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The Way I See It: End the Discounting Habit

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Your products and services are an investment, not an expense
By Dr. Reed K. Holden



I learned the danger of discounting the hard way when I started my consulting business 15 years ago. We got a call from a company that seemed to be interested in our services. We leapt at the opportunity and presented a solid proposal with what I felt was a fair fee.

The prospective customer responded by asking for a lower fee. We agreed, but as soon as we lowered the fee, he asked for a still lower one.

Wising Up

I then got smart and asked the prospect a question I should have asked before anything else: "What do you know about us, and how confident are you that we can solve your business problem?" The prospect's response was honest: "Not much, and not much."

That exchange led to a new conversation and a different proposal. The proposal focused on our understanding of the prospect's business pain, how our services would alleviate that pain and how the prospect's business would directly benefit from the value our services added. A day later, with no more talk of discounts, the prospect gave us the engagement.



From that exchange 15 years ago, I learned a critical lesson: If all you talk about with customers is price, there is no price that is ever going to be low enough. Price is important, true, but there are other considerations that must come first.

Hold Your Ground

Some time later, we received a call from a senior executive at a large electronics company. The executive asked for our fee to train and prepare a sales team for a tough price negotiation with one of its largest and toughest customers. This executive knew our value. Nevertheless, when the fee offered was lower than we were prepared to accept, we did two things.

First, we gave the executive the names of two competing consulting firms whose prices tended to be lower than ours. Second, we asked a simple-yet-pointed question: "Do you regard this engagement as an expense or as an investment?"

The executive paused and then said he was thinking about it as an expense. That honest response gave us a chance to talk about the benefits of thinking about our services as an investment, one with ongoing payback for future negotiations. Ultimately, we booked the deal at our normal fee and went on to do a number of activities with that company.

Flaunt Your Value

Successful managers and salespeople know how they create value for customers and know how to change the discussion from price to value. The best companies know they have to display a little arrogance about the value they offer to send an important message to potential buyers. That message is, "We are confident in the value we provide and, therefore, the prices we charge."

When your salespeople are asked for a lower price, what is their response? It should be some variation of the aforementioned "What do you know about us and how confident are you that we can solve your business problem?" A little arrogance enables salespeople to feel confident about what their company offers and why it functions better on behalf of its customers. If they don't feel confident, how can you expect them to price with confidence?

Deep-six Discounting

If you don't have the arrogance, give up discounting for a while and go out and talk to your existing customers. Ask the question that you're afraid to ask because it may appear stupid: "Why do you use our products?" And make sure you listen very carefully to their answers. If these customers believe in your company, then maybe you should start doing the same.

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