

# ***Selling Your Price***

*How to escape the race to  
the bargain basement.*

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# FORWARD

I like a lot of things about this book, but if I had to pick a favorite it would be the way the character Christine thinks and talks about “commodities.” She says there is no such thing as a salesperson who is stuck selling raw, undifferentiated commodities that customers could buy from any number of suppliers, the sole significant difference being price. There are only salespeople who *think* that’s what they’re stuck doing.

CHS, where I work, is a diversified Fortune 500 company providing essential grain, food and energy resources with over \$10 billion annual sales. Our energy products are marketed under the Cenex® brand, including a fast growing network of over 800 Cenex branded convenience stores. I hate it when I hear any of our products — like propane gas — referred to as commodities. Sure, our customers can buy propane from hundreds of suppliers; it all comes out of the same pipe. But they can only get Cenex propane from us. Our best salespeople are the ones who know how to make that meaningful. And since it is not our business strategy to be the low-cost supplier, they need to create meaning and value around something other than price.

Every job at CHS, and every family of every CHS employee, depends on the success of our salespeople. We have three types of sales reps. The first group I think of as soldiers — steady, hard-working, but not outstanding. Next are the gladiators—ultra-competitive types who win most of the sales contests.

Since we introduced the *Action Selling* system at CHS, however, a third type has emerged. I call them the orchestrators. They excel at orchestrating the sales process. They don’t sell propane, they sell a warm house on a cold day. But it’s more than that. They sell in a way that builds a higher level of trust and a richer relationship with customers. They win their price against cheaper suppliers because customers see real value in those relationships.

The orchestrators are the ones who ensure the future of our company. They’re the ones who have mastered *Action Selling*.

I was already a believer in the *Action Selling* system before I read this book. If you weren’t, I suspect you soon will be. Price competition is every bit as dangerous and destructive as Duane Sparks paints it, both to companies and to the future of the sales profession. And the solution this story describes with such clarity and power really is the only sustainable way for salespeople to escape the race to the bargain basement. Because no matter what products or services you sell, your competitors probably sell something out of the same pipe.

Do yourself a favor and start turning pages.

David L. Winkler  
CES and Training Coordinator  
CHS



# Introduction

*The case of the incredible vanishing margin.*

Let me guess.

Your competitors are killing you on price. Your margins are shrinking to the vanishing point as customers challenge you to meet or beat the lowest price available for the goods or services you sell. Your company's profits are taking a hit. If margin-based commissions play a role in your compensation, your own wallet is taking a hit. And that's true even if your sales volume is up, you're gaining more clients, and you're working harder.

Your company has tried to differentiate its goods or services with guarantees, "partnership" programs, and other value-add strategies to let you compete on some basis other than price. But so have your competitors. Their value-add strategies look almost as much like yours as their products do. Like almost all goods and services, these strategies, too, have become commodities. Even if you come up with a tactic that is genuinely new and different, competitors can quickly copy it. And your customers go right back to hammering you on price.

Month after month, year after year, the price pressure increases.

You feel trapped in a race to the bargain basement, with no way out. That's depressing enough to begin with. But it gets worse. Since ultimately there can be only one price leader in any industry, you're going to lose the race — unless your entire business strategy is built upon being the lowest-cost provider. Which it isn't. Meanwhile, your margins continue to shrink.

How am I doing? Did I guess right? If so, you're going to be awfully glad you bought this book. It offers hope. It shows you an exit door that can let you escape the race to the bargain basement. And if you're in sales, you need to escape, believe me, because here's a thought that is even more chilling:

If the customer's buying decision is only about price, *what do companies need salespeople for?* There are a lot of cheaper ways to present customers with a low-price offer, or to match the competition's prices, than to pay a sales force to do it. If salespeople cannot add some value to the equation that justifies a higher price in the customer's mind, then salespeople are just additional overhead. If it's all about price, salespeople are dinosaurs, doomed to extinction by the Internet, direct mail, radio, television, and other forms of advertising and communication.

That's the bad news. The good news is, you're holding an insurance policy right now.

Maybe you've never heard of the sales system called Action Selling. In that case, this whole book will be a revelation. Or maybe you read my previous book, *Action Selling: How to Sell Like a Professional, Even If You Think You are One*. Maybe — like the character Scott in the story you're about to read — you have even taken an Action Selling training program.

Regardless, I'm pretty sure that, like Scott, you don't fully appreciate the implications of Action Selling as an escape hatch — a way out of the race to the bargain basement. I don't think I fully appreciated them myself until I started writing this book. And I'm the guy who created the Action Selling system.

### **You're not alone**

How was I able to guess your situation accurately? To begin with, I just had to look at the world we all live in today. Customers are bombarded constantly by advertising promising lower prices. The Internet has altered shopping habits; it's quicker and easier than ever for customers to discover, compare, and buy competitive products — usually based on price. Products and services across all industries have been commodified to the point where their features and benefits are hard to distinguish. That leaves price as the sole decision point. Unless...

Unless salespeople can give buyers a compelling reason to focus on something else — a value proposition that earns and justifies a higher price in the customer's mind. And it has to be a form of value that can't easily be copied or cloned by competitors.

There is another reason I'm able to guess that you're fighting a losing battle with the margin demon. It's because you have so much company. In 2004 The Sales Board conducted a national survey focusing on price competition. The survey targeted C-level executives, vice presidents and sales directors, and sales professionals. Here are a few key findings that illustrate the problem, some of its complicating factors — and the reasons for hope.

## The Sales Board National Price Competition Study

### *Where is the Pain?*

**Sales up, but margins shrinking:** 80% of respondents report that sales volume is increasing. But more than half (51%) say their margins are eroding. Even among those with growing sales, 40% are increasing volume at the expense of margins.

**The price wars are getting worse:** 89% say that price competition is a growing issue.

**My wallet is shrinking!** Three out of five say their personal income is being impacted by price competition.

### *What Sales Managers Know Is Broken But Can't Fix*

**Failure to differentiate is the No. 1 problem:** Sales directors and VPs identified the inability to find a differentiated sales position as the leading reason why their salespeople resort to discounting to match competitors' prices.

**Most companies are trying to differentiate:** 56 percent say their companies use "partnering" or other value-add strategies to try to differentiate themselves.

**Fewer than one in five salespeople deal effectively with price objections:** Only 19% of sales directors and sales professionals rate themselves as "effective" at handling a price objection. (C-level respondents think their sales forces are far better than that.)

### *What the C-Level Doesn't Know*

**They think they're competing on value:** Fewer than 1% of C-level execs said their business strategy is to be the industry price leader. That means 99% are trying to compete, somehow, on the basis of value.

**But discounting rules:** More than half of all salespeople say they give discounts to match competitors' prices at least 70% of the time. Either the value-strategy message isn't getting through, the tactics don't work, or salespeople aren't equipped to carry them out.

**Salespeople unaware of competition's strategies:** When asked about partnering strategies and other tactics their major competitors use to justify higher prices, 43% of sales professionals answered "I don't know."

**No Sales Process Exists.** The C-level thinks salespeople are following a consistent selling procedure 50% more often than sales management actually observes.

### *But There is Hope*

**Some salespeople DO drive higher margins:** 86% of all respondents agree that top-performing salespeople generate higher margins. (So there must be ways out of the price trap!)

**Quality sales relationships win business:** Respondents in every category agreed that when customers do buy from them instead of their competitors, the No. 1 reason is because of a relationship with a salesperson—not product features, not company reputation, and not price.

*The Sales Board's National Price Competition Study was conducted via the Internet in August-September 2004. Of the 722 respondents in numerous industries, 23% were C-level executives, 36% were vice presidents or sales directors, and 41% were active sales professionals. For a white paper with details and complete results of the study, contact [TheSalesBoard.com](http://TheSalesBoard.com) or (800) 232-3485.*

## Opt out of the race

It boils down to this: The opponent is price competition. The battlefield is the customer's mind. The reality is that most products and services have become undifferentiated commodities. To justify their existence and earn their keep, salespeople must add some kind of value that differentiates their offerings. They must give buyers a compelling reason to pay more for their goods and services than for very similar ones they can get cheaper.

Guarantees and other wrap-around tactics aimed at adding that perceived value don't work very well because they quickly become commodities too. So salespeople fall back on discounting and price matching as the only way to get or keep their customers' business.

And every time salespeople cave into pressure to match or beat a competitor's price, *they are teaching their own customers to focus on price and to ask for more discounts next time*. Have your competitors really forced you into the race to the bargain basement? Or are you right in there leading the pack, perpetuating the cycle?

If you're in a rigged poker game, the only way to win is to kick over the table. If you're in a doomed race, the only solution is to opt out of it. But how?

The answer doesn't lie in *what* you sell but *how* you sell. Maybe you've heard that before. But the usual recipes for attacking the dilemma with sales training are aimed at the wrong targets.

*Myth: Salespeople need to get better at closing.*

*Reality: They need to get better at opening.*

*Myth: Salespeople need to become better price negotiators.*

*Reality: They need a way to sell that takes the focus off price negotiation altogether.*

What's needed is a systematic approach to selling that reliably puts price in its correct perspective in the customer's mind—as just one part of an overall value equation. I humbly suggest (all right, not so humbly) that Action Selling is that system. To explain why, I want to tell you a story about a sales rep named Scott and his manager, Christine. They happen to be in the dental-supply business. But I think you'll find that Scott's problems sound an awful lot like yours. The solution he discovers can be yours as well.

At the risk of spoiling some suspense, I'll tell you one thing Scott learns that should give us all great cause for hope. *The price haggling/discounting game is as big a trap for many customers as it is for salespeople.* A lot of your business clients would be more than happy to stop nickeling and diming their precious time away with constant bargain hunting. They're glad to find a justifiable reason to escape the trap. You just need to give them one.

Together with Scott, you're about to crack the case of the incredible vanishing margin.

I wish you every success. Good Action Selling!

Duane Sparks  
Chairman  
The Sales Board, Inc.

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# PREFACE

*The race to the bargain basement.*

Scott walked into Christine's office on a January Monday morning with no idea what to expect. When you're a sales rep and the branch sales manager asks if you have some time to meet with her, you make the time. So here he was.

"Hi, Scott. Grab a chair," Christine said, gesturing at six seats surrounding the small, round conference table she used for informal meetings. "How's it going?"

"Can't complain," he said. "New year, same battle."

Scott was a bit intimidated by Christine, but he respected her more than any manager he'd known. She was all business, but she certainly knew her stuff. When she joined the company a year ago, she had persuaded the powers-that-be at corporate headquarters to introduce a new sales system called Action Selling. As far as Scott was concerned, Action Selling was the best thing that ever happened to his career. And he wasn't alone. Sales reps around the country regarded the new system as a gift from heaven. Christine was a

rising star at Partner Dental Supply, expected to move up in the company and fast.

Characteristically, Christine wasted no time but got straight to the point. “I’ve been going over your numbers,” she said, indicating a printout on the table in front of her. “You increased your volume by 10 percent last year. And it looks like you picked up, what, seven net new customers?”

“Eight,” Scott said proudly.

“That’s great,” Christine said. “Congratulations. But here’s what I’m wondering: In the prior year, you had almost exactly \$1 million in sales. Last year you boosted it to \$1.1 million. There’s your 10 percent rise in volume.”

Scott smiled.

“But while your volume went up,” Christine continued, “your margins slipped by 3.5 percent. In the prior year your average gross margin was 35 percent, right in line with our branch norms. Last year your territory dropped to 31.5 percent.”

**“Our  
competitors  
are killing  
me on price.  
All of them.”**

Scott stopped smiling. *Like I didn’t know that?* he thought. “Tell me about it,” he groaned. “Our competitors are killing me on price. All of them.”

“But company-wide, margins actually increased by 1 percent last year,” Christine said.

“They did?” Scott was genuinely astonished.

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“I just received the year-end numbers,” she said. “Nationally, margins are up 1 percent. But margins for the Los Angeles branch rose only 0.8 percent. That puts us slightly behind the company average. And your territory accounts for most of the shortfall.”

Scott shifted nervously in his chair. “Well, I don’t know what’s going on with our other sales reps, but it can’t be what’s happening to me,” he said. “All of my clients are cutting costs. Every day I have to fight like a dog to save my accounts from cut-rate offers from competitors trying to get in the door. I have to match their prices or lose my customers’ business.”

***“I have to match competitor’s prices or lose my customer’s business.”***

“Do you?” Christine asked. The question hung in the air. *I’ll just tell that to the Western regional manager when he calls me on the carpet to explain why my branch can’t keep up*, she thought. “Well, Gary, I’ve got a rep named Scott who has no choice but to discount whenever he runs into price competition. Nothing to be done about it, you know.” *Yeah, that’ll get me where I want to go in this company.*

Scott didn’t like the look on Christine’s face. For a long moment, she appeared to be wondering whether to terminate him. Then she collected herself and grabbed a notepad.

“First let’s make sure we understand what’s happening,” Christine said. “In the prior year, you did a gross margin of 35 percent. In the year that just ended, you did \$1.1 million in sales at a gross margin of 31.5 percent. That’s a drop of 3.5 percent. Factor in the 1 percent company increase, and you’re short 4.5 percent,” she said, her pen scratching the pad. “So despite the fact that your

volume increased to \$1.1 million, Partner Dental made \$49,500 less money on your sales. And since your commission is based on gross profit, you made less too — even though you had more clients and more work to do.”

*\$1,100,000 Sales*  
*.045 Margin Shortfall*  

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*\$49,500 Lost Profit*  

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“Yeah, I noticed that,” Scott said, careful to keep the sarcasm muted. *So did my wife*, he thought, remembering an unpleasant

***He was working longer hours and adding clients, but making less money.***

Saturday when he had tried to explain how it came to pass that he was working longer hours and picking up new clients but actually making less money.

“So we agree that maintaining margin is important both for the company and for you personally?” Christine asked.

“Of course,” Scott answered.

“But you have no option except to cut your prices to match the competition’s lowest offer?” she asked.

“Hey, you don’t know what it’s like out there!” Scott protested. Even as he spoke, however, he knew this wasn’t true. Christine had an excellent grasp of what was going on in the field.

But she didn’t argue with him. “Maybe I don’t,” she said agreeably. “Can you give me an example?”

“I can give you a hundred examples,” Scott said. “Just last week I called on Dr. Wright at his dental office in Santa Monica. I’m barely in the door when Susan, his office manager, shows me a flyer she got from Discount Dental Supply. They’re running a sale on surface disinfectant — 64-ounce bottles for \$14.95. It’s the same disinfectant I sell them for \$15.95. Susan says their practice is feeling the economic squeeze, and Dr. Wright has told her to cut costs on consumable supplies. She asks if I can match the competitor’s price.

“What can I do?” Scott concluded. “It’s the same disinfectant. So I tell her, yeah, I’ll match the \$14.95 price. It’s either that or watch her buy it from Discount Dental. This kind of thing is happening in my territory every day. I’ve never seen it this brutal. And it keeps getting worse. Everybody is trying to cut costs to the bone.”

“I see,” Christine said. “And this Discount Dental flyer was sent only to dentists who happen to be your accounts?”

“No,” Scott admitted, reddening. “But the point is, the products we sell are exactly the same as the ones our customers can buy from our competitors. And when the economy is pinching their business, customer loyalty goes out the window.”

“That’s certainly one point,” Christine agreed. “But it raises another point, doesn’t it? If we want to compete on any basis except

**“...unless we give them a good reason, why should they pay more?”**

being the lowest-cost provider, our customers have to perceive some added value in dealing with us, right? I mean, unless we give them a good reason, why *should* they pay more to do business with us?”

“Yes, but you don’t know what it’s...”  
Scott began again, lamely.

“There’s another point,” Christine interrupted. “If the only thing our salespeople can do about price competition is to match the lowest price out there, why should Partner Dental add to its overhead by paying salespeople? We could play the low-cost game with nothing but direct mail and the Internet, couldn’t we?”

**“If the only thing our salespeople can do is to match the lowest price, why pay salespeople?”**

That one jolted him. “Good salespeople develop relationships with customers that the Internet could never match,” Scott protested.

“But Susan the office manager was ready to desert you for a difference of one dollar?” Christine asked quietly.

Scott said nothing. *I thought I was doing pretty well, considering*, he thought. *Is my job on the line here?*

Knowing that she had Scott’s full attention, Christine switched tactics. “Aren’t you finding that the new Action Selling system helps you avoid a lot of price objections?” she asked.

The question surprised him. “Action Selling is great,” he said.

“How do you think I got those eight new clients? But it isn’t my new clients who are hammering me on price. It’s the long-term ones.”

His answer seemed to surprise Christine in turn. *So you’re telling me you aren’t discounting to get your new business*, she thought. *I’ll bet the invoices would say otherwise.* She chose not to challenge him on it, however. His margin numbers gave her all the ammunition she needed to let Scott know that something had to change. “You think of Action Selling as a system that applies only to gaining new business?” she asked.

“Oh, I know we’re supposed to use it with existing customers too,” he said quickly. “But there aren’t as many opportunities when you’re making route calls on customers you already know well. In fact, I’ve been wondering if I could use some training on negotiation skills to help me counter price issues like the one I had with Susan.”

“I see,” Christine said thoughtfully. “So you don’t think that Action Selling applies as well or as often when you’re talking to current customers as when you’re calling on new prospects. Is that right?”

“Well, it’s not that the principles don’t apply,” Scott said. “It’s just that there isn’t time to plan and orchestrate every call on existing customers the way I do with new ones. The dynamics of the calls are different. And the price pressure out there really is incredible, Christine.”

“Scott, do you remember how Action Selling defines an objection — including a price objection?”

“Sure,” he said. “Action Selling defines an objection as *a cus-*

***“Action Selling defines an objection as a customer’s response to an unasked question.”***

customer’s response to an unasked question. But when Susan is holding a flyer that offers her the same disinfectant for less money, what question did I fail to ask her?”

“Excellent!” Christine said, surprising him.

“Huh?”

“That’s exactly what you should be asking yourself,” Christine said. “Scott, doesn’t it seem that Action Selling offers you an alternative to matching or beating competitors’ prices on an item-by-item basis? Shouldn’t Action Selling be something you do *instead of negotiating price?*”

“Well,” Scott said, trying to regroup, “of course I know that Action Selling helps to keep the price issue in its proper perspective as just one part of a value equation. But seriously, Christine, what question can I ask customers like Susan when they’re under pressure to cut costs and somebody else has a lower price on the same product I’m selling?”

“I have a hunch about that,” Christine said. “It has to do with something you just said: ‘value equation.’ But let’s see if we can figure it out together.” *You can lead a horse to water but you can’t make it drink, she thought. Am I being unfair because Action Selling is so clear to me while it’s new to him? I don’t know if you’re going to make the grade, Scott, and if you can’t, you aren’t going to take me down with you. But for now, let’s see if you get it.*

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“Suppose we start with a quick review of the Action Selling system,” Christine said. “You say it works wonderfully to win over new clients. But 90 percent of your business comes from existing clients, and Action Selling should be helping you find ways to add value that justifies higher margins with them. In fact, I say that’s how most other reps in our branch have managed to increase their margins despite the same brutal price competition you’re facing.”

*Ouch! Scott thought. You’re not playing around, are you? But if other reps are increasing their margins in this environment, then I guess I must be missing something, all right. Hope I can keep my job long enough to find out what it is.*

“Why don’t you tell me how you use Action Selling when you call on new prospects,” Christine continued. “Maybe along the way we’ll discover if I’m right when I claim that Action Selling is more than a method for keeping price in perspective — that it actually can be an alternative to negotiating on the prices of individual items we sell.”

***“Action Selling is more than a method for keeping price in perspective — it can be an alternative to negotiating price.”***

“Hey,” Scott said, “If you can show me a way out of this price-cutting nightmare, I’m game.” *So is my wife*, he thought. “Well, you know how Action Selling works, of course...”

“No, I’d like you to explain it to me, please,” Christine said. She leaned back in her chair looking attentive.

*Okay, Scott thought. Here goes.*

# GET TRAINED AND CERTIFIED AS AN ***ACTION SELLING*** PROFESSIONAL!



Want to learn more about how Action Selling can help your organization realize its full sales potential? For information about training and certification for yourself or your salespeople, contact The Sales Board.

Founded in 1990, The Sales Board has boosted the performance of more than 350,000 salespeople from over 3,000 companies worldwide in virtually every industry. Action Selling provides a systematic approach to managing and conducting the entire sales process. Our complete training program provides all the necessary tools for students and instructors. Training is customized specifically for each organization's selling situation and even for individual salespeople.

Studies document that salespeople who become Action Selling Certified improve their sales performance at a rate that is 6 times greater than those without training. As for rookie salespeople, there is no finer system to start them off on the right foot and make them productive immediately.

Students participate in a highly interactive two-day training session facilitated by our talented trainers or by their own Action Selling Certified managers. Students then take part in Skill Drills to refine and reinforce their new skills in the field. Accountability is built into the process with management reinforcement, plus an assessment and certification system.

To learn more about the complete Action Selling training and certification system, please contact us or visit our Web site:

**The Sales Board**  
**(800) 232-3485**  
[www.TheSalesBoard.com](http://www.TheSalesBoard.com)  
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## ABOUT THE AUTHOR



Duane Sparks is chairman and founder of The Sales Board, a Minneapolis-based sales training company that trains and certifies salespeople in the system and the skills of Action Selling. He is the author of five best selling sales books:

*Action Selling - How to sell like a professional even if you think you are one*

*Selling Your Price - How to escape the race to the bargain basement*

*Questions - The Answer to Sales*

*Masters of Loyalty - How to turn your sales force into a loyalty force*

*Sales Strategy From The Inside Out - How complex selling really works*

The Action Selling sales training program trains and certifies salespeople in the critical sales skills that have the greatest impact on sales performance. And from the ground up, its programs are designed to ensure that those critical selling skills are not only learned but used, consistently, in the field. Action Selling is recognized worldwide for sales training that produces sustainable sales growth.