

Revenue Engine *Situations*™

Addressing Price Pressure in recessionary times and beyond.

Dealing with the critical situations that impede or enable growth.

Think that bidding wars and demands for price reductions will subside post-recession? **Think again.** The good old days won't be back. **Deal with it.**



I was at my gate in the Philadelphia airport when a salesperson in mid cell phone conversation plopped down a few seats from mine. She was obviously talking with her boss, and the conversation went something like “They know they need it now. They also know that the ROI and payback are there, but they’ve reopened the bidding *again*.” She was frustrated, and obviously not getting much help.

Today, it’s typical to find yourself locked in a battle with desperate price-cut competitors willing to sell at unsupportable margins just to keep the lights on. Buyers change the debate away from the consequences of *not* agreeing and toward “What we need to focus on here is your pricing.” Worse, when you meet your competitors’ price, the buyer comes back for another helping. You’re trapped in a race to the bottom, and someone “wins” when everyone else has walked away.

Buyers launch bidding wars when companies, products, and solutions are:

- perceived as either a commodity, or offering marginally better performance, value, support, longevity, and cost vs. your competitors.
- being used as column fodder, in order to get the very lowest price from the provider that the buyer *really* wants to do business with

To succeed in Price Negotiations, decommunitize by answering **EIGHT QUESTIONS:**

- #1: *Are you the buyer’s 1st choice, or are you being used for column fodder?*** What’s behind their request for price concessions? FIRST and FOREMOST, make sure that you know WHAT you’re negotiating *for*. State, “It looks like our company and solution are what you need, or we wouldn’t be negotiating on price. So, assuming that our price was where you needed it to be, what happens to us then?” If the answer is anything other than “We’d sign and move forward,” there are other issues at work (features, performance, etc) that must be clarified and addressed.
- #2 *“Who are you negotiating with?”***
A decisionmaker who can understand your value? Or a person or procurement expert who isn’t focused on benefits and performance, but on price alone? These know that they’ll be graded on their ability to drive you to your walk away point.

- #3: *Will the buyer help you to lower your costs, so you can lower theirs?***
Example: "If we can deliver the first two phases of the project simultaneously, we can start training with the resources we have on site." This will help us to lower your costs.
- #4: *Would putting more skin in the game help?***
Are you so sure of the results you'll deliver that you're willing to put a percentage of your price at risk based on your performance? For software firms, this could mean negotiating a holdback that's paid when implementation, customization, training, and going live occur within a specific timeframe, so ROI and payback can start sooner.
- #5: *How about bundling?*** If you know that the project, product, or service you're bidding on has additional phases or needs that follow it, or if research shows that the buyer is likely to encounter conditions or needs in the near future as a result of the transformation you're about to make possible, you can negotiate some future price or solution concessions that impact these. There's a triple win here. You're in 1st place for a follow-on project when it occurs, the concessions don't occur unless and until you win, and you put competitors who didn't come up with this idea further in a hole.
- #6: *What does your coach advise?*** If you're a follower of Solution Selling as described by Miller-Heiman, you've found someone who's a member of the buyer's company that appreciates your value and will guide you as you travel through the seller-buyer labyrinth. Alternately, a coach can also be a person who knows the company and its people very well.
- #7: *Do you believe that emotion only impacts the front end of every sale, and that all sales are closed based on logic (i.e. price) alone.*** Sales are closed on emotion *and* logic. Can you wrap your company, cost, and solution within something bigger – a cause the buyer can enroll in, that cures their pain. Just as Salesforce.com did with its "No Software" cause that signed up 57,000 buyers and destroyed their competitors. And FedEx's "Absolutely, Positively Overnight."
- #8: *What are you selling... a solution, or your company?*** As Taylor and LaBarre say in their excellent book Mavericks at Work, companies don't buy what you do or make. They buy the company that's best able to get them where they want to go. Have you figured out the answers to the four Revenue Engine questions every buyer wants answered? What does all that your company is and does add up to, for the buyer?
1. **Why should I take the time to listen to you?** Give me a differentiated, big idea I haven't heard before! Why you are a very different type of partner without which I can't succeed."
 2. **Who says so?** What's your credibility? Who else have you done this for?"
 3. **Exactly how do you do what you do, or exactly how does your solution work?**
How do you do it in ways your competitors can't or won't?
 4. **What's in it for my company and for me?**
ROI, Results, and Time to Payback. Change and transformation you make possible."

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