

# Price: The Danger of Discussing Price "In a Vacuum"

by Alan Rigg

What kind of response do you usually get when you present the price of your company's products or services to prospects? Do your prospects say, "Wow, that sounds cheap -- how soon can I get it?" Or, is their response something like, "Oh, I wasn't expecting to pay that much"?

If you get the second response with any regularity, the problem may be that you are discussing the price of your product or service "in a vacuum".

## What does "in a vacuum" mean?

It means you have not helped your prospects establish a DOLLAR VALUE to compare your price against. To determine this dollar value, you need to uncover the answers to the following questions:

- What **problems** can your products or services help your prospects solve?
- Does the prospect **have** any of these problems?
- If they do, what is the **financial impact** of the problems on your prospect's business?

## If price is discussed in a vacuum, it will always sound high

However, if you work with your prospects to establish the financial impact of the problems you can solve, and you do this **BEFORE** you discuss price, your price will usually sound very fair. In fact, it may sound downright cheap!

Let me give you a real-life example of how this process works. One of my company's offerings is a sales assessment bundle that captures objective information about an individual's sales talents. When a company orders this bundle for either a job candidate or an existing sales employee, they receive:

- Two online assessments
- Two detailed reports that:
  - Compare the individual's assessment scores against a customized benchmark
  - Predict how the individual will perform in the client's specific sales job
- A two-page summary of assessment results (which we prepare after reviewing the individual's assessment results)
- As much time as the client wishes to spend discussing the individual's assessment results

The price for this sales assessment bundle is determined based upon the quantity purchased. It ranges from \$290 for a quantity of one to \$80 for a quantity of one thousand or more.

I know from experience that I will get objections if I discuss our sales assessment prices "in a vacuum". After all, there are assessments available in the marketplace for \$25 or less. Of course, there are vast differences between these (personality and behavioral) assessments and the ones we use, but it can be difficult to get prospects to understand and value those differences. So, instead we focus on helping our prospects establish values for the **problems** we can help them solve.

## The questions we ask go something like this:

- Does the 80/20 rule apply to your sales team? In other words, do a relatively small proportion of your salespeople produce most of your sales?

- If the 80/20 rule **does** apply to your sales team, what is the difference in production (in terms of revenue produced, gross margin produced, or whatever other metric is of most interest to the prospect) between top performers, middle performers, and bottom performers?
- What would the impact be of adding more top performers to your sales team?
- What would the impact be of bringing the performance of middle performers up to the top performer level? (This may be possible **if** the middle performers have the **talents** required for top performance in the company's sales job.)
- How often do you make a hire that doesn't work out?
- What does it cost you in terms of salaries, recruiting costs, training costs, management time, etc., when this happens?
- What would be the value of adding additional quality salespeople to your team? (These people would come from the job candidates that don't make the cut today, but actually have the talents required for top performance in your sales job.)

### The answers to these questions usually produce numbers in the following ranges:

- **Cost of Hiring Mistakes:** Thousands of dollars to tens of thousands of dollars per person
- **Difference in Production (Top Performers vs. Middle Performers vs. Bottom Performers):** Hundreds of thousands of dollars in revenue and tens of thousands to hundreds of thousands of dollars in profit per person
- **Value of Each Incremental Quality Sales Hire:** Hundreds of thousands of dollars in revenue and tens of thousands to hundreds of thousands of dollars in profit per person

Compared against tens of thousands or hundreds of thousands of dollars, a couple hundred dollars for specialized sales assessment tests doesn't seem very expensive, does it? In fact, it sounds downright cheap!

### IMPORTANT NOTE: This approach is most effective if your PROSPECT is the source of the numbers

Why? In general, prospects don't trust salespeople. Many have dealt with salespeople who were more interested in making sales than they were in providing value. Plus, prospects recognize that salespeople have a vested interest in building a convincing business case that can be used to support a buying decision. This causes prospects to discount information that salespeople provide. However, if the **prospect** is the source of the numbers, they are perceived as unquestioned truth!

### Conclusion

If you want to increase both your sales volume and the profitability of each sale, stop discussing the price of your products or services "in a vacuum". Delay the price discussion until **after** you have worked with your prospect to identify:

- The problems you can help them solve, and
- The dollar impact these problems have on your prospect's business

When you compare the price of your products or services against the dollar impact of your prospect's problems:

- Your prices will be perceived much more favorably, and
- You will close more sales at higher margins!