

Knowledge for Marketing Excellence

## AVOIDING PRICE WARS WITH PRICE-SENSITIVE BUYERS



by REGINA CHUA

Many companies, from a myriad of industries, share one common grief – their customers are making purchase decisions based squarely on price.

Sales bids criterion are solely based on the lower price bidder. And too often, buyers have come to the conclusion that all vendors have no other value to contribute beyond price.

It's that market curse that every organisation trembles to be called - Commodity!



Gone are the days where the smooth talking sales person can simply close the deal with tricks, tactics or a charming wine and dine experience. In today's turbulent and fast-paced world, the customer IS king.

Even the all-time faithful formula, feature-advantage-benefit (F.A.B.) can no longer provide the security blanket to ink the deal.

Organisational buyers are a highly informed lot who keeps abreast of changing trends, technology and implications on in the marketplace.

In the race to stay afloat themselves, they now delegate their key performance indicator downstream to their vendors and outsourced partners. Vendors have to stay competitive and justify their value.

The best price offer is not a differentiation that vendors can brag about, it's a given. Because many vendors cannot articulate the value beyond the price, they end up surrendering with the white flag by tactically pricing the lowest in the bid just to win the deal.

However, vendors who can provide a valued consequence or outcome to their customer can charge at prices higher than the competition. How can they do that?

#### **Taking the Time to Understand their Customers' Prevailing Needs and Meet Them**

You see, organisations welcome business improvement anytime. Would any organisation turn down a cold call if the offer was to share how the vendor has helped his competitor reduce operational cost by 23% in the last six months? Would anyone turn down a call

that provides a solution that can increase revenue opportunities by two-fold?

Instead, what organisations get from vendors are savvy, smooth talking sales professionals who can tap dance their way around jargons like “ cost-effective”, “ best value for money” and “ total solution one-stop-shop” to impress that organisation with little success.

Most poorly trained salespeople tend to react to price resistance by lowering the price because they feel that they must do this in order to win the business. Any price will always seem high to a prospect or customer if their perceived value of your product or service is low. Price resistance is one of the best ways to get a feeling for the value your prospect has for your offer. If price resistance is low or non-existent you can feel fairly sure that they have a high perceived value of your product or service.

Take Mr Eng, a sales and marketing director with a multi-national company, for example. He met with a young sales person from a printing company who shared with him a solution that could reduce his company's printing cost by 15% with better quality paper which made their creative appear brighter. By pointing out that the cost saving could be channelled into better creative execution, the sales person had put himself into the shoes of Mr Eng thereby clinching the deal. While Mr Eng concluded that price is important in his decision making, it's not the only criteria. But the trouble with most vendors is that they are only focused on what they are selling.

### **How well do you know the needs of your consumer before you position the solution?**

Value has been oversold as being something that every product has but it's not worth paying extra for. What is the missing link? The answer is relevance and context.

Customers understand value but the vendor that can best place the value within the right context and application for the customer becomes credible. Does technology software giant Oracle sell corporate databases? Speak to any Oracle sales professional and he will proudly share with you their full-suite of business solutions such as the reducing of operational cost and increasing of consumer loyalty.

Positioning the solution within the context and relevance of your customers' need is the key to winning the consumer's heart.

In order to achieve that, sales professionals must be able to engage in a consultative manner with their customers. Provide a two-way dialogue to bridge, uncover and understand the customers' business, his situation and his challenges.

The consultative approach to selling is the fastest way to lifting the 'commodity' price curse that prevails in so many organisations today.

Adopting a question-based approach to selling, the sales person can confidently earn trust and credibility by qualifying the customers' needs and speaking as a consumer advocate.

The consultative engagement seller is focused on building rapport and trust quickly so that customers feel comfortable and relaxed enough to share beyond product requirement and price.

An objection to price now becomes an opportunity to uncover both active and latent needs.

Remember, the key to success in selling is building strong relationships. Thus consultative engagement becomes a bridge to understand customers' need and placing a solution that matches the context and relevance of the customers' marketplace.

Don't sell the mouse trap. Sell the absence of mice.

**Regina Chua is the founder and the managing partner of DD Consulting Pte Ltd, a boutique consultancy known for their specialisation in consultative engagement.**

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