

Selling at Prices Higher Than Your Competitors

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Creating Real Customer Value

Each customer sees value a different way
Must identify customer values and sell to those values.

What Creates Value?

Contribution to outcome (goal)
Contribution to avoiding an outcome (risk)
Contribution to speed of outcome (deadline)
Contribution to cost of outcome (ROI)

How to Identify What's Valuable...

What are you using now?
What do you like best about it?
What do you like least about it?
If you could have things any way you wanted, what would you change?
What would that mean to your current situation?
What would motivate you to change?
What would it cost if you did nothing?
What would it be worth to move forward?
When do you want this in place?
What happens if you miss your deadline?
What ROI are you expecting from this project?

How to Increase Your Value

You deliver value with:

Attitude
Outcomes
Relationships
Services
Products

Recognize Your Value

You enable the engine of commerce
Nothing happens unless I.T. is up, running invisibly, and secure
Bring innovation to the business

Become Business Savvy

Attend and contribute to strategic business meetings
Understand the motivations of the C-level
Understand how the key players keep score
Know where the company is heading
Contribute to risk mitigation

Say "Yes" to Every Request

Partner with others to deliver what your customer wants and needs
"I know who knows!"

Get Visible

Get out of the IT department
Work with sales, marketing, etc. to learn what they need
Hold regular, optional training sessions for the rest of the company

Implement Faster

You flexible company infrastructure
Reduce complexity
Invest in advanced education
Get expert help
Faster
More effective

Get Good with Financial Issues

TCO
Cash flows
Payback
ROI
CapEx vs OpEx
Depreciation

Get Innovative with Budgets and Funding

Consider alternate financing options
Manage licensing costs
Lease versus purchase
Convert old tech to cash
eBay, Craigslist, trade in
Tin-cup other departments
Remanufactured options

Recapture the Geek Factor

Regain an early adopter attitude
Budget for innovation and "toys"
Require staff to play with new technology
Blog your findings

Get Good with Technology Predictions

Become recognized as the IT vision keeper
Identify high-reward technology
Identify what's going to change the game
Identify how to minimize implementation risks

Be at least 12 months ahead of the curve
Use Moore's laws

Why it's Not About Price

Customers want you to believe that price is most important
They will use lower-cost vendors as a negotiating tool, whether they intend to use them or not!
You must be able to resist downward pricing pressure

The Truth About Price

Price is more important in the mind of the sales person than in the mind of the customer
It is the customer's fiduciary duty to ask for a lower price
It is in the customer's best interest that the sales person believes that price is most important
It is the sales person's fiduciary duty to resist discounting.

Why You're Perceived as Too Expensive

You will always be too expensive until they know that you can deliver

what they want,
when they want it,
the way they want it.

Why Sales People Fear Price

They don't understand value
"I'll have to justify the price"
"I'll lose the business because the competitor is cheaper."
"I'll make it up in volume."

Why You'll Never Make it Up in Volume

Cut your price by 10 percent, you must double your sales for the same amount of profit (at 20% net margin)
Can you double your sales?
Increase your price by 10 percent and you can lose 33 percent of your sales before you lose profitability (at 20% net margin)
Will you lose 33 percent of your customers?

Why People Buy on Price...

They don't know what to ask
Any one can say, "It's too expensive."
They're negotiating
Master negotiating skills
They're cheap
Don't bite! Walk away.
They're going broke
Don't go with them
They misunderstand costs and paybacks
Help them understand the numbers
No difference between products
Create clear differentiation.

Why You Don't Want Price Buyers

They suck up your time
Want the best product for the lowest price
Always pay late or pay short
Brag about the deal they got
Always complain and want compensation when there is a problem
No loyalty
They'll steal your ideas and give them to the competition.

When to Fire Customers

They don't contribute to your career
You can't deliver real value
They don't appreciate what you do
They're not willing to pay for what you do
They're not interesting to work with
They won't connect you with other customers

How to Fire Customers

Increase your prices
Increase your delivery time
Move them on
"I can't serve you the way you truly deserve to be served."
"Here's a company that may better serve you."

When Faced with Price Complaints

“Your price is too high!”

“Too high? (pause)

When you say ‘too high’, what do you mean; ‘too high’ compared to what?”

“I have no argument with others selling for less. They know best what their product is worth.”

“Why are you so much more expensive?”

“Because we charge more!”

“Because we’re worth it!”

Why Discounting is so Expensive

90% discount without being asked

Trains customers to demand discounts

Cuts profits needlessly

Devalues your product.

Speaking of Prices...

94% of sales people

won’t bring up price

Sales people won’t say the price

“Let me get you a quote...”

Deliver your price like it is fact

“My phone number is...”

“The time is...”

Don’t Do “Free”

Never minimize what you do

Make the invisible visible

Professional courtesy discount

Zero balance invoice

Never “I can give you...”

Make them earn it!

Add Value Instead of Discounts

Create bonus packages that are better than the discount schedule

Financing

Shipping

Accessories

Supplies

Training

Anything but consulting.

Tactics to Fight Price Buyers...

Best price first

“This is the same price I charge everyone else. It wouldn’t be fair if I charge you one price and someone else a lower price. I won’t do that to my other, loyal customers.”

Call their bluff

“Does that mean we’re done?”

Act busy

“We’re running close to capacity...”

Nothing is equal

“What are you getting from me that you’re not getting anywhere else?”

Walk away

Every deal is strategic or profitable

“The best way to drive your competitors out of business is to let them have all of the unprofitable business.”

Defending Your Price:

“Only price is important...”

Call their bluff

“I’ll beat your best price by 10%, but...”

“...I get to choose the quality you get.”

“...I get to choose when you get it.”

Defending Your Price:

The Limbo

“I won’t pay any more than...”

“Can you explain to me how you arrived at that figure? What did you take into account?”

“Will you please itemize your calculation.”

Defending Your Price:

“They’re the same or better...”

“In what way are they better for your use?”

“What do you like

most about them?”

“What do you like least about them?”

“How will you know who to choose?”

How to Steal The Deal...

1. Your Experience and Relationship

“What is it worth for you to talk to the same person every time you call?”

“What’s the cost of having to re-explain your situation every time you call?”

2. The Cost of Downtime

The price difference between your price and the competition is often an hour of down time

For 24x7 operation, divide annual

revenue by 8,760

\$114/hour/\$million

For 8x5 operation, divide annual revenue

by 2,080

\$480/hour/\$million

Calculations are currency independent.

3. Education

“The most dangerous thing to your competitor is a customer who is educated!”

Creates customer loyalty

More margin for you

Funding may come from non-IT source

4. Financing

Finance your services

Focus on cash flow versus product cost

Customers who purchase hold their equipment for 64 months

Customers who lease hold their equipment for 34 months

Gartner

Your Plan of Action

What are you going to improve first?

How are you going to sustain the improvements?