

When the Customer Asks the Price: *Buying Signal or Sales Trap?*

By Janet A. Gregory

You have been in conversation with a prospective customer about your product. She has been attentive and taking notes. Now she asks you, “How much will it cost?” Is that good news or bad news?

It is good news *when* you have established value. It is good news *when* the customer understands the unique capabilities that your products or services deliver over other alternatives. It is good news *when* you have established a relationship with the customer, even if the relationship is only at the early stages.

“When” is the operative word here. The dictionary defines the word as “at what time.” In sales it means *the later, the better*. Information you gather about the customer’s situation, the issues they are addressing, the problems that they face, places pricing in the right perspective.

Pricing is meaningful to both you and the customer *when* you both know the impact that addressing those issues and solving those problems will have on their business. Asking for pricing when you both identify the gap between current operations and desired operations is a buying signal. That’s good news!

Sales Trap #1: Delivering Pricing Too Soon

Avoid becoming unnecessary. Delivering pricing, especially complete pricing, too early in the sales process renders you unnecessary. The customer often believes that they have all the information required to make a decision and your continued involvement is unnecessary.

- *Sales Tactic #1: Chinese Water Torture.* This is an unfair name tag since there is no evidence that the Chinese ever slowly dripped water on a person’s forehead to drive them insane. Nevertheless, it is a great price discussion method that delivers your offering as a sequence of pricing events, in the end revealing the complete picture. It allows you to describe each step and sell the value as the full delivery unfolds. This is one of my favorite methods because it allows you to describe the breadth and depth of your company expertise in delivering products and services. An example of this method is discussing pricing for systems: Pricing can be delivered in a sequence of, first, design; then development; training; integration; implementation; and finally, ongoing support and future upgrades.
- *Sales Tactic #2: The Price Range.* This is a price delivery method that establishes a monetary range for your offering. It is a great way to test for budget availability and price acceptability. It is important that you frame the range appropriately and have gathered enough information to deliver a price range appropriate to this customer’s situation. Beware, this method can be dangerous. You will remember the high end of the range but your customer will only remember the low end. The customer will assume that the low end of the range is their starting price when they go into negotiations!

- *Sales Tactic #3: It's a Matter of Choice.* Remember the old game show where contestants had to choose what was behind door 1, 2 or 3? This is price delivery method where you would provide 3 different scenarios for pricing to the customer. Carefully frame each of the scenarios based on volume, circumstances or other qualifying elements. Don't give the customer 3 prices; let the customer choose which scenario best fits their unique situation. Before delivering the price associated with their scenario choice, ask additional qualifying questions. You are in control of the conversation at this point and don't have to deliver a pricing response until you are satisfied that you have enough information to frame the price correctly.

Sales Trap #2: Positioning Your Offering as a Commodity

Avoid being a commodity. Providing pricing too early in the sales process can commoditize your offering. If the customer is aware of other similar offerings they may assume that your offering is equivalent and that price is the only differentiator.

- *Sales Tactic #4: Story Telling.* Story telling is a great way to avoid the commodity trap. Paint the picture of a similar customer. The story should be directly relevant to this customer in some way. The industry, the issues or the problems should be applicable. This is one of my favorite methods because it allows you to describe the value of your offering and do indirect probing while telling the story. Your story should have four distinct chapters:
 1. Outline the situation. As you tell the customer story ask for confirmation when you address factors that are similar to this customer's business. "Does that sound familiar?" "Is your situation similar?" It will allow you to establish value and do indirect probing.
 2. Explain the consequences. Chapter 2 of the story describes the consequences that this customer would face if they did not take action (or purchase your offering). Again confirm, "Would a similar impact exist in your business, Mr. Customer?" At the end of chapter 2 you have illustrated a gap created by the customer situation and the consequences; the wider the gap the more compelling your story will be.
 3. Describe the payback. The plot thickens in chapter 3 as your offering comes to rescue this customer. Make this chapter of the story as tangible as possible with measurable results. Describe the payback and benefits the customer received. This creates another opportunity for indirect selling and probing. At the end of chapter 3 you have demonstrated how your offering can fill the gap and solve a customer's problem.
 4. Back to the pricing question. At this point you now have options, based on what you have learned and your customer's reaction. You can:
 - Ignore pricing. If the customer becomes involved in the story sometimes the pricing question becomes secondary to the consequences and payback.
 - Delay the pricing question. Let the customer know you will be happy to provide pricing once you fully understand their situation. Pricing is dependent on understanding their needs.
 - Give a caveat, providing pricing for this story but firmly cautioning that each customer situation is different.
 - Deliver price, if your indirect probing and confirmations have yielded enough information to establish value.

Sales Trap #3: The Customer Asks for an Incredibly Unreasonable Price

Avoid being stuck in a corner. The customer is usually fishing or testing when issuing an incredibly unreasonable price request. How you respond or react will let them know if a price in this range is negotiable.

- *Sales Tactic #5: Humor.* The old saying “laughter is the best medicine” is a great way to greet a ridiculous request or suggestion. Laugh. Laugh out loud. Comment on the humor or absurdity. Make a joke. “WOW! Alice in Wonderland had a tea party with the Mad Hatter. It looks like you were drinking some of that tea!” *or* “That’s pretty close to free, which is a four letter “F” word and we don’t like to use that bad language.” Humor can break the ice, keep the conversation light and friendly while showing that you clearly think the request is absurd.
- *Sales Tactic #6: Triangulate.* Most decisions involve more than one person or more than one functional group. The book “Strategic Selling” by Miller & Heiman says that every decision will involve at least three distinct buyers: the user buyer, the technical buyer and the economic buyer. Triangulating information means getting confirmation of pricing or budgetary information from more than one person. If you get the same answer to the same question from three or more participants in the decision process; you can be pretty sure that it is the right answer. I like to triangulate with different functional groups, as well. Each one will provide a unique perspective on the decision process and the value proposition.

Sales tactics can be mixed and matched. Pricing questions are easy to handle if you are comfortable and confident with your company offering. This means doing your homework. Know your competitors. Know the value proposition of your offering. Know customer references and the story behind their success. Pricing questions are always a buying indication. Use these sales tactics to position yourself for a win.

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