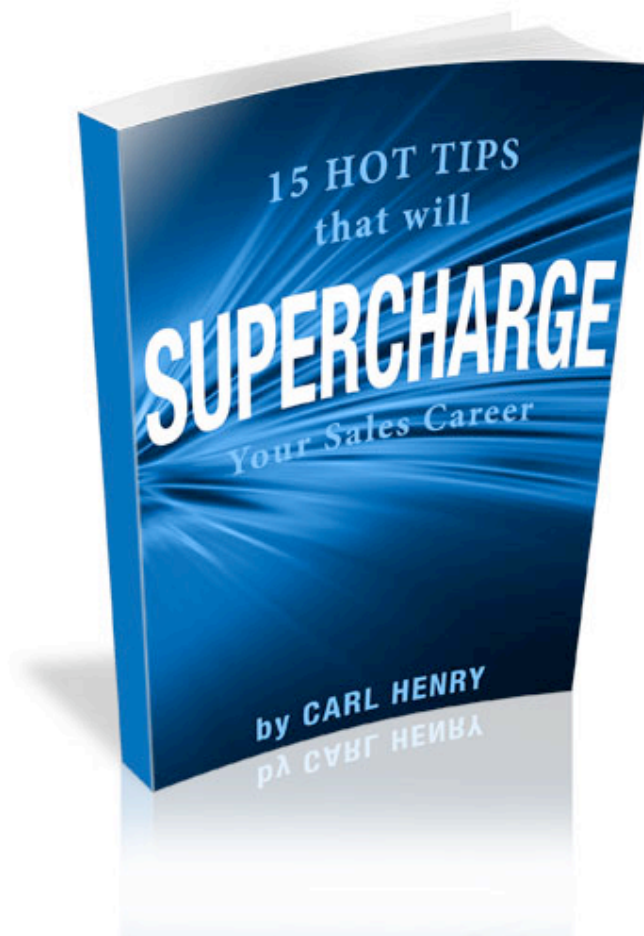


# If You Want To Make Higher Margins, Stop Giving Them Away



By Carl Henry

Tip #9 - Excerpted From The Book  
“15 Hot Tips That Will Supercharge Your Sales Career”

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# **If You Want To Make Higher Margins, Stop Giving Them Away**

By Carl Henry

Would you give a stranger on the street thousands of dollars, just because they asked for it? For most of us, the answer is probably no. But the truth is, as salespeople, we give away free money all of the time. How? By cutting into our own prices. It's a situation that we all know too well. You've met with a potential client, gone through all the wonderful benefits that your product offers, and moved to close the deal. Everything seems perfect until the customer pauses and says something to the effect of: "I'd love to buy from you, but the price is too high."

What's the next move? Too often, it's to offer a slight discount and make the sale. I can understand why most salespeople are so quick to give in on prices. After all, it's easy. The only thing standing between a sale – not to mention the commission that comes with it – is a small concession. Sure, it might mean taking a small hit, but it's better than getting nothing. And, really, what's the big deal? While it might not seem like anything major at the time, cutting into your margins can really wear down your production, and your career, over the long haul. In fact, it can mean the difference between being a top producer and struggling to

make ends meet. Let's take a quick look at the several ways in which discounting can hurt you.

The first problem is obvious: you and your company are making less on the sale than list price. You're giving up some of your profit for nothing. Whatever the standard commission on your particular widget is, you're getting less of it. And it doesn't stop with you. Your employer now has that much less to spend on designing new widgets, handing out bonuses, or booking you a reward trip to Bora Bora. In and of itself, this would be enough of a reason not to cave on price, but it turns out this is only the most minor and immediate effect. You see, when you discount for customers, you're also putting a cycle of expectation into play. It starts with customers, who, knowing that they can wear you down, will continue to do so. You've set their expectations of price at a new, lower, point. No amount of pleading or arguing is likely to get the price backup to where it should have been. It can only decrease or remain the same. As soon as you've given your ground once, you aren't going to get it back. Make no mistake, it will be very, very difficult to get them backup to full fee. You might not even be able to make another sale to them if you try. Or, more likely, now that the customer has learned that it's easy to wear you down on price, they will continue to do so. If the price started at \$100, and they worked you down to \$95, then next time they'll

probably ask for \$90, hoping that you'll give in. Nor does it end just with the customer that you've given a break. No matter how many times they've promised to keep the special price to themselves, you can be sure that their colleagues and referrals will demand the same treatment and accept nothing less. It's one of those unfortunate truisms in sales: discounts spread like rumors and wildfires. This might sound a bit harsh. After all, shouldn't you be on the same team with your customers? Isn't there a win-win relationship? There is, but you'll have to work for it. If you really believe in what you're selling, then the customer's win should be the fine performance of what you're offering – at the fair price that you quoted. I'm a big advocate for being invested in your client's success, but this is the one place where your interests are probably not going to be in line. There is a zero-sum negotiation at play. What you want must come from what they have, and vice-versa. It's not going to be easy, so be prepared. Customers are masters of manipulation. Each of them has had a lifetime of being a consumer. They all know, more or less, how sales works, and that you have exactly one motivation – to make a sale. By suggesting that the price is too high, they raise a small obstacle to reaching your goal that can be reached by just giving up. After they've raised the issue, the silence and tension that follow can become palpable and unbearable. The whole venture

has suddenly been thrown into doubt. 'I have other people who want to sell to me,' the customer reminds you. 'If you don't give me this, you might not make a sale.' The pressure to surrender is hard to handle, but remember what's at stake. Once you've caved, you're probably not going to get another chance at full fee. You've created a long-term problem. A precedent has been set for them, and for their contacts. The customer is going to keep playing the game, because they're better at it than you are.

Perhaps worse than that, however, is that you've set a precedent for yourself. Discounting comes to be a habit, a crutch that we rely on to make sales. The next time someone complains about the price, it's that much easier to give in. It relieved the pressure last time, didn't it? Once it becomes ingrained, you might even start knocking the price down yourself. Having trouble with a tough prospect? Throw him a discount to ease things up. You'll be making less, but it seems like a handy way to avoid the confrontation. Discounting is like any other habit. The more reinforced it becomes, the harder it will be to break. There are some sales trainers who believe, or at least say, that there is no such thing as a price objection. In their minds, clients have unlimited budgets, and any discussion of price is just a tactic to hide their real reason for not being ready to buy. In the real world, this theory doesn't hold water. Today's market is competitive.

People are under more pressure than ever before to get more out of their budgets. They will need to account for what they spend.

Which leads us to the point that strong salespeople recognize and their weaker colleagues miss: Price is always an issue; it's just not the only issue or usually even the most important one. To succeed in sales, you must realize that price will always matter to your customer, but you shouldn't make it matter more to you than it does to them. They're concerned about it, but probably not as much as they are about the quality of what you're selling, or the service that goes with it. Focus on what you can deliver to justify your prices, not on what you can give away for nothing.

Learning not to give away your margins is straightforward, but that doesn't make it easy. The first step is to practice holding firm.

When you meet with new clients, remind yourself beforehand that you aren't going to sacrifice your price. Simply refuse to budge, even if you think it might cost you the sale. Don't mention the possibility of a discount, and if they ask for one, explain that it's not possible and go back into the benefits of what you're selling. Be careful, though, not to say too much. Silence and confidence are your best friends. By using the wrong wording, you can actually trigger the objection yourself. If you begin the discussion by saying "Well I normally charge..." or "The standard fee is," you're just inviting the customer to balk at what you're asking.

Instead, be confident. Use stronger language. Let them know right up front, “The fee is...” or “The cost is...” Better yet, frame it in a way that emphasizes the benefits by saying “The investment is...” But no matter how you do it, don’t create an opening yourself. If the customer wants to try to haggle over price, make them bring it up. Also, recognize your relative positions in the negotiation. As I said before, clients can put you in a seemingly impossible position by saying that they want to give you what you want – the sale – only after you’ve given up a bit of your profit. It would seem that the entire burden is on you, but it’s not. Even though customers’ wants and needs might be more hidden than your own, they’re there. They wouldn’t be talking to you if they weren’t interested in what you’re selling. By the time you’ve gotten around to discussing prices, they’ve tipped their hand that they’d like to buy. You’re now roughly nine-tenths of the way to a sale. All that’s left to do is to either hold out – many customers will object to price just to see if they can shake a few extra nickels out of your pocket – or convince them that the benefits of your widgets outweigh the costs. Note that in both cases, the customer wants to buy from you. Practice holding out, and you’ll see that you’ll be able to make the sale and get your full due. It might hurt at first, but after a while standing firm will become second nature and you won’t have to fight the impulse to cave in so easily. Besides practice, the simplest

way to combat price erosion is to have knowledge about your field. Know your product and your competition inside and out, and you'll be better prepared to deal with objections over the cost. How much does your closest competitor charge for the same thing? Do you even have a close competitor, or does not buying from you mean a decrease in quality? What about warranties? The questions you need to ask yourself might differ, but the principle remains the same – the more you know, the easier it will be to show your customers where your value is, and why it should cost what you say it does. Another good tip is to be busy. We all know that when business isn't so great, confidence can start to get low. Go long enough without new prospects and you could find yourself overly dependent on one or two deals. And as the cupboards go bare, you don't have a lot of leverage to work with. You feel like you'd do anything to make a sale and get the cash register moving again. Customers can sense this and take advantage by beating you up on prices. Contrast this with times when prospects are overflowing. When you have more business than you can handle, there's no reason to cut prices. If someone comes in with an offer that is less than you'll get elsewhere, you can take it or leave it. One of the surest ways to sell more, both overall and in terms of higher margins, is to make sure that you're always looking for new business. Build a steady stream of prospects so that you're not

dependent on any one deal, and you won't have to offer discounts to keep the new orders coming in. Finally, know when to cut. At the end of the day, and even after all the reasons I've just given to hold firm to your prices, recognize that there are times when it makes good business sense to give in a little. Maybe you have a leftover or discontinued product that will be worth less in the future than it is now. Perhaps you owe someone a favor. Or, it could be that business is really slow and you decide that something is better than nothing. If you do sacrifice on price, whatever the reason, be sure that the customer knows you're doing it, why you're doing it, and that they shouldn't expect it in the future. Don't give anything away for free. When customers ask for price reduction, they're trying to lower your expectation of what you should be paid. Instead of caving in quickly, lower their expectation of what they'll get. For instance, if they're going to pay less, then you might negotiate faster payments or slower delivery. Or, you could decrease the amount of service that they will receive after the purchase. Regardless of what it is, you should get in the habit of taking away features for reductions in price. Teach your customers that if you're going to give something up, they're going to as well. Employ this strategy well, and you'll receive fewer and fewer objections on price. The point isn't that you should never, ever discount your prices. The point is that you

should have a very, very strong reason for doing so, and that you do it intelligently. There are times when it's better to make a deal at less than your normal price than to get none at all. But make sure they know why you're cutting the price, and by how much you're cutting it. Don't take it as permission to give away the farm and think you're doing a great job. Discounts should be very rare; the exception and not the rule. We wish that everyone would just pay us what we want, but a good salesperson knows that we have to fight for our price. It's hard to do at first, and even harder after you've gotten used to giving your clients what they want. But, stick with it and you'll find that it will pay off quickly. Beyond the immediate bump in your paycheck, holding firm on your margins might actually help your closing percentage. By showing confidence in your prices and your product, you increase the value in your customer's mind, reinforcing the idea that it's worth what you're asking. Your customers know that value and delivery are more important than price. Remind yourself once in a while, and you'll have an easier time.

