

WORK BOOK FOUR



SUCCESSFUL PRICE NEGOTIATION

LEARN HOW TO SECURE NEW CUSTOMERS WITH THIS

EFFECTIVE PRICE NEGOTIATION STRATEGY



COACHING ACADEMY SPECIALIST
Where Small Businesses Grow

Successful Price Negotiation

“The price of success is hard work and dedication, and whether we win or lose, we have applied the best of ourselves to the task at hand.”

Vince Lombardi, Head coach, player NFL

We must understand that it is quite reasonable for the customer to ask for a better price. It is how we deal with and respond to this request that will enable us to win his respect. Customers will frequently say that the price is the most important issue and we know that this is just not always true.

The reason people will say that price is the most important issue is that it is the easiest thing for the prospect to measure. The customer is having to consider if our claims for a fantastic quality product or service can be backed up. The customer has every right to wonder if the promises we have made will be honoured. The one issue that cannot be in doubt is the ‘price’. A £1 is much dearer than 90 pence.

So we should expect, anticipate and be prepared for the challenge to take place. It is not unreasonable that the customer or prospect should check us out and wonder if we normally quote the sale price or is that a price for negotiation.

Some people hate having to negotiate, partly because they feel that they are not very accomplished at it. And some love it because they love the ‘negotiation game’. Top sales people recognise these traits and deal with them accordingly.

With this in mind, we should know that people prefer to buy from people they **‘Like, Know and Trust’**. If you say that ‘this is our very best price’ and subsequently make a reduction, you can reasonably expect the customer to be confused, and question your word.

In successful “Price Negotiation” there are four key elements to be included:

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

Our Best Price

1. 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 is not a ploy, this is our lowest of the lowest, end of the road price.
2. 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.
3. 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.
4. So we have to warn the customer that we have reached the end of the road.
5. A typically good way to warn and condition the customer is with a story including as many of the following bullet points as relevant .

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.

Our Best Price/Continued....

- 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 or would ten be sufficient ?

Our Opening Price

When we quote a price that is negotiable, we mustn't, unnecessarily encourage the customer to recognise that it's a negotiable price.

We must at the same time not say that it is our 'Best Price' when in fact it is not, we may be accused later on of 'Trying it on'.

When we quote our First Price that we understand to be negotiable based on volume and timescale, but we wish to keep this quiet, we could say, 'This is our price without Discount or Special Offers'.

Dependent upon how this is communicated, the customer may well believe that this is our Best Price and that we don't give Discount or Special Offers, when in certain circumstances we do.

Ideally our opening price should include a discount element. People are attracted to discount prices, and this is also designed to deter the prospect from asking for a discount.

When you set the Price, you must be ready to follow this price with some words and you must be sensible what words you are going to add.

And the price is £1..... you mustn't just stop there, the silence will kill everybody. You must say the price and follow it up with some words.

It is better to say...

The price is £1, which is very competitive, it has for you been heavily discounted and I know that you will be satisfied at what a great price it is, am I looking at a delightful new customer? Shall I put you down for 20 cartons?

If you feel that the price is going to be challenged and you are in fear of losing the deal, you can offer..... now this price is based on a whole range of factors, our relationship, service level, payment terms and to a great degree volume, tell me Mr prospect what do you have in mind?

**Leaving it open for a volume or a price reply and then switch accordingly.
With what do you have in mind? With Volume or with Price?**

When Our Opening Price Is Challenged

The customer may typically ask or suggest that our opening price is either 'Totally off the Radar' and 'Far too high', 'That's a crazy price' or 'You will need to do much better than that'. There is nothing wrong whatsoever with any of these comments. You just need to have expected it and now keep a cool head.

Whilst we may very clearly understand that it is our opening price, we mustn't submit too quickly. The danger is if we submit too quickly the prospect will sensibly assume that there is ample room for more discounts. If we submit too quickly, we force the prospect into questioning, 'when and where will this negotiating end?'

Having quoted a price which is challenged, we must uphold this price as a competitive price that has already attracted (a) X% special loyalty discount just for him, (b) a new customer discount (c) end of season discount. We must confirm that it is the price and that they are not dealing with 'Arthur Daley' or a street trader in 'Pettycoat Lane'.

Having quoted 'Our Price' that he doesn't like, it is perfectly reasonable that he makes the next offer.

But the Prospect may not see it like this and he demands that we come up with a better price. Again there is nothing wrong with him asking, we just need to deal with it properly.

Just picture it like this. You quote the price as £1.00 (when in fact you are prepared to accept 90Pence), and the prospect demands 'it is a silly price and you need to do better'. If you respond with 'how does 90 pence sound? Can't you see that we are heading into real trouble?'

For us to lower our Opening Price, we need to justify how and why we can lower the price. If we just lower the price because 'he didn't like it or we didn't get away' with our opening price, we will rapidly lose respect.

When Our Opening Price Is Challenged/ Continued....

In every situation, If we are to accept a lower price, it has to be based on some new information coming to light or new terms.

We should also ensure that the new information or new terms appear to come from the prospect for example:

Response.

- Mr Customer that price I have quoted is a competitive price that has already attracted the X% 'loyalty' discount, or 'new customer' or 'end of season' discount whichever is appropriate.
- You are one of my Key Accounts or I have spent many months or years trying to do business with you and I wouldn't want to lose you.
- This price has been set at Head Office, So to try and get a better price, we would need to justify it. They would need to know, 'What do you have in mind?'. This is very much an open question and we are encouraging the customer to give us a reason to reduce the price. His response should be either focussed on a specific price or volume.
- We must keep the question open such as 'what do you have in mind?' Wait for the answer and keep in mind that his answer will give you some clues as to how he is thinking.
- If you insist that the ideas must come from him, e.g. " I was planning on buying in volume', I was thinking of a long contract' ' I was thinking of immediate delivery' ' I was thinking of going Nationwide or international'
- Or how does 90 pence sound?

You can see from the above how wrong you might be to assume what he has in mind as you attempt to improve on your 'opening price'.

When Our Opening Price Is Challenged/ Continued....

Whatever his reply we can move towards the opposite. If we have quoted £1 and he suggests 90P, we can immediately move towards volume or vice versa. If he says he wants ten units, we can immediately ask 'what price do you have in mind?'

- To avoid this conversation getting contentious or personal, we should be implying that to get a reduced price that we i.e. Him and Me need to give our Head Office a good reason to review or shift on price.
- If we have quoted £1 and he doesn't like it, we mustn't drop the price immediately or too easily. We need to justify a reduction and that can be based on volume or his counter offer. E.g. if we quote £1 and he says it has to be 99P we may well, subject to volume, justify the reduction.
- We must fight very hard for additional information to enable us to consider a reduced price. "Mr Customer, the price I have quoted is the price that has already attracted the X% 'loyalty' or 'New customer' 'end of season' discount, if we are to get Head Office to review or reduce this, we (you and I) will need to come up with a reason, 'What do you have in mind'?"
- If we are way off the radar, then we need to stop wasting your time'
- But you are very important to us and if we are very close I will be able to make a case for our Finance people to review and see what they come up with, so what price do you have in mind? 'What price do we have to get close to?'
- I will not say 'what price do we have to match or beat?' I will say what price do we need to get close to? (Your company does not have to be the cheapest).

Matching the Prospects Reduced Offer

We will frequently get to a situation in negotiations where we will have given our customer a price which was intended to look like our best price and the customer will return to us with a reduced offer.

We should understand that notwithstanding his offer, it is just an offer and we are still on trial.

Let's assume that we are happy to accept this reduced offer, but we have to be careful and not appear to "bite his hand off".

If we accept his reduced offer too quickly, there is a danger that the customer will subsequently suffer from 'Buyer's remorse'. If we take his offer too quickly, the customer will frequently go away and question if he might not have negotiated a better deal.

The customer may indeed come back and say 'whilst I agree we have just done a deal' I have been thinking and I wonder if you could just shave a few more pence off the price'?

It is of course possible that the customer will not return to look for an improved price, but we may well have left them feeling less than thrilled.

To avoid this situation, we should make every effort that when we accept a reduced offer, we must make the customer feel that he has done exceptionally well with his negotiating.

To achieve this we need to 'Trade the Concession'.

'If we do this for you, you will need to do this for us'. In this scenario I talk about 'WE' and not 'I' as I wish to imply that these conditions are set elsewhere within the company. We have quoted you a really good price and the only way we can possibly meet your reduced offer is if you;

- Instead of buying twenty units you have to buy twenty five units.
- Instead of spreading the contract over 12 months, you will need to spread it over ten months or maybe twenty four months, depending upon our preference.

Matching the Prospects Reduced Offer/ Continued....

- Instead of buying two units this month, you buy four units this month.
- We note from Credit Control that you normally pay at 38 days, if we are to agree to your reduced price, you will need to agree to pay at 30 days.
- We have a gentleman's agreement on the delivery schedules and we would look to you to ensure that we achieved a greater flexibility in this regard.
- We would have to ask you for a positive review or testimonial.

Possible responses:

- Mr Prospect, We have spent a considerable amount of time and resource trying to win you as a customer and I would hate to lose you.
- We have already quoted a heavily discounted price and you are now suggesting a lower price. Do you mind me asking Mr Prospect, why do you suggest this price? Is It to do with your budget?
- I don't want to fall out with you but we have quoted an extremely competitive price and I'm at a loss to see how we can bridge the gap.

You must never say 'that is our lowest price, if you are prepared to go lower.

You can say things like :

- If I went any lower, I'd lose my job.
- I've already given you X% discount, last year my company made Y% profit, if we go any lower we will be out of business.
- I know that I don't wish to lose you as a customer, but there is a limit.
- I promise you that we have never gone lower than the price I have just quoted and I can guarantee you that this is a one- off price, not to be repeated and quoted specifically for you.

The Secret Art Of Negotiating: Take Your Ego Off The Table!

Think negotiating is all bluff and bluster? Think again. According to Rony Ross, founder and executive chairman of Panorama Software, a provider of business intelligence software to 1,600 customers in 30 countries, the secret to successful negotiating is to take the ego out of the equation.

Ross developed this negotiating strategy early in her career. With an MBA and background in computer science, she was one of few women working in the high-tech space. “It was very competitive, predominantly male and full of young, egoistic people,” she recalls. “As a woman, I faced several disadvantages. Even though I was as ambitious as the rest, overt ambition or assertiveness was interpreted as aggressiveness.”

She developed a successful data-analysis software through her start-up Panorama, and in mid 1996, Microsoft came knocking. After a three-hour product demo, the Microsoft team took Ross out to lunch and offered to buy her company.

Not only did her negotiating approach work, Ross ended up with a decades-long partnership with the software giant. She says the technique serves any negotiation.

Be Wise, Not Smart

“Always show respect and understanding for the other party,”

“Every time I ran into an issue, I turned it over to them and said, ‘I have a problem; help me deal with it.’”

“I’ve been in so many negotiations with men who start with ‘I want this, and I want that,’” says Ross. “If you talk instead about how ‘we need to reach a solution,’ it’s a very different approach. It doesn’t gratify your ego requirements, but it reaches a much better deal.”

**DON'T FORGET TO WATCH THE “PRICE
NEGOTIATION” VIDEO.**