

HOW TO NEGOTIATE WHEN A CUSTOMER WANTS A LOWER PRICE

“I want a lower price!”

Who doesn't want a lower price? We would all like to get a lower price on everything we buy (brain surgery and parachutes being two obvious exceptions!). As a salesperson, that simple demand is probably the one you dread hearing the most. But, when you do hear it, what do you do? Simply lower your price?

The methodology that follows has eight simple and effective strategies for dealing with this simple demand. The strategies are presented in order of increasing risk. Under each strategy are some sample statements (in quotes) that you could say to put the strategy into action.

Strategy # 1: Let them feel heard.

You can acknowledge their request for a lower price without agreeing to any specific action on your part. Remember, an acknowledgement is not the same as an agreement!

- “All of my customers, in this economic environment, are looking for the best value, which they often equate with the best price.”
- “If I were in your position, I would be looking for the best value also.”
- “As a purchasing manager, I fully understand that your role is to search out and find the best value you can get in every transaction.”

Strategy # 2: Specifically define the process of the conversation you're about to have.

Unless you are a used car salesperson or a horse trader, you are not here to play the classic negotiation game (you know the game... they start with a low price, you start with a high price, and then we meet at some middle ground).

- “Rather than begin our conversation with a negotiation over price, may I instead ask you a few questions to help me better understand your thinking about our current offering and our price?”
- “The price we've proposed is the best we can do with what I currently know about your situation. Could we spend a few minutes talking about your situation? Perhaps I can provide a better price if I better understand your current situation and needs.”

Strategy # 3: Quantify, Acknowledge, and try to get their commitment.

- “The word “lower” has a pretty broad range, from \$0 up to our current price of \$X. Can you share with me how much “lower” a price you had in mind?”
- If they tell you that “lower” means a 10% discount, simply acknowledge it: “It sounds like you are asking for a 10% discount from our current price. In addition to the discount, are you asking for any other changes to the deal?”
- At this point, don’t commit to the action you will take. Do try to get a commitment from them: “I can’t say ‘yes’ to your request for a 10% discount at this time. Before I present your 10% offer to my management, can I have your commitment that this will be the final pricing request you will make?”

Strategy # 4: Carefully change the deal, with their input.

Most companies, when proposing a complex deal, have items that vary in profitability, and therefore vary in how much they can be discounted.

- “We can possibly lower the overall price if we make some changes to the deal. I have seen my company offer better prices in certain situations. Here are some ideas I would like to propose for our consideration:”
 - “Would it be possible for you to accept delivery and pay for the goods earlier than you planned?”
 - “If cash flow is a problem, could we possibly delay part of the deal until your next fiscal year?”
 - “Will you agree to finance the deal using our credit facilities?”

These first four strategies will help you better understand the customer’s demand, acknowledge the customer’s position, and provide you the opportunity to explore possibilities and to recap the value you provide.

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Here are four more strategies that can help.

Strategy #5: Get them to help you sell the new deal inside your company. By carefully helping them step you through this process they may discover that selling the deal will not be easy, and that they might already have a good deal.

- “I’m willing to present your proposed deal back to my management. Given what I know at this point, I’m fairly certain they will say no to further price reductions. Would you mind spending a few minutes with me helping to develop the message you’d like me to carry back to them, and how we can make it more persuasive to them? “
- “It would be very helpful to me if you can share more detail about any aspects of our competitor’s deal that you find attractive, other than simple price”

Strategy #6: If some of the requests they are making seem out of line, consider asking them if their company would agree to the deal they are proposing. Hint: Make sure you know the answer to these types of questions BEFORE you ask them! DON’T ask the question if the answer will not be favorable to your case.

- “You are asking for 120-day credit terms. Would your company agree to 120-day credit terms with your own customers?”
- “You are asking us to offer our product at the same price in all 50 states. Does your own company have a flat price when you sell in different states?” “Why not?”

Strategy #6a: A variant of the above strategy is to reference industry practices or past precedents. This can sometimes persuade them that their requests are unreasonable.

- “The industry standard has always been 60 days for credit terms. You are asking for 120-day credit terms. Can you help me to understand why you are requesting this change?”
- “All of our recent agreements with your company have specified free shipments on orders over \$5,000. You are now asking for free shipping on all orders over \$100. Can you help me understand the basis for this new, precedent setting, request?”

Strategy #7: Carefully explore their alternatives to the deal that's on the table. This can be a risky move, and if not done gently, it can result in the customer either bluffing or telling you to "take it or leave it":

- "I'm confident that we are offering you a competitive deal. I want to make sure that we've examined everything that I can possibly use to give you the best deal. May I ask you a few questions about other deals you are considering from our competitors?"
 - "Are they offering to deliver the same quantities at the same times?"
 - "Tell me about the features of the other offers you are considering. Are there specific features of their deals that are particularly appealing to you?"
 - "Will they be offering exactly the same terms and conditions?"
 - "If we cannot offer a better deal than the competitor, are you prepared to move forward with them immediately (or does their deal have a specific time limit)?"

Strategy #8: Encourage them to escalate the final decision process inside of your company to get the better price they want. Most companies limit the price discounts a field rep can give, and most buyers know this. **Warning:** This strategy has risks! Consider doing the following *before* proposing this strategy to the customer:

1. You should first identify and talk to whomever you intend for them to escalate to. You should jointly agree internally as to what will happen if and when the customer does escalate.
2. Consider the precedent you are setting. If the buyer does get a better price by escalating, they will likely use escalation in the future to "get the best deal"
3. Consider asking your contact within your company to tell the customer that you have the full authority to do the deal and that they cannot offer them a better price for the deal that is on the table.

If the escalation becomes necessary, make the escalation process clear to the buyer, and give them parameters that protect your power in future negotiations. For example, you could say:

- "As you probably know, all companies in my industry limit the discounts that can be offered by a field sales person at my level. I have given you the best price that I can. I would suggest, given the size and scope of this particular deal, that you call Mr. X at the following phone number. He is familiar with the details of our deal. I cannot predict what he will do, as he has greater knowledge of our company's overall pricing strategies than I do."
- "Whatever the outcome of your conversation with Mr. X, I hope that I will be able to consult with you on future deals that may be of value to both of our companies. I'd like to follow up with you on the results of your conversation with Mr. X. May I call you next (day, week, etc.)?"

Remember, **any** effort you make to avoid a simple price discount as a first step will likely result in a more profitable deal for your company. It will also set a good precedent for further dealings with this customer, and will build a higher level of respect and trustworthiness for you as a salesperson!