
Sales Success Series

Getting Past Price Objections

Selling the Project at YOUR Price

Presented by:

NIBCO[®]

Getting Past Price Objections: Selling the Project at YOUR Price

There are few topics that seem to cause more heartburn for contractors than pricing. If you price correctly, you build a solid foundation of regular sales and fair profits. If you price incorrectly, you face creates barriers of an inconsistent workload or thin profits that can threaten your business's viability.

Too high? Too low? What's just right?

Winning the Sale at Full Price

Get on the path to optimum pricing by understanding the strategies and psychology around setting prices.

It's not just about being ready with a great one-liner when they say "your price is too high!". It's important to do the strategic groundwork to make it obvious why you're the right choice – at a higher price!



Justify your price by building value.

You're not just another contractor doing the same thing as others. You bring unique qualifications, credentials, and know-how to the project. You've built a team and have the capability to deliver outstanding service and quality. Be sure you're selling your value in your sales materials and your face-to-face presentations. Customers will pay more to work with a competent, reliable and experienced professional over any amateur.

Your price signals your value. Low price = you're low quality.

Customers use price as an indicator of what to expect. When your prices are too low, the potential new customer thinks your work will be sub-standard or "cheap". We've all heard the phrase "you get what you pay for".

Stop assuming you need to be on the defensive all of the time.

Clear your mind of the common assumption that every buyer will decide on price. In a typical market, only 30% of the buyers decide solely based on the prices received. The other 70% are significantly more interested in service, timing, convenience, stability, etc. Price shoppers are the minority, not the majority. The customer has called you because he/she wants to buy something.



Don't assume every job will be bid by Joe Lowball.

Don't be tempted to set your pricing strategy based on the prices of the dumbest guy. Every market has poorly-run firms who offer substandard results. Resist the temptation to sell your high-quality service at their price. Learn where the high-performing firms are setting prices and benchmark your pricing to theirs. Also understand that Joe Lowball will book up quickly with low-priced work. You'll see him in the spring (the stupidest time to be cheap) and not after that!

Know which services are price-sensitive, and which ones are not.

Services that are more price sensitive are the ones where the customer thinks he can quickly find a substitute – either he will do the work himself, or he knows there are dozens of companies that offer similar services. For example, carpet cleaning is widely available and therefore a service where customers seek a “deal”.

Services that involve a heavy labor, expertise or risk are usually less sensitive in pricing.

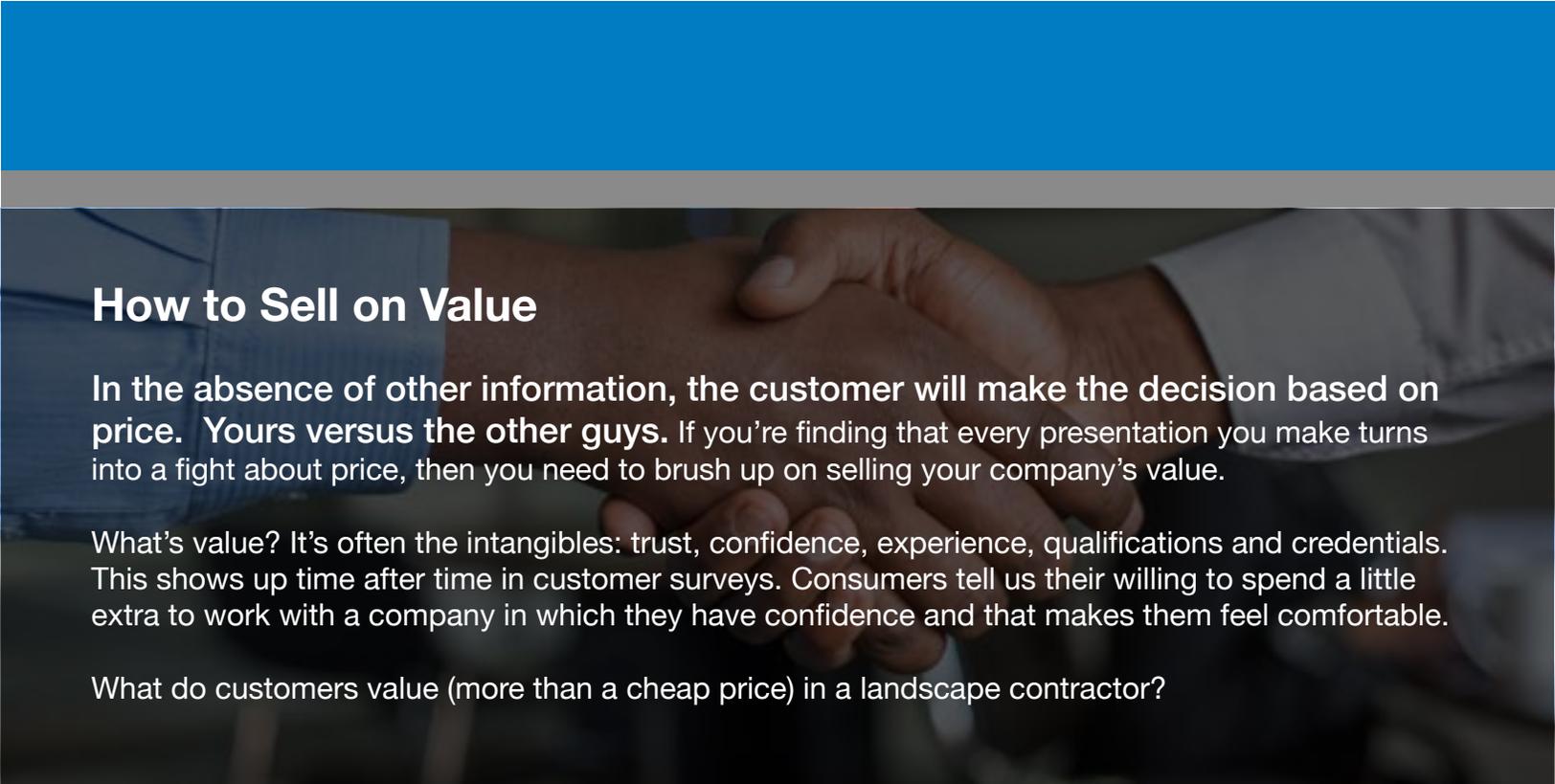
For these “tougher” projects, the buyer inherently knows it might be hard to find someone to do the work who is competent, and perhaps the risk of doing it incorrectly worries him. For example, yard drainage that keeps water out of a basement is an example of a service where customers are willing to pay substantially for the labor, expertise and confidence in the contractor’s ability to solve the problem.



Use bundling and contract pricing.

If there are contractors in your market area who offer discounted prices for specific services like fertilizer applications or irrigation winterization, know the customer could perceive these services as commodities. Rather than fight the “per application” or even “per hour” pricing objection, implement season-long service agreements (a bundled price). Also consider transitioning from “time-based” (hourly) service pricing to so-called “flat rate” pricing.





How to Sell on Value

In the absence of other information, the customer will make the decision based on price. **Yours versus the other guys.** If you're finding that every presentation you make turns into a fight about price, then you need to brush up on selling your company's value.

What's value? It's often the intangibles: trust, confidence, experience, qualifications and credentials. This shows up time after time in customer surveys. Consumers tell us their willing to spend a little extra to work with a company in which they have confidence and that makes them feel comfortable.

What do customers value (more than a cheap price) in a landscape contractor?

- **Someone who is ready to get the work done right away.** Today's customers are impatient and over-scheduled (even the retired ones!). Waiting around for contractors seems like an eternity for them. They'll pay extra to know the work can be started right away.
- **An easy relationship with a trusted professional.** They seek someone who puts them at ease, demonstrates respect for them and their property and who is friendly. (Not an estimator they'll see once and then be thrown to a "crew".) They want someone who will be there throughout.
- **Guidance and advice on making a good decision.** This isn't what you think. They don't want a nerdy expert who will lecture them on the right things to do. They want someone who will ask them questions and then make recommendations based on what they answer. A "physician", not a "nuclear engineer".
- **Certainty on quality and a trouble-free experience.** Brand-name components, experienced installers, credentials, references and a warranty.
- **Responsiveness – to phone calls, inquiries, and after-sale service.** You can demonstrate how your company responds by how you behave in the sales process. Show up on time. Respond quickly to phone messages. Send a follow-up note or email. Be that reliable pro they want to hire.
- **One-stop shopping.** Often the customer has a long list of outdoor projects. He/she will be pleased to start a relationship with a true pro who can help season-after-season.

What's value? *It's often the intangibles: trust, confidence, experience, qualifications and credentials.*

Talking About Your Price: Don't Set Yourself Up for Failure

Most sales training programs spend very little time on how you should present your price to potential clients. As a result, many salespeople unwittingly make mistakes in how they talk about pricing during the sales process that INVITES OBJECTIONS. Here are some too-common examples:

Avoid “softening words” when you are presenting your price.

Words like “suggested”, “best” and “asking” before the word “price” signal that the price you are offering is the starting point for further negotiation. It is better to present your price as a simple matter-of-fact: “The price is \$2,000” or “Those are \$47.00 each”. Don't add descriptive terms, just present the price.



Avoid setting up counter-offers.

Skip wind-up statements like “I know you've been our customer for many years...” “I want to earn your business on this project.” “Maybe we can work something out...” It may seem like you're trying to acknowledge the customer's importance, but these cushioning statements just give an easy opening to ask for a discount. If you feel you need to “wind up” to your pitch, summarize the work to be done.

Example: “we will install 4 trees, the deluxe paver patio and the landscape lights for \$27,000”.

Consider breaking your price into installments.

For example, instead of saying a \$900 fertilization program, break it into a cost per visit (e.g. \$150 per visit).

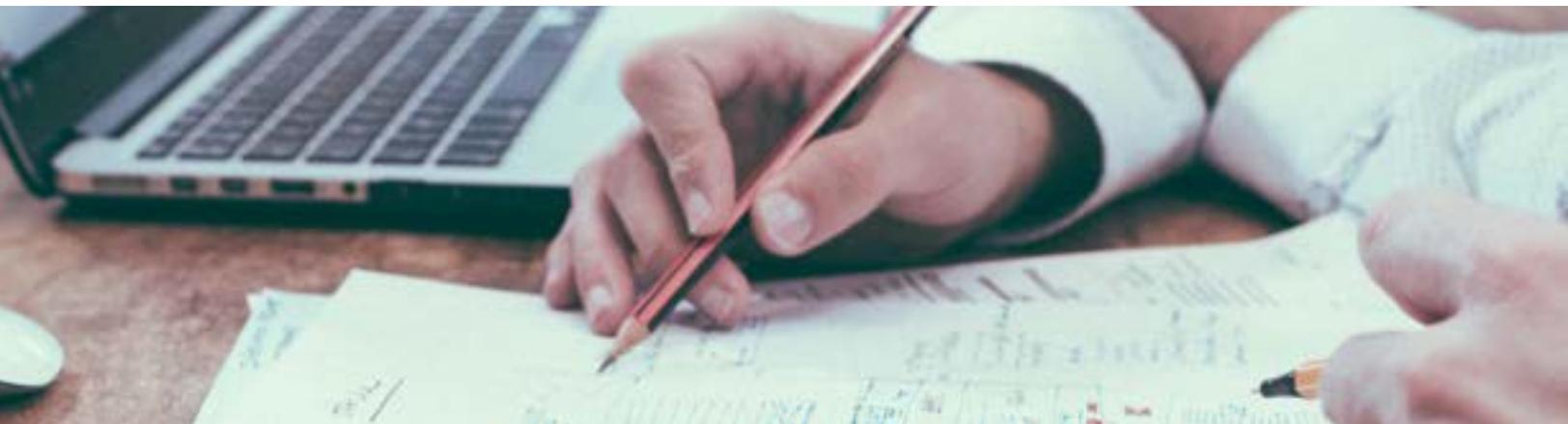


Don't individually price component parts.

You're aiming to sell an entire project to create a big-picture result. Clients can fall into the trap of focusing too much on component counts and costs. They become tempted to look at line items as ways to reduce cost.

Avoid a “low price provider” reputation.

“The most important thing you can say about your product or service is its price”. Your product's price signals its quality, efficacy, and overall value. What is your price saying?



Responding to Price Objections

Don't see price objections as inherently bad.

They actually signal your buyer's interest! Simply raising the objection indicates interest in you and in your proposal. If the competitor had won, he would already have the order.

Customers will make a price objection because it's worked for them before.

It's often just a negotiating tactic. Inexperienced salespeople feel a need to respond. And they do. Buyers become trained to "flinch". If your price is fair, you must stand your ground.

Never, ever, ever say.

"Am I in the ballpark?" "What price do I need to be at?", or the worst: "Tell me what I need to do to earn your business." Groveling statements like this are the verbal equivalent of a kick-me sign. They place the buyer in the position of naming a new price, to which you must negotiate from. Just say your price and be quiet.

Don't crack.

When the customer says "that seems like a lot." Don't say "Let me see what I can do" or "I'm willing to work with you." Pause. Be quiet. Count to yourself in your head. Let the prospect break the silence.

Giving a lower price makes everyone unhappy.

Yes, really. For you, the amount comes right off your bottom line. An extra 15% discount on a 30% margin sale cuts your profit IN HALF. You're clearly unhappy. The client's unhappy too, because he saw you were willing to jump at a 15% discount. Maybe he should have asked for a 20% discount? Or worse, the buyer now feels he might get reduced service or an inferior product.

Repeat your value.

Summarize (without lecturing) all of the work you will be doing and the value that will be provided. (see "How to Sell on Value")

Offer a phased approach.

Break out the project into modules or phases. Clients can spend their current budget on the base phrase(s) and then complete additional phrases when timing and budget permit. This sets up a mutually-beneficial relationship of repeat interaction, which can lead to referrals to friends and neighbors.

If you must change the price, change the scope of work.

If the customer's budget won't support your price, change the scope of the project. This means reducing the amount of materials, labor and effort for a corresponding change in price.

Get going on the path to better pricing today.
Make a plan to polish up on how you present your price and your company's value.
Learn to stand your ground when you get pricing objections. Take action to be ready
for sales success.



About the Author:

Jeff Carowitz advises large and fast-growing contractors in the landscape, irrigation, and plumbing industries on marketing, strategic selling, business expansion and succession/exit strategies. He is Principal of Strategic Force, a full-service marketing agency. He has over 30 years' experience in the industry.

*Need help with a business challenge? Schedule a 15-minute call with Jeff.
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