

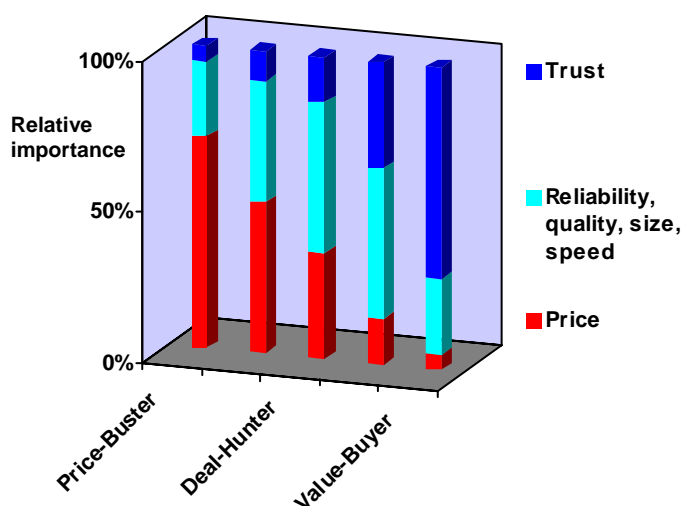
From Price to Value - how to build trust with buyers

"All my customers care about is price" is a commonly held belief among sales teams, managers and executives, especially as they start losing market share or as an economy tightens.

Of course everyone includes price in their decision making, but the key point is to understand where price sits in their list of buying criteria. For some buyers price is number one. For many more, price is much lower down the list, provided they see value for the price they pay. That value could be perceived in terms of quality, technical excellence, reliability, size, speed or most importantly, trust.

As customers feel more trusting of their suppliers they not only worry less about price, they worry less about the offering itself and the extent to which it is the right offering for them, because they trust that the person selling to them would only sell them things which are of value to them. Trust is so critical because it is the lever that moves business relationships to new levels.

We find it helpful to consider three broad buyer motivations which we define as price-busters, deal-hunters and value-buyers. Price-busters care first, last and foremost about price. Deal-hunters care about quality and choice, but price will often be the deal maker or breaker. Value-buyers trust their supplier, assume that quality will be appropriate and care less about what they have to pay. The trust here is personal trust, not organisational or brand trust. That can help, but it is the one-on-one trust that makes the real difference.



As trust builds, other criteria, including price, become less critical and people can be taken from being price-busters, to deal-hunters, to value-buyers. Building the level of trust we are talking about can happen quickly and effectively.

Time can help with trust, but the most important element is intent. If the salesperson has the intent to help, as opposed to sell, and from the first word demonstrates that they are there to help, then a level of trust can be built in minutes. Such behaviour can lead to trusting relationships forming within half an hour, and this can be achieved either in face-to-face or by phone.

The benefits of moving from price to value are many. Value-buyers seek more help, so sales increase. They look for opportunities to refer their trusted partner to colleagues and broader business contacts. Competitive bidding with all the associated time and cost reduces. The salesperson often enjoys the interaction more, makes more sales and gets a bigger bonus. The organisation has a more motivated sales force; revenues increase because more customers are buying more; profit margins increase because with less competitive negotiation, prices increase; all leading to higher market share and a higher share price.

So, whilst most organisations say that they focus on increasing the number of value-buyers they work with, why is it that many then undermine their own intent?

Self-harm

Interestingly, in many cases, the reason a customer is a price-buster or deal-hunter is that the sales organisation themselves have driven their customer to focus on price.

There are three common ways in which organisations do this:

- a) They promote price as their number one differentiator

- b) Their marketing focuses on their offering and its features, rather than on the customer and the value to the customer of the offering
- c) Their sales people are much more comfortable with, and capable of, talking about their product and its features than understanding their customers and the value that customers are looking for. Do you, for example, train your sales people to:
 - a. Explain to the customer the intention that they (the customer) should get value out of the sales *discussion* itself (as well as from the actual *offering*)?
 - b. Listen carefully to the words and structure of what the customer says in the first minute or so and then adapt their language patterns accordingly?
 - c. Offer the customer an opportunity to change the conversation's direction even when the salesperson sees an opportunity to close?

It is our contention that by changing their approach in the three areas mentioned above, organisations can move customers from being price-busters and deal-hunters to value-buyers.

Promote value above price

Do a Google search on most retail, telecom or service industry websites from Sydney to Toronto and New York to London and on the front page will be a caption on price:

"Never knowingly beaten on price"

"Latest offers"

"Inflation busting prices"

"Save \$135"

"\$150 cash back"

No wonder then that by the time the customer comes to buy, their thoughts are focused on price.

Now, we are not suggesting that promoting offers and bargains should not be done, but what we do suggest is that making price the emphasis or official tag-line of an organisation, does not help buyers and sellers focus on the value of an offering.

If an organisation wants to change their marketing emphasis then it is a significant strategic decision, and one which could appear laced with risk. After all, a price focus has worked before, why change now? Well, one reason to change now is that in many parts of the world the economy has changed. Price has become more important to customers and thus, if you start off by leading them in that direction, they will push harder on price than ever before.

Also there are an increasing number of easily accessible competitors in all industries. It is easier for customers to find a preferred supplier. If customers are encouraged to focus only on price, an Internet search very quickly provides alternatives.

A focus on the value of an offering is preferable to a focus on price. Haagen Dazs for example focuses on the quality of their premium ice-cream and promotes their product as an affordable luxury. Similarly, Stella Artois Belgian beer with their unforgettable tag-line "Reassuringly expensive."

Tell stories to demonstrate how your offering benefits buyers

Some companies place a strong focus on the features of their offering:

"8 megapixels"

"Global network"

"Fast wireless service"

"Independent suspension"

"Personal bankers"

Whilst some buyers can make the link between the feature statement and what value they will get from the feature, many cannot. Also since everyone gets a different value out of the same offering how do you make sure the feature you list relates to the value the customer is looking for?

What many companies do is list all the features and hope the customer sees the one they are looking for. Unfortunately this is a little optimistic. The longer the list, the less likely a customer is to find the feature they want, and the more likely they are to think that the offering may be over-priced, or that it suffers from being a "jack of all trades" but "master of none".

A customer led approach is more likely to hit the right buttons:

"Do you want to reduce your interest costs?"

"Are you looking for a network with no black spots?"

"Is safety your key concern?"

"Are you looking for comfort?"

"Which is more important to you, speed or design?"

The customer can then decide what is more important to them and you can focus on the value that your offering delivers in that area.

Instead of promoting specific features, some organisations promote broad capability:

"We care about our customers"

"We are innovative"

"We will reduce your risk"

"Great backup service"

Sadly, life in general teaches us all that grand statements often disappoint. This dulls the impact of statements that run against our general experience while providing little evidence to support grandiose claims. Often, such statements are also very similar to statements that competitors use – hardly a source of differentiation. Unsupported capability statements also run the risk of alienating customers who object to their self-focused and egotistical tone.

Instead, focus on stories, true ones:

"The key feedback we get from our customers is that we 'cared' about their needs"

"Our largest banking client recently said that our new approaches saved them 10% of costs"

"We recently managed to reduce the instances of litigation in a construction company by 50%"

"Our 2008 customer survey showed that customers rated our backup service as number 1 in the industry"

Stories and citations are the best way of "proving" capability.

Build "impact" skills

For every \$100 that the typical large corporate spends on advertising and marketing, how much is spent on training salespeople, and others in the organisation who interact with customers, to ensure that everyone is talking from the same script? Of that money, how much is spent on building "impact" skills – the ability to shift people's thinking and help them get what they want.

Of any sales training spend, typically over 80% is devoted to product knowledge. This is important of course, but inevitably leads to salespeople spending most of their time talking to customers about the technical features of their product.

Think about your own experience, especially where technical sales are concerned – how many times have you experienced that moment when you switch-off because a salesperson is bombarding you with technical information? As well as turning some people off, this focus on product features leads quickly to comparisons and encourages price-buster and deal-hunter behaviour in customers.

Traditional skills training for salespeople also drives this point. Much of the consultative sales training in the market focuses on highlighting problems facing the customer and effecting a sale, especially to less sophisticated buyers. The challenge however is that even though the sale is made, there is unlikely to have been a relationship built. There will almost certainly have been a price negotiation and quite likely some offer of a discount made. Most importantly, if the customer returns, price will be a key criterion because the sales process the first time was not engaging. Equally, if the sale is not achieved in the first interaction, then if the customer comes back for a second conversation, the chances are high that it will become a price discussion.

More sophisticated buyers will not allow themselves to be pushed into buying something quickly, so if the behaviour in the first meeting was of this type then they are unlikely to want to buy from that provider. If they do, they will haggle on price until they feel they have won a great deal. And when they win, you lose. Again, consider your own experience. Think about where you choose to buy from, especially where you make multiple purchases. Is your choice driven by the unique technical superiority of the offering or do you buy from the place

that is most helpful? For most people it is the latter.

To develop “impact” skills and begin to build trusted relationships with customers, the three key areas for skill development are:

- opening discussions in a way that helps the customer want to be in the conversation rather than feel they have to be in the conversation
- understanding, reading and adapting behaviour in order to help the customer feel comfortable when talking to the sales person
- an engagement process that genuinely helps the customer identify, understand and prioritise their desired outcomes

These skills are not easy to develop. They impact behaviours and anything that impacts behaviour patterns takes time and commitment to change. Also there is an element of personal risk involved for the salesperson. Here’s why. If they rely on product or price to sell and the customer decides they don’t want to buy, then the sales person can attribute the decision to product or the price. If however the salesperson is selling themselves and their ability to build trust then, if the customer decides not to buy, the salesperson may feel that they failed personally.

The good news is that where these skills are developed and aligned with customer-centric marketing, then loyalty increases, customer spend increases and customers recommend you to their friends and colleagues.

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