

FIGHTING THE PRICE OBJECTION

Every place I go, I hear the same thing—“My sales team is getting hammered on price. We’ve got to lower the price to get the order.” Sometimes, that’s the right answer but sometimes...it isn’t.

To overcome the price objection, you have to think about two primary questions—as they relate to your sales team:

- Who are we calling on?
- What are we talking about?

Who are we calling on?

The path of least resistance in selling is to call on the one part of the organization paid to talk to salespeople. You guessed it—the purchasing people. Now, some of my best friends are purchasing people (not really) but they have a job to do—and it’s pretty simple. Their primary job is to convince every salesperson that calls on them, everything is a commodity. Because if everything is a commodity, then the only competitive issue is—you guessed it—price. But is your product really a commodity?

I doubt it because once you get past pork bellies, wheat and the like, there are very few commodities. Think about it this way—you both may be selling the same product but is your organization’s offering the same? Do you both stock, package, ship, warranty, etc exactly the same? And, does your sales force have exactly the same skill-set as your competition? Probably not, but if your sales team spends most of its time calling on purchasing people, they will be told (repeatedly) their product is just like everyone else’s.

Okay, so who else is there? My belief is there are two competing schools of thought in every organization—the people who are concerned about the Total Acquisition Cost (TACs) and the people primarily concerned with the Per Unit Cost (PUCs). The TACs can be in a lot of different areas:

- Executive Management
- Operations
- Finance
- Marketing
- Product Development
- Engineering (Plant and Product)
- Maintenance
- Quality
- Health, Safety and Environmental

And there are others.

These people still care about how much things cost but they are also aware of the overall value of what they are purchasing. (These folks even consider such things as Return on Investment.)

So your first area to observe about your sales effort is—who are we calling on? What percentage of your calls should be TACs? Have you told your salespeople? Do you have ways to measure this? Do you provide feedback on what you see?

What do we talk about?

The next thing to consider is what your salespeople are talking about. It doesn't do much good for your salespeople to talk about the same topics with TACs as they do with PUCs. In the first place, it's completely out-of-hand for a salesperson to meet with the president of a company and go over a product brochure. Presidents don't tend to care much about that sort of thing. But they always care about the following:

- Increasing the top line (Sales)
- Reducing the middle line (Expenses)
- Increasing the bottom line (Profit)

If you are making a sales call to an executive, you need to understand how important each of these three items is to them—right now—and then make your presentation accordingly.

The preparatory questions the salespeople should ask themselves are:

- Is there something we can do to help them increase sales?
- Is there something we can do to reduce the Total Acquisition Cost?
- Is there something we can do to help them increase profits?

Note these questions are slightly different than the questions salespeople often think of—such as how low do I need to quote this product to get the business?

The purpose of asking the kinds of questions presented above is to move the salesperson into a different way of thinking about the business. My observations have shown the following truth:

If the customer knows exactly what they need without talking with our salesperson, we are starting on the PUC side.

So we want to get involved with the customer and help them to decide what they need. You can see that discussions with Operations management, Engineering, Marketing, etc would almost always allow us the opportunity to have those kinds of discussions.

Selling this way is more difficult than calling on Purchasing and asking if there is anything that can be quoted but if one of your key missions is to reduce the impact of price, then you need to move your team in this direction. And remember this; if you want someone to change from an existing supplier, you have to give them a really good reason—and most of the time a slightly lower price just won't do it.

If you are a manager, consider the following:

- Have you tasked your team to sell value rather than price—to talk about business solutions rather just the products or services your organization sells?
- Do your salespeople know what to say to different parts of the organization? Have you role-played calls with your team to find out?

Good luck!

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