

LEARN SUCCESSFUL PRICE NEGOTIATION



VIDEO
TRANSCRIPT
THREE



COACHING ACADEMY SPECIALIST
Where Small Businesses Grow

Video Transcript Three

Successful Price Negotiation

We're now going to talk about price negotiation and the huge part it plays in successful selling. And whilst price negotiation is, obviously, important to those who acknowledge and accept that they will negotiate on their price, it is also critically important for those who make up their mind beforehand that they will never negotiate.. And the reason I say it's important for them is that your customer doesn't know that and they may well get involved in negotiation.

So it's critically important for the salesperson that you understand that negotiation does play a part, whether you like the idea or not.

There are four strong key elements to successful negotiation in the sale process.

1. Our Best Price
2. Our Opening Price.
3. When our Opening Price is Challenged.
4. Matching the Prospects Reduced offer

Our Best Price

When making our final offer, i.e. our lowest and best possible price, a price that cannot be reduced under any circumstances we have to be very careful. If we fail to get a deal on this price, we will then have to walk away. This must not be a ploy, this is our lowest of the lowest, end of the road price.

It is critically important that before we give this price that we must advise and let the customer know that this is our best price.

If we have already reduced the price it will not be unreasonable for the customer to presume that if you dropped the price once that you may drop it again.

So we have to warn the customer that we have reached the end of the road. A typically good way to warn and condition the customer is with a story including as many of the following bullet points as relevant .

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Mr Customer....

- You are one of my key accounts, We have been doing business with you for XXX years.
- I would hate to lose you as a customer, (it is suggested here that you may choose to use 'I' rather than 'We' let's make it personal).
- Whilst it is acknowledged that you have to have top class quality, I understand that the price has to be competitive.
- I have gone back to Head office and demanded our very best price.
- We have spent a considerable amount of time and resource trying to win you as a customer and I would hate to lose you.
- I have spoken to the 'Head of Sales' or the 'Managing Director' who has in turn got the Financial Director to sit around the table, with their sharp pencils.
- I reminded them on how important you are to me.
- I have warned them that we could lose you as a customer/prospect.
- So we have come up with our very best price, we have paired this to the bone.
- This special price is for today only... or is only on the table for 48 hours.
- It is the best we can do and we are convinced that it is a fabulous price of XXX
- I warned them that this is our last chance and unless they come up with the right price that you will walk away.
- I know that we started out with a discounted price and then discounted it some more, well, I have to tell you, that this is indeed our very best and final price.
- Do we have a deal? May I put you down for twenty units?

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Our Opening Price

We're now going to talk about the opening price. For example, if you're thinking of a pound for your product, it's important that you already appear to have built in a discount for the prospect you're talking to.

A discount, shall we say, that the retail price you have in mind is a pound and ten pence, £1.10. And you've built in a discount for a reason and you must be specific about the reason, implying as you've already got a discount so there's not much room for further movement. The discount must be justified, e.g. discount for new customers, a loyalty discount for existing customers, last season's stock, end of season sale.

It's also terribly important when you quote your opening price – if, for example, we said a pound is the price you're looking for, that you've built in a discount – but also let's say you're prepared, without telling everybody, to actually sell it for 90 pence.

It's terribly important, if that's true, that you do not say, "A pound is the absolutely bottom line, that you will not do it for a penny less." Because if you're later found to sell it for 99 pence, you will be seen to be dishonest and unreliable, and in fact, entitled for that customer not to do business with you or question your integrity.

When Our Opening Price Is Challenged

The third point in negotiation has got to do with when your price is challenged. And at this stage, it's hugely important when your prospect, shall we say, comes back to you by saying your opening price is just way off the mark, it's way above what he had in mind and it's not the market rate, or some conditioner like that.

Now, it's hugely important that you stand still that you stand firm. What you must do is you must put the ball squarely back in his court by saying to him, "What do you have in mind?"

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You have given a pound as your best price, bearing in mind the discount you've already offered. And when he challenges that price, you say, "And what did you have in mind?" And even if he wriggles and he's looking for time to think, let him have time to think and let him wriggle. But you must insist that he comes up with what he believes to be a fair price, what does he consider to be the right price?

It also follows that when you ask him for his best price, instead of him saying, "95," let's say he says, "I was thinking for the product or the service you're talking about that 60 pence would seem like the right rate." At least now you know that there was no point in going to 90.

And what you also must know is that we're talking about two different products or two different services completely from the one you have in mind and the one he perceives and perhaps the one he needs.

Maybe you're trying to sell him a Rolls Royce when indeed a Ford Escort would be absolutely fine for him. So it's important you find out what does he have in mind. And having got that figure from him, then we move on to how you're going to deal with that.

Matching The customers Reduced Offer

Point four is matching the customer's reduced offer. We're talking here about the customer making you an offer, the prospect making you an offer that you're happy to accept. But it's terribly important, that while you might be happy, we must also focus on trying to get the prospect or the customer to feel happy. And by that I mean when they make a reduced offer, you must make them feel good about that offer.

You must make them feel that they've negotiated well. You must make them feel that what they're getting is exceptional. You must make them feel that that offer price they made, which is acceptable to you is in fact, the very best deal they could possibly get.

Let's say, for example, we're talking about that pound and they come in and they say, "The most I can possibly pay you for this is 95 pence," when in your heart you'd have settled for 90. So it's important you just say, "Well, for 95 pence, that is a great deal less than what we had in mind. And to justify that, I'm looking for something extra from you, Mr. Prospect."

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You want to make him feel that he is negotiating and he's doing very well. So for that you have to ask him for something extra, maybe that he buys a little more of the product than he previously talked about, maybe the delivery date is changed slightly, maybe the amount of service support that he gets differs slightly, maybe if you're giving credit and your normal credit terms are 60 days, shall we say, but because he's giving you a reduced price, you might say, "We'd like you to pay in 45 days."

In fact, you try and come up with something that is not contentious but something that he can deliver. Make him feel that by doing this extra, that is what justifies the price. Because if you don't do that and he makes the reduced offer and you take it immediately, he's going to have 'buyers remorse' later on he will think on his way home, "Well, how did we agree to this reduced price?".

The sales person is thinking, "I'm quite happy with 95 pence." And the buyer is thinking, "But how did we get to that?" He says – yes, he's going to think, "I thought of that, it was my idea." And then he's going to think, "Well, maybe I should have said 94, maybe 85." And very often you'll have customers who will want to go back to the negotiating table or cancel deals and you will wonder what went wrong.

What went wrong was you did not make him feel good about his reduced offer.

So it's hugely important that you pay attention to that and to give any further discount, there has to be a justification or conditions of some sort.

So those are the four key elements to successful negotiation.

DON'T FORGET TO WATCH THE "PRICE NEGOTIATION" VIDEO.