

# ***Selling Your Price***

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

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# 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!

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