

The Hidden Dangers of Discounting Your Price

By Mark Hunter "The Sales Hunter"





There are dangers in **discounting!**

I wrote my book *High-Profit Selling: Win the Sale Without Compromising on Price* because in all my years as a sales consultant, I have never seen something more damaging to a sales force than discounting.

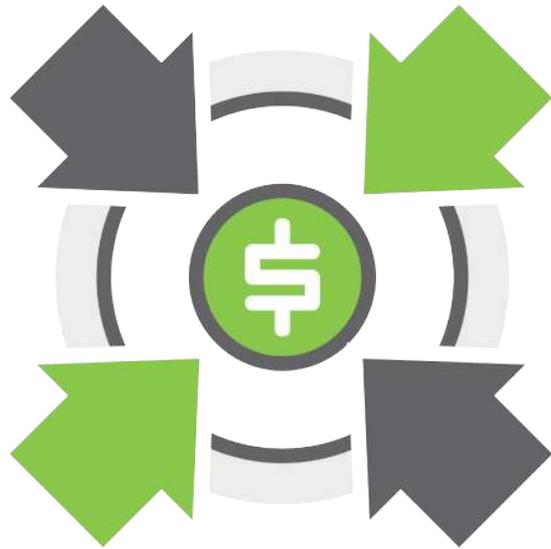
Unfortunately, most average salespeople and sales managers are unaware of the hidden dangers of discounting. They assume that discounting is a prevalent part of selling, and they have no inclination to challenge that assumption.

The good news for **you?**

You must not be average, because you are digging into this eBook to discover the problems with discounting. Whether you are a sales manager or salesperson, I am confident you will improve your skills and your bottom line with the information in this book.

Replace old assumptions about discounting with a better assumption – what you offer is worth full price and you have the confidence to present it to the customer.

The Slippery Slope of Discounting



There is just no way to mince words on this one necessity of selling:

You MUST believe in the price you are offering for your product or service.

If you as a salesperson -- or worse, if you as a sales manager -- do not believe in the price of what you sell, then that is a bigger problem than whether you have a tendency to offer a discount.

For sake of argument, let's say that you do believe in your price, but offering a discount has become common place among your sales force. It has been woven into the fabric of how you do business, to the point that you and your fellow salespeople couldn't imagine not using that approach on a regular basis.

There are no nice ways to say this, but you are killing your profits.

You may not think you are, because you "feel" like you are selling so much more. But quantity will never make up for the profits you did lose by selling at a discount.

The slippery slope of discounting is that if it becomes easy to do once, it will indeed become the standard by which you sell.

It may even begin to eat into your belief that the full price is the accurate price.

Over time, you convince yourself that the discounted price is the accurate price. Yikes! Before long, the majority (if not all!) of your sales are happening at a discount.

Stop this slaughter on your profit. These tips will help:

- Implement a policy in your company that no one can offer a discount without approval from their manager.
- When hiring new salespeople, convey during the initiation period and training process that your company frowns upon a culture of discounting. Full value at full price is the expectation.
- Offer salespeople the resources and training so they can continue refining their selling skills and be better equipped to sell at full price.

Sure, discounting may seem easy at the time and you may feel a boost of adrenaline getting that sale at the discounted price. BUT if you run the numbers in the short term and the long term, you'll find the momentary elation of a quick sale at a discounted price isn't worth it!

Are You Sending Discounting **Signals?**



When I began searching for a new software package for my company, I researched, read reviews, and talked with other people. As a result, I decided on a particular type of computer program.

Funny thing happened along the way.

In talking with several other companies that had worked with the company, I kept hearing the statement, "You can dicker with these guys." Wow, what a statement to hear!

Here was the system I knew was going to be best for my company. Hands down it had what we were looking for and now comes the clincher -- these guys will discount!

From that point on, every element of my focus was on making sure I was going to get the best price. Suddenly, benefits and expected outcomes shifted to full speed ahead on getting a lower price.

Yes, you can say for a moment that would be the type of company you would want to sell for because they're willing to discount to close the deal. Problem is the argument doesn't hold, because you (the salesperson) now have two issues.

First, you have to demonstrate to the prospect the system is the solution they're looking for. Second, you have to negotiate a price knowing the customer is going to beat you up.

"In my book, that is a pretty lousy sales process. The problem is they've told the market they discount!"

Now look at this from my perspective as a buyer. I want to buy and I'm ready to buy, but I'm afraid I'm not going to get as good of a deal as possible, so what do I do? I wait them out and play games with them.

Result is I'll still buy, but only after waiting a period of time. When I do, I'll pay less than I was planning to.

Look at this from the salesperson's perspective. They have sales that drag out much longer than need be and their company makes a lot less profit than they could be making.

"Are you or your company signaling the marketplace you will discount? If so, you are creating headaches for yourself you can't begin to imagine!"

8 Questions to Ask if You Are Thinking About **Discounting**



A key problem with discounting is that the salespeople who do it do not give enough thought before hand to what is at stake. In the moment, securing the sale – even at a discount – feels like a victory.

It isn't!

Below are questions you need to ask yourself if you are thinking about discounting:

1. Am I taking a discount to match a competitor's price? What leads me to believe the competitor with a lower price will not simply lower their price even more?
2. If this is a new customer, how do I expect to ever get the price up to the full amount if I've now sold it to them at a discount?
3. If this is an existing customer and I offer a discount, will they think I've been overcharging them up to now? If so, will that damage our level of trust?
4. Is the customer who is asking for a lower price simply one who will buy from anyone as long as they're the cheapest?
5. Is the customer I'm going to give a discount to one who has been difficult to sell to up to now? If so, then what makes me believe they're not always going to be a high-maintenance customer?
6. How will other customers respond when they find out this customer received a lower price? Will I wind up having to give a discount to a number of customers?
7. Why is the customer asking for a lower price? What did I not do properly in the sales process to get them to understand the benefits and outcomes of what I'm selling?
8. How do I know the customer won't buy from me even if I refuse to give them a discount?

The questions above do one thing – get you to slow down and think carefully before even entertaining the idea of reducing your price.

What Does Discounting Really Cost?



Salespeople often argue that offering a small discount doesn't hurt and is the right thing to do for the customer.

Some salespeople will say they need a little discount to make the customer feel special or to help spur their decision to buy.

“ It doesn't matter what the reason or how passionate the salesperson might feel about it, a discount is still a discount and it costs money! ”

Offering a 5% discount to help close a deal may not seem like much, but let's break down the math to see just how much a 5% discount will impact the bottom-line.

For our example, we'll use a selling price of \$100.00 and the profit your company makes from each sale as \$15.00 (which is 15%). Yes, your actual profit is going to vary.

Many companies are less and some might be more, but for demonstration purposes, let's go with the \$15.

Full Price

Selling Price: \$ 100.00
Profit: \$ 15.00

5% Discount

Selling Price: \$ 100.00
5% Discount: \$ 5.00
Profit: \$ 10.00

The profit made is actually reduced by 33% because of the discount.

Too many salespeople make the fatal mistake of looking at the size of the discount as a comparison to the full price, but that is a huge mistake.

A discount offered to a customer is not a discount on the full price. It's a discount on the profit, unless there is something else of value equal to the discount that is being removed from the offer. Problem is that scenario is rarely the case.

Salespeople look to give discounts because they don't feel it's a huge concern, let alone a huge cost to their company.

When the issue of a price discount comes up, every salesperson and sales manager should frame the discount not against the selling price, but against the profit.

Let's go back to the example used earlier.

A salesperson looking for a 5% discount may not view it as an issue to their company and thus feel it's no big deal. Now, let's frame the discount as being a 33% discount on profit and it suddenly becomes "game over."

If a salesperson has to ask management for permission to offer a discount, the salesperson is going to think twice about asking to cut profit by 33%. They know asking for a 33% reduction in profit is going to come across as stupid and will ultimately imply to the sales manager that the salesperson can't sell.

For this reason, it's vitally important that salespeople be required to express any discount as being a discount on profit.

If you're a sales manager who doesn't want to reveal financials to the sales team, then just use a percent as the standard profit number. Use the 15% in the example above. This allows salespeople to understand quickly and avoids having to divulge financials.

Discounting costs far more than the typical salesperson will ever admit, and that is because they've been geared to think based on the full list or retail price.

"Salespeople, when first challenged with framing all discounts against profit versus price, will initially argue profit is too high anyway."

Again, this is a bogus argument because profit made is a direct measurement of the success of an organization. The lower the profit, the less successful the company is, which really comes back to the sales team being unable to express the value proposition.

"It's hard to find a salesperson who is willing to admit they're not good at what they do, but that is exactly what they're saying when they use the argument they need a discount."



Discounting Your Price Brings You Discounted Customers



Discounting not only destroys the price/value relationship, but also attracts lousy customers. And who among us really needs lousy customers?

Customers who are price driven are the same ones who are going to push you on everything else.

The problem is too many times the salesperson doesn't realize it until it's too late. The general feeling is that discounting the price to get a sale is better than no sale at all.

Sounds simple, right? And it sounds like the only loss is in profit. The reality, though, is the loss is much bigger than just profit.

“ Once a customer knows they can push you to get a lower price, then they begin to think they can push you for other things, and this is where the situation can really start to spin out of control. ”

The pushing winds up being a drain in so many ways.

Typically, the pushing winds up being in additional services that take not only time, but also resources. The result is the sale that was already discounted becomes even more discounted due to the additional work involved.

Some of you reading this are thinking the additional requests from the customer are merely ways to demonstrate great customer service, and that makes sense, but it comes at a cost. The additional cost winds up having little chance of paying off, because the customer never does come to accept the full price -- even on future sales.

If your goal is to attract cheap customers, then by all means, discount your price.

“ If you want to protect your bottom-line and, more importantly, keep your costs under control, then discounting is the last strategy you want to employ. ”

Having Problems Closing? Discounting Will Make Everything Worse!



The sales community tends to believe one of the easiest ways to close a sale is by offering a discount. Standard thinking says if you have a customer who is on the fence of making a decision, then offer a lower price and you'll convince them to buy.

There is a huge problem – actually many problems – with this thinking (and I'm not just talking about the matter of giving away profit).

PROBLEM #1:

Discounting your price to close a sale changes the entire selling process. Whether you realize it or not, when discounting becomes one of your selling tools, it quickly begins to overshadow other more meaningful selling tools.

Subconsciously, we move from focusing on helping the customer with the benefit they desire to justifying in our own mind that the only way we will make the sale is with a discount.

PROBLEM #2:

Second problem – and this one is even bigger – is that using a discount to close the sale puts an aura of doubt in the mind of the customer. The doubt is exposed in two ways. One is the customer in their mind begins to question the entire value proposition. Two, they see the sudden urge by the salesperson to offer a discount as the salesperson not even fully believing in what they're selling.

PROBLEM #3:

Once the customer experiences your first offer of a discount, they begin to believe there is potential for an even bigger discount to be had. Once a customer believes there is more money at stake, then all bets are off. Why should any customer agree to buy if they feel they could get a lower price?



Do you see how devastating these problems are?

“ Having the ability to close a sale using discounts should simply not be part of the selling process. ”

The objective of the sales process is to communicate the price/value relationship and the unique selling proposition the salesperson is providing the customer.

Think about that for a moment.

“ If you’re going to spend all of your time demonstrating value and then at the last minute offer a discount, what does that say about everything else you’ve told the customer? ”

What you’ve told the customer is you lie. No, you’re not doing it intentionally, but that is what the customer perceives. Discounting your price at the end to close a sale calls into question everything you’ve said to the customer to this point.

Every question you ask and every statement you make must be geared toward helping convey the value of the benefits the customer will receive. The better your dialogue with the customer, the more information with which you will have to close the sale without having to resort to price.

A Simple Way to AVOID **Discounting...**



Want to avoid discounting? One of the best ways as you are going into the closing phase is to know at least 3 key needs the customer has. One of those must be linked to time.

Knowing these things equips you to focus the customer on the needs they have and the importance of solving them quickly.

“ Price is totally irrelevant when the customer’s needs are fully exposed and they understand the full magnitude of what they want to either accomplish or avoid. ”

When we have the customer focused 100% against their needs, we don’t have to bring up price, and the customer also is far less likely to bring it up.

Where the salesperson tends to make mistakes with regard to price is the salesperson forgets about the needs of the customer and reverts to discussing price. It’s at this point the sales process stalls out.

We will close far more sales when we eliminate price and the idea of discounting from our sales process and instead focus 100% on the customer.

To keep the entire process simple, make it a point from the first time you meet with the customer to record every need the customer brings up. Record every benefit and outcome they desire, regardless of how trivial you might feel they are. The bigger your list, the more you will have to pick from when it comes to presenting your solution.

There is not one need, benefit or expected outcome raised by a customer that does not warrant you asking a question.

“ Stop thinking the conversation is about price. It’s about the customer and the solution you know you can provide to them. ”



Mark Hunter, "The Sales Hunter," is a high-profit expert skilled at showing companies how to drive revenue and build profitable customer relationships.

Author of High-Profit Selling: Win the Sale Without Compromising on Price, Mark Hunter spent more than 18 years in the sales and marketing divisions of three Fortune 100 companies. He has held sales management roles in teams ranging in size from 20 to 900 members. This level of experience is at the core of every program he delivers to thousands of people each year in the areas of pricing, negotiation, leadership and communication.

He travels more than 200 days a year and is best known for his ability to motivate and move an organization to embrace pricing strategies that protect profit.

You can catch up with Mark here...



The Sales Hunter Blog (www.TheSalesHunter.com)



LinkedIn (www.Linkedin.com/in/MarkHunter)



Twitter (www.twitter.com/TheSalesHunter)



Google Plus (<https://plus.google.com/+MarkHunterTheSalesHunter/posts>)

Also, invest in your career and buy his book: High-Profit Selling: Win the Sale Without Compromising on Price.