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How important is price?

“How important is price in the decision to make a purchase?” When researchers asked sales people and buyers this question they noticed an interesting divergence in the responses from the two groups. Sales people overwhelmingly rank price as the number one factor in any buying decision. Buyers rank price much lower on the scale of the issues they consider, typically around number eight. Buyers are more concerned about their need for the item they’re considering, “will this purchase improve my situation?” The value of the offering is also important to buyers, “does the benefit gained justify the investment required?” When I share this information with sales people I am usually asked, “Then why does every customer give me a price objection?” The answer is that customers simply don’t know enough to ask the right questions.

Price is easy

Money is one of the greatest inventions of all time. Once upon a time, every transaction involved barter. “I’ll trade my stone knife for your deer skin.” The problem is that some stone knives were sharper than others and some deer pelts were thick while others were thin. Every deal required comparing the relative value of two very different objects. The invention of currency eliminated this problem. We all know what a dollar is and what its worth. Price is easy to understand, “a buck is a buck!” Judging the value of something, how much we are willing to pay for it, is a much harder concept. Its human nature to gravitate toward the simple, we prefer to deal with things we fully understand. Customers want to talk about price because it is easy to do so. Our job as sales people is to refocus the conversation on value.

What kind of car are you selling?

The next time you need to buy a car, try this. Walk into a Mercedes showroom and ask a sales rep how much they want for a C-Class sedan. When he quotes a price, give him a shocked look and say, “That’s insane! I could buy 5 KIAs for that.” Notice the perplexed look on the salesperson’s face. They don’t hear a price objection often. We live in an automotive culture; virtually every adult in America knows a great deal about the value of cars. They know that this make is known for economy cars and this brand is known for luxury. The sales person never has to explain why a Mercedes C-Class is worth more than a Kia

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Soul. Even a person who doesn't know much about cars could tell which is the most expensive and desirable car if they were parked side by side—the leather interior is a dead giveaway. As advertising sales people, we do not have this luxury; our customers have a limited understanding of advertising and of the differences between your publication and its competitors.

How much would you pay for a bicycle?

One of the sales reps I work with owns a \$2200 bicycle. When he told me this, I nearly fell off my chair. This guy is a real enthusiast; he rides mountain bikes competitively, subscribes to several bicycle magazines and belongs to a local club. He explained to me the advantages of a carbon fiber frame and alloy wheels etc. etc. I have had similar conversations with the avid golfers and jewelry lovers. The more someone knows about a subject, the more they understand that low cost is seldom the most important consideration when making a purchase. This is why we must educate a prospect before proposing a program. The more a business owner knows about how your product can help them, the less likely they are to quibble about price.

Changing the subject

I am a cheapskate. I work hard for my money and hate to part with it. I also hate to be scammed, so I am a tough consumer. Some time ago, my wife and I were in the market for a new washing machine. A local department store ad offered a “door buster” price on a certain brand of washer. We visited the store to look at the machine and called over a sales person to close the deal—an easy sale for him! Before “writing us up”, the sales person took the time to ask a few questions. He asked my wife about how many loads she did daily and other laundry related questions. He then walked her over to a Maytag that he claimed was better suited to our needs. My wife was impressed with the second machine's features, but I “smelled a rat.” I wasn't going to be taken in by a “bait and switch” tactic. The salesman said, “I can see you want to make sure you're getting the best value for your money.” I agreed, and he proceeded to show me the packing slips for the two machines. The Maytag was significantly heavier, he then showed me how much thicker the hoses on the more expensive machine were. He explained that the Maytag would last twice as long as the “cheaper” washer, so in the long run it was a much better deal. We bought the better machine and it is still humming away in my basement 28 years later.

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This outstanding sales person changed the conversation from the generic price of a washing machine to the specific value the higher priced machine could deliver to our family.

During a cold call on a local business my sales rep quoted the storeowner a price. He immediately replied, “My advertising in your competitor cost less than half of that!” I knew the competitor’s distribution was a fraction of ours, but he did not know that. All he knew was that an ad of this size cost this much in one paper and this much in another. To his mind this was a simple comparison. To refocus the conversation on the value I asked him, “Why do you think they are so much cheaper than we are?” He didn’t know. I then explained the difference between the publications and finished the conversation with the following exchange: “Mr. Customer, do you have competitors that undercut your prices?” “Yes.” “Do they give customers the same quality and service that you do?” “No, they couldn’t at their price.” This is when the “light went on” and he purchased our product.

The “priceless” sales person

The order taker’s knee jerk response to a price objection is to immediately drop their price. They will offer the prospect a smaller and less effective program at a lower price. They may scurry off to their sales manager to get their client a “deal.” They are the reps who never hit their sales goals because their prices aren’t “competitive.” This is why great sales people are “priceless.” They sell customers on the value of their products not on price.

Secrets of “priceless” sales people

1. They know that before they can educate their customers, they have to educate themselves. They know the numbers: circulation, readership, coverage etc. for their publication and for competing media. They know their strengths and how to present them to prospects.
2. They won’t quote a price until they understand the customer’s business needs. If a customer asks for a price too early in the call they say, “Mr./ Ms. Customer, I will be happy to give you a price once I have a better understanding of which program will help you the most.” Quoting a price without an understanding of what is important to the customer is setting yourself up for failure.

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3. They sell readers rather than ads. Advertisers will spend money if they think they will realize a fair return on their investment. The shoppers our papers attract to their business constitutes that ROI.
4. They never apologize for their price. If you do not believe your prices are fair, you will never convince the customer. Defend your price and help the customer understand why the price is justified.
5. If they have to reduce a price to win a customer's business, they demand something in return. If a customer insists on a lower rate, they ask for a long-term commitment or an expansion of the program. Instead of capitulating on price they use it as negotiation tool. They never give away a price point without receiving something of value in return.

Conclusion

Recently I saw a sign in a local business that read: "Price—Quality—Service, choose any two." This is something that any business owner understands instinctively. They invested a great deal of money to start or buy a business believing that their investment would pay for itself many times over. If we can convince them that their investment in our publications and websites will pay dividends, their price concerns will disappear. To parody a well-known television ad, "Order takers who sell solely on price... a dime a dozen—professional sales people who educate their customers and focus on the value their products deliver... PRICELESS!"

This article was written by Jim Busch of the Pittsburgh Pennysaver.

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