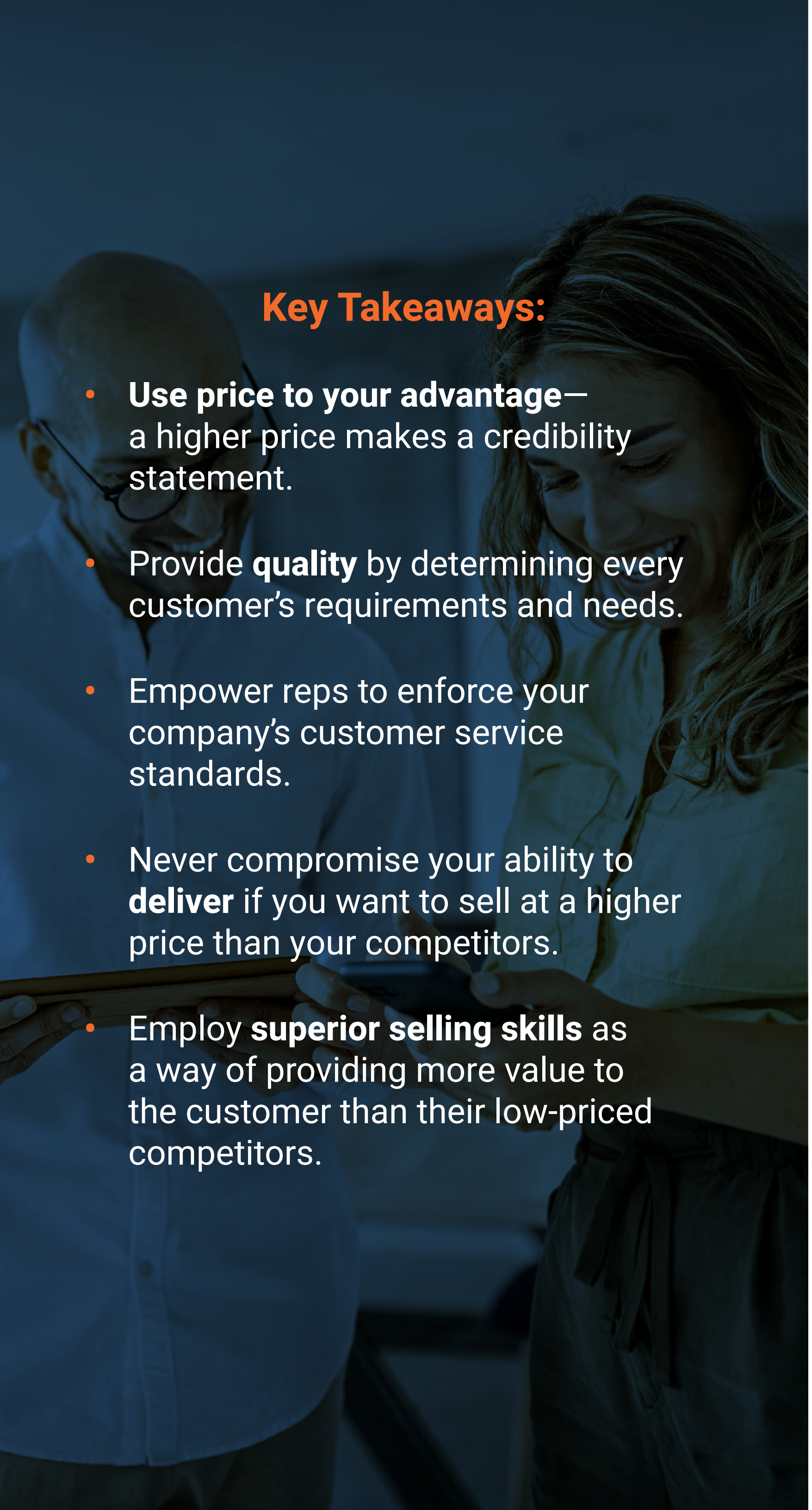
HOW TO:

Sell Against Lower-Priced Competition

THE BROOKS GROUP



Key Takeaways:

- **Use price to your advantage**—a higher price makes a credibility statement.
- Provide **quality** by determining every customer's requirements and needs.
- Empower reps to enforce your company's customer service standards.
- Never compromise your ability to **deliver** if you want to sell at a higher price than your competitors.
- Employ **superior selling skills** as a way of providing more value to the customer than their low-priced competitors.

Overcome the Temptation To Lower Your Price

Customers love nothing more than when salespeople think they've been commoditized.

It is amazing just how quickly salespeople can experience price-related challenges during an inflationary economy. As goods and services become more expensive, your customers operate with less margin than they used to. The first thing they seemingly do is look to cut expenses. Even if your product or service is a tremendous asset to them, you're not immune to the threat of going out to bid or being directly asked to lower your cost.

To make matters worse, the burden for overseas competitors to enter your market is constantly decreasing, while advances in technology give customers an increasing number of new options that may make your solution seem obsolete.

Whatever the cause, as budgets tighten, the tried-and-true sales methods (and relationships your salespeople have worked so hard to cultivate) take a back seat to something more immediately valuable: lower prices.

A survey from The Brooks Group found that 74% of salespeople were experiencing pressure from customers to lower prices, and 69% were asked to cut prices by 5% or more. This is concerning, given that according to a McKinsey study, a price cut of just 5% requires sales growth of 19% just to break-even.

Time has repeatedly taught us that when it comes to pricing, the race to the bottom is unwinnable. The only real winners are the customers, but even they lose out by trading in the rewards of loyalty for drastically reduced once-in-a-lifetime deals.

So, how do you protect your pricing integrity when money is top of mind and competitors are undercutting you?

We believe the measuring stick for competitive superiority in any marketplace boils down to five fundamental attributes:

- Price
- Quality
- Service
- Delivery
- Sales Effectiveness

Let's take a closer look at how each of these fundamentals can play to your advantage and solidify your rightful place as the market leader in both value and quality.

1. Use Price to Your Competitive Advantage

One facet of your competitive advantage could actually be a premium price.

In our survey on procurement trends, we found that most customers are still playing the long game. Price was only the sole determining factor of buying decisions 7% of the time. It was other factors, such as on-time delivery, product performance, and meeting buyers' requirements, that ranked higher than price in considering a purchase.

It is true that a few people and businesses buy products and services based solely on price. And we know that many salespeople face customers who say the only important thing is price.
But our research clearly shows that **price rarely is the primary reason a person buys anything**. It is seldom even the secondary reason. Usually, it's a third consideration at best. You may have a salesperson push back by saying "If you don't think people buy on price, why don't you join me for a few sales calls? Just yesterday, I had a customer tell me that they only have three important buying criteria: The first one is price, the second one is price, and the third one is price."

Customers will say that because they want your salespeople to lower their prices. Looking at customer buying behavior, however, we find that their actions aren't lining up with their words. In fact, most buyers are apprehensive about buying low-priced products and services.

Higher prices are often correlated with a higher perceived value. Have you ever heard someone say, "The only thing that really worries me about this deal is that the price seems so low"?

If you don't think people are willing to buy high-priced solutions, consider this: Would you go to the low-price bidder for your own brain surgery?

Absolutely not! The reason is because people don't buy based on the price, **people buy based on the value**.

Price Makes a Statement About Credibility

If someone offered to sell you a ***brand-new*** Tesla for $20,000, the first thing you'd ask is "What's wrong with it?" because who in their right mind would offer to sell a car like that at a loss, unless something was wrong with it, or it was stolen.

Price makes a statement about the quality of what you are selling and about the advisability of even buying it.

If your price is too low, the customer may think there is something wrong.

To prove the principle is true, just look at the flip side of the above scenario. If you found a Tesla for sale for $600,000, what would you say? It might be out of your budget, but you'd probably want to see it, or at the very least know what makes the car **worth** that much money.

The Value Formula

Make sure all your salespeople understand the value formula:

$$\textbf{Value} = \frac{\textbf{Perceived Benefit (PB)} \uparrow}{\textbf{Perceived Price or Perceived Emotional Cost (PP or PEC)} \downarrow}$$

People pay for value. Value goes up when you either increase the perceived benefit of your product or service or lower the perceived price and emotional cost.

Sales professionals who sell at premium prices, know that they can use a high price to make a credibility statement that their product or service is better; that is, if it costs more, it probably is worth more. They acknowledge that their price is higher than their competitors' prices, and then back it up by demonstrating how valuable their offering is. Connecting the price with value results in the most receptive and responsive atmosphere in which to sell anything.

2. Use Quality to Your Competitive Advantage

Salespeople consistently fail to use quality as a competitive advantage because they don't understand what it is.

If you want your team to be successful, they must understand these two things:

1. Never compete on price.
2. The only aspect that is extremely important to virtually every customer is quality.

How important and viable is using the quality of your product or service as a competitive advantage? It's critically important. In some cases, it can be the primary reason why a customer buys.

Selling Quality

Selling quality is easy—but only if you have it and know what it is. Unfortunately, not all salespeople understand what quality means, so consequently, they have a tough time selling it.

Most people think quality means "best," but that's not what it means.

Quality means conformance to standards and expectations. Remember, it is the customer who sets the standards and expectations that your salespeople must sell up to. Therefore, **quality means the right stuff, not the best stuff**.

Quality is whatever meets your customer's requirements and needs, not the best stuff on the market.

The words "quality" and "best" are not synonymous. For example, what is the best restaurant in your area? Which is the best football team? Who is the best actress? The only way to answer

these questions is by looking through the lens of your standards and expectations. It's a losing argument if others try to reason away your standards.

Quality does not mean best.

"Best" is often conflated with "favorite." Read those questions again but replace the word "best" with "favorite." The point of what was being asked didn't change much, did it?

Make sure your salespeople work to be the favorite by finding out what each customer's standards and expectations for quality are, and then position your offering through that lens.

3. Use Service to Your Competitive Advantage

Service can be the single thing that makes or breaks your sale.

Service is incredibly important. In our procurement survey, we found that 72% of buyers would pay more for a more transparent buying experience, and 59% would pay more if the product was guaranteed to perform as promised.

The good news is that it is easy to compete on service because very few businesses actually want to compete on service.

Personify Customer Service

Many salespeople don't seem to understand that they must personify customer service. In most business organizations, the only person the customer ever talks to, and perhaps the only person the customer ever sees, is the salesperson. So, when something goes wrong, **the only resource the customer has is their salesperson**. A lot of companies create unnecessary barriers that prevent customers from talking to anyone other than their salesperson (unless, of course, they have an exceptionally good customer service department).

Sadly, salespeople aren't always capable of solving challenges post-sale. And everybody knows that nobody pays a premium price for excuses—nobody.

No customer is going to put up with half-baked excuses for why things they were promised didn't occur, and they certainly won't tolerate aggravation and inconvenience due to poor performance from a vendor. It's an unlevel playing field if you choose to set yourself apart by competing on service. Equip sales professionals with the power to pester anyone in your organization to ensure the agreed-upon promises salespeople can make to customers are fulfilled, and watch as they hold their heads higher, knowing they can take personal responsibility for exceptional customer service.

4. Use Delivery to Your Competitive Advantage

If you can provide on-time delivery, you will be able to sell at a higher price than your competitors.

Your company's ability to deliver your solution to your customers where they need it, by the time you told them they would have it, will have the greatest impact on justifying higher than rock-bottom prices.

In many industries, a company's ability (or inability) to deliver a product or service in a timely, agreed-on manner can literally make or break the deal. Our survey found that ***66% of buyers would gladly pay more for guaranteed, no-excuses, on-time delivery***.

On-time delivery safeguards your sales team from price-gouging statements like "I can get the exact same thing cheaper somewhere else." Have you ever wondered why customers go through all the trouble of explaining that? Logically speaking, if they truly could get an equivalent product cheaper somewhere else, why haven't they done so?

It's because they don't want to buy from your lower-priced competitor!

They've done their homework and have concluded that although someone else has a lower price, it's not a good decision to do business with them. Maybe in exchange for getting it cheaper, they have to get it slower. Or they're uncertain of your competitor's ability to deliver the offering on time. If that's the case, then is it really the same stuff?

What those customers are really saying is they want everything you can give them, but at a lower price. They want your ability to deliver, your in-stocked inventory, your way of doing business, your service, your quality, your people, and your investment in machinery and equipment—but your competitor's price.

It may be a tough pill to swallow, but your salespeople have to learn

how to hold their ground on this one. The best strategy is to put customers like that through an apples-to-apples comparison to make sure they're actually getting the same thing. Does the competitor offer the same guarantees? Do they offer the same visibility into the delivery process? Do they carry the same inventory levels? Is the shipping time the same?

Questions like these will give salespeople clarity into the true nature of the competitor's offer. If they still can't find any differences, then the best thing to do is tell the customer they should go with the lower priced offer, with a word of warning that you get what you pay for, and an option to call back if anything goes awry.

5. Use Superior Selling Skills to Your Competitive Advantage

The expertise and professionalism that the salesperson brings to the relationship can be a differentiator that helps to justify a higher price.

Salespeople may have little control over the quality, service, delivery timeline, and price for their solution, but they can control their sales approach and how customers perceive their price in relation to the benefits they provide.

Sales effectiveness (or superior selling skills) can ***create a positive buying experience*** for customers. This is reflected in the sales professional's capacity to build trust with the customer and position themself as a strategic resource or trusted advisor.

Consistent pre-call planning, asking good, customer-focused questions, listening to understand, and proactively addressing difficult conversations (such as product delays, supply chain shortages, or price increases) all impact the quality of sales interactions. Fortunately, these are skills that can be trained and coached and are well within the sales professional's control.

It is also imperative that a salesperson sees enough value in what they sell to present their price confidently, in a way that justifies the quality, service, and delivery. If a salesperson doesn't see the value in one of those areas, they will be prone to avoid talking about it. This will result in difficult (or uncomfortable) conversations later in the sales process, which the salesperson will likely try to avoid by lowering the price.

Again, **price is representative of value**. If a customer doesn't see value, they'll ask for a lower price. If a salesperson doesn't see value, they'll be tempted to offer a lower price.

Sales managers need to ensure every member of their team has the ability to understand what the customer expects, wants, and needs as it pertains to quality, service, delivery, and price so that the salesperson can present solutions in a way that satisfies the customer and builds value.

The salesperson can be a significant (and sometimes the only) differentiator when selling against low-price competitors, especially if you sell a commoditized product.

Do your salespeople have the skill set to have difficult conversations and interact with customers in a positive, proactive, and transparent way regardless of whether the news is good or bad? Do they come to meetings prepared and ready to listen to the customer, so they can identify value to frame their solution?

The answer to all of those questions better be "yes" if you want to sell at prices (and margins) higher than your competitors.

Conclusion: The Days of "Closing" Are Coming to an End

Today's customers are in control of the sale.

The more control customers have, the less patient they will be with salespeople who rely on hard closing tactics to finalize a sale. Quite frankly, customers already want to avoid dealing with salespeople until absolutely necessary. About two-thirds of the buying journey is complete before customers even reach out to a salesperson at all.

Sales professionals in today's marketplace need to be students of their craft. Those who still "wing it" on sales calls aren't going to be in a position to bring value to the customer. If a salesperson can't provide more value than what the customer can get on their own, then there's absolutely no reason for them to meet with you, let alone pay a premium price for your offering.

Make sure your sales team follows a **structured sales process** with a **simple common language**, so they have a competitive advantage over low-priced competitors.

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About The Brooks Group

At The Brooks Group, we deliver insights relevant for today, powered by data and results collected by our team of researchers, and informed by more than four decades of experience in fueling sales success.

With more than 45 years of industry experience, The Brooks Group achieves sustainable sales culture transformation for clients by delivering targeted training that becomes operationalized by threading into an organization's existing systems.

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