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Beyond Price:

Five Ways to Sell Value When The Buyer Only Wants to Talk About Price

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One of the oldest tricks in the procurement book is the "price game." The game goes something like, "Great. We'd love to buy your product. Now if only you can meet our (absurdly low) price, we have a deal." Or in its more blunt form, you might hear, "The only thing that matters here is price. If you can't meet our price, we don't have anything else to talk about."

The question is, as a strategic sales negotiator, what can you do?

First, take a deep breath. This helps you avoid reacting emotionally to unreasonable price demands—which is just what that difficult procurement officer wants you to do. A calm, strategic approach will disarm all but the most obnoxious buyers.

Now that you're calm and strategic, what do you do? (A deep breath may calm you down but doesn't—in itself—shift the buyer's focus from price to value.) So how can you avoid the "price game?" Here are five proven approaches to selling value even when the buyer says the only thing that matters is price.

Strategy #1: Put price in a broader context.

Let's be honest. Price is a legitimate issue. In fact, go ahead and acknowledge to the buyer that you understand price is an important issue. But price is not the only issue your account cares about! (If it is the only issue for your account, you are selling a truly fungible commodity and you will have a hard time staying out of the price game.) Price is one of many issues—such as quality, terms, inventory management, total delivered cost, manufacturing efficiencies, switching costs, and many others—that your account cares about.

You must therefore remind your buyer that there are other issues to consider beyond price. The key here is to be specific. You should identify critical interests of the account (other than price) that the buyer must consider in making a purchasing decision. By putting price in the broader context of all of the account's critical interests, you de-emphasize price as the determining factor for the buyer's decision. You acknowledge that price is important to the buyer while showing that price is just one factor, among many, that the buyer must consider.

Strategy #2: Look to other stakeholders.

When you are confronted by a buyer obsessed with price, particularly one who claims that "price is all that matters," you may be dealing with principal-agent divergence. Principal-agent divergence occurs when the buyer (agent) has different interests from the organization (principal) on whose behalf the agent is supposed to be negotiating. For example, your buyer may only care about price (because that is all she is evaluated on) while others in the organization, such as the VP of manufacturing or R&D team, care deeply about many issues other than the price of your product.

If you have analyzed the interests of all of the stakeholders in the account affected by the purchasing decision, you can then contact those stakeholders (by going either through or around the buyer). When you contact stakeholders other than the buyer, let them know how their critical interests on issues other than price may be harmed if their buyer considers only price. Also, encourage stakeholders in the account to let their buyer know how important issues other than price are to them. While you may be reluctant to alienate your buyer by going around her, you should weigh any potential harm this may cause to your relationship with her against the potential benefit of building a coalition with other stakeholders in the account who will support you not only on this deal but also in the future.

Strategy #3: <u>Present the whole package</u>.

On occasion, a buyer may try to force you to discuss price without allowing you to share information about how your proposal will satisfy a broader array of the account's interests. For example, your buyer may set up a negotiation process that focuses first or last (or only) on price. When a buyer tries to force you into a "price negotiation" separate from a discussion of how your proposal will satisfy the overall interests of the account, you should resist this. A negotiation focused on price alone is a trap!

Instead, negotiate for an opportunity to wrap the price discussion into a broader conversation about how your entire proposal will satisfy the account's critical interests. Remember, you are not denying the importance of the price to the buyer's decision. You are simply ensuring that the buyer's important decision takes into account all of the account's interests (in addition to the buyer's desire for a low price). Even as you acknowledge that you will address price in a moment, you might request just five minutes to share your proposal first. As soon as the buyer agrees to the five minutes, you must get right to the point—how your proposal will satisfy the critical interests of the account.

(If your buyer will not give you five minutes, then you have confirmed that your buyer is playing an illegitimate "price game." Under those circumstances, you may need to try strategy #4 below.)

Strategy #4: <u>Warn of consequences</u>.

"Wait a minute!" you may say. "Warn of consequences?! But I'm the seller! It's not for me to warn of consequences. That's what buyers do!"

You're right. That's what buyers do. And it's also what savvy sellers do.

If you do not warn your buyer about the consequences of a bad decision—for example, not buying your product—then you have abandoned one of your greatest opportunities to influence the buyer's decision-making in your favor. The idea here is not to threaten your buyer. Instead, you want to help your buyer make an informed decision by showing your buyer how his organization's critical interests will be harmed if the buyer does not agree to your proposal. Again, this is not a threat, but a calm, strategic conversation—supported by persuasive data—about the harm to the account's critical interests if you are unable to make a deal.

When done well, this conversation about the consequences of no agreement becomes your greatest insurance against actually failing to come to agreement. I have actually been thanked by buyers for sharing this type of information! Why would they thank me? Because they had not thought about the harm to their organization's critical interests if we did not come to agreement! When a deal is seemingly sidetracked by price considerations, a frank discussion about the consequences of not coming to agreement can often provide the breakthrough you need to get the deal done.

Strategy #5: Reduce your package to meet the lower price.

"Okay," you may say. "This one sounds like giving in. How can you claim to be a successful, strategic sales negotiator if you agree to the buyer's price demands?!" It's a fair question. The answer is all about your preparation and ***what you agree to in addition to the price***. Let's see what this means.

If at the end of the day your buyer truly will not budge from a low price (for whatever reason), you have three options: 1) keep trying to get the buyer to increase the price; 2) walk away; or 3) accept the buyer's price. Let's look at each of these options.

a) Keep trying: Strategies 1-4 above give you tried and true ways to influence the buyer's decision-making so as to avoid the price game. Before you give up on an account (especially a potentially lucrative account), you should try these strategies. But if after trying you still cannot meet the buyer's price, you should think carefully about whether your time is better spent developing other accounts than trying to squeeze blood out of this rock.

b) Walk away: The key here is to know when you are better off walking away than doing the deal. As noted above, there is a point of diminishing returns, when a deal is simply not worth doing. In order to determine that bottom line/walk away point, you must carefully analyze the effects on your own interests (particularly your critical interests) if you walk away.

c) Accept the buyer's price: Again, wait a minute! Accept the buyer's lowball, unreasonable price? You've got to be kidding! No, I'm not. It can make sense if 1) you have done a strategic analysis of your interests in making this decision, and 2) you alter your proposal to suit the lower price.

Here's how it works. Let's say your strategic analysis shows that your critical interests are better served by doing a deal even at your buyer's low price than by walking away. Okay, then you should do the deal. But what deal? Don't just agree to a lower price for the same proposal you had previously communicated. That would communicate to the buyer that you were trying to rip her off all along! And every future negotiation would start with the buyer assuming she could bring you down on price.

Instead, re-package the deal by adjusting your previous proposal to suit the buyer's lower price. Make clear that certain elements of the previous proposal that your buyer may have expected will no longer be included. And clarify that in your view this new, reduced proposal is inferior to your previous (recommended) proposal by showing which of the account's critical interests will be less effectively satisfied—or even harmed—by the lower priced package. This preserves both your credibility and your value pricing for future negotiations with the account.

Conclusion

While there is no magic bullet for avoiding the "price game," the five strategies outlined above will help a strategic, interest-based sales negotiator optimize outcomes even with buyers stuck on price. The key is to focus on finding creative ways to satisfy the broadest possible array of critical stakeholder interests within the account so that the buyer cannot credibly narrow the discussion to price alone. In those rare cases when price remains the ultimate decision point for the buyer, know your bottom line so that you can make a strategic decision about when to walk away or meet the buyer's price. And in those rarest of circumstances that you choose to meet the buyer's low price, do so by adjusting your proposal downward in a manner that preserves your credibility and your ability to negotiate value pricing in the future.

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