as you get ready to sign the contract to buy the car, you say, "Now where do I sign?" Then you pull the pen off the paper and say, "Now that will come with a full tank of gas, won't it?"

What red-blooded sales rep is going to say "no?" The typical sales rep would not want to queer the sale of this new car over \$20 worth of gas, so you know what he's going to say: "You bet, you bet; I'll fill it myself."

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A good nibbler, at this point, won't sign the contract. Instead, he'll say, "Fine, I just want to be sure about that. Now, let's see. Oh yeah, one other thing. My wife wanted to know if you'd throw in a couple of free floor mats."

When you have a customer who starts nibbling, you either have to say "no" or you have to ask for the order with a slam-dunk.

No is your best answer. When he says, "This will come with a full tank of gas, won't it?" just say "no." Because then you are putting the same pressure on him that he tried to put on you. Is he willing to run the risk of not purchasing this car over \$20 worth of gas? Are you crazy? He'll buy the car anyway.

But, if you can't say "no," your answer must be a request to close the deal. For example, when he says, "Now, this will come with a full tank of gas, won't it?" you say, "Boy, you drive a tough bargain. But I'll tell you what: You sign the contract right now and I'll get you the gas." Understand the nature of the slam-dunk. It will hold you in good stead against nibblers.

They do something crazy. I'll never forget a purchasing agent telling me, "You know, I keep an old stack of paper on my desk. When the sales rep gives me the price, I say, 'What? Are you crazy?' Then I grab the paper and throw it up in the air. You'd be amazed at what paper floating all over the room will do to stampede a sales rep into cutting his price."

The thing to remember, as a sales rep, is if you're ever talking to a customer and something bizarre happens, just enjoy it. Just act like you're not fazed by whatever he does. If a buyer throws paper up in the air, you just say, "Hey, man, that looked like fun. I'm glad you did that. Now, I'm here to get your order. Tell you what. Why don't you sign this contract and then I'll help you pick this stuff up."

How to Stop Customers From Beating You up on Price

Your customer will probably hammer you for additional price reductions until such time as you have convinced him that your price is no longer negotiable. Doing that is as much an art as it is a science. However, research with experienced buyers and purchasing agents shows that the following tactics by the sales rep may well convince the customer that the sales price probably can't be beat any

lower and will cause him to decide to go ahead and place the order.

“I can’t do any better than that.” When the sales rep convincingly says, “I can’t do any better than that,” or words to that effect, it is likely to convince the customer that continued efforts to get a low price are futile. These words, however, must be said with a great deal of credibility.

The sales rep is ready to walk out. When the customer sees that the sales rep is ready to walk out, he will usually abandon continued efforts to get additional price concessions. It should be understood by the sales rep that, sometimes, this becomes a bit of a game. But remember, if you want to sell at a high price, you must periodically test your price. Comfort can be gained from this bit of philosophy: You will never know your price is high enough until you lose a few sales.

“Do you realize what you will be losing if you don’t buy from us?” The implication of finality that can be derived from this statement is very convincing. Delivery of this line, of course, should be a practiced art, complete with appropriate facial expressions and body language that exhibit that you really believe the customer is going to lose out on his best deal if he further insists that he can get it cheaper elsewhere.

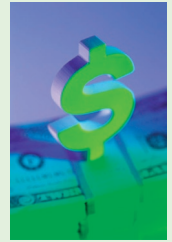
“We are better.” You can close the door on continued pressure to get you to cut your price by assertively telling your customer, in believable terms, that you know you, your company and your products are better, and thereby warrant a higher price. A line commonly used is: “You know, virtually all of our customers say we are unquestionably better than our competitors, and I bet you agree with that too, don’t you?” If the prospect says “no,” follow up by asking for specific examples or reasons why you are not better.

The non-quote. Salespeople who use the non-quote technique find it to be a very effective “stopper.” By implication, when you do not quote, or are very slow and cautious about quoting, you can communicate that you do not need, or intend, to get into a bidding war to gain a sale. This technique, too, has the opportunity of almost assuring the sales rep using it that he can get the “last look.”

False breaking-off points. A good negotiator will often use false breaking-off points. These are points (prices) where he will say things such as, “It doesn’t look like we are really getting anywhere here. Perhaps we should break off discussions at this time and think things over. Perhaps your needs will change or, although unlikely, I suppose our requirements might change. Let’s break things off for now, and I’ll make it a point to give you a call in a few (days, weeks) to see how your situation is then.”

“I’ve got to go now. I’ve got another customer I need to call on.” When a sales rep accurately communicates to a prospect that he really has other (presumably hot) customers to call on, service, get back to or follow up on, he is effectively telling the prospect that he is selling a lot of this product at the price he is asking *and* really has no need or inclination to continue to cut price or even waste time on an unproductive sales call.

“If price were the only reason anybody bought anything, only one vendor would already be selling all that is sold.”



“We are pushing capacity.” Yet another way of convincing a prospective customer that your price is no longer negotiable is to indicate that you might not even be able to take the prospect’s order at any price, let alone a lower price, because your facility is nearing capacity limits and “your boss has told you not to promise anyone delivery without first clearing it with production.” Again, this tactic implies that you certainly needn’t go any lower on price, especially if you can sell all you can make as it is.

“Our quality requirement limits our ability to grow (or produce more) at this time.” This statement is, of course, just a variation of the capacity-limit line; only it effectively places emphasis on your firm’s concern about the correct quality product going into the hands of the customer. The strategy and logic is the same as that of capacity limits. It just throws in another reason (one that’s usually very convincing to a quality-conscious buyer) why you probably have already given the best price you are likely to give.

You Can Raise Prices

No matter how hard customers hammer you on price; don’t be squeamish about being firm with them. Furthermore, don’t be afraid to raise prices when warranted. You’re not going to “lose all your sales” when you raise your prices. If price were the only reason anybody bought anything, only one vendor would already be selling all that is sold. Here’s a final thought: If you truly would “lose all your sales” by raising your price, then how has anyone raised prices in the past 100 years?

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