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## Not Pricing Print Correctly Is an Unforgiveable Sin

By Joe Rickard

Dealing with price cutting is not new in the printing industry. Historically, traditional print solutions have continually faced excruciating price competition due to over capacity and commoditization.

Today, as new applications and services become available and the economy continues to be unstable, there will be print providers and sales people who will lower prices to gain quick market share and new accounts. This can be a fatal strategy for the future of a printing business because it makes it impossible to sustain a professional business relationship with a customer.

There are few graphic communications companies or sales people that can survive over an extended period selling products and services at low prices.

I keep a quote on my desk from *Printing for Profit* by Charles Francis written 90 years ago: "The Unforgiveable Sin: Underestimating is the most serious error of the average printer. It is a sin that brings its own punishment." This is not only a caution for printing companies, but should be a mantra for their salespeople as well.

### **The Best Salespeople Sell Profitably**

Through the years working with graphic communication companies, we have frequently asked print shop owners, sales managers and customers to rate their salespeople from top to bottom. We give them no specific criteria. The result may surprise you.

With rare exception, the top ranked salesperson is the one that generates the highest profit margins. It is not uncommon for the top ranked salespeople to not only generate the highest profit margins, but also the most sales as well. Try this exercise in your own company.

### **12 Selling Strategies To Combat Price Cutting**

There are number of key factors that affect customer pricing decisions. Salespeople must be prepared to convince their customers that their offerings are superior both operationally and financially.

If you are not achieving higher prices where you have distinct advantages, it is time to rethink your approach and develop a new sales and marketing plan. Use the pricing scenarios below to test your sales skills and strategy.

### **1. Is there something else we can buy cheaper or better?**

At higher price levels, customers who spend large amounts of their marketing budgets for traditional print and direct mail campaigns are likely to look at the costs of alternative ways to communicate with their customers, or perceived substitutes, such as the Web, cross-media, advertising etc.

We have been seeing a large number of customers moving to Web-based communications for no other reason than the difference in cost. To combat this issue, salespeople must have a confident perspective of why print works better or as a complement to the Web.

### **2. Are you a one-trick pony, or a one-stop shop?**

The more capabilities a printer can provide, the less price sensitive the customer will be. Those graphic communication companies that can provide more of the creation, data base capabilities, project management, fulfillment, binding, mailing etc., the more they will be perceived as a one-stop shop.

The more value added a salesperson can inject into the solution, the more margin they will obtain.

### **3. Wow, is there anyone else doing this?**

Market-driven companies are less sensitive to price if they value any or all of the unique characteristics of the solution being provided.

The bottom line here is that, if your solution can be differentiated and generate perceived business results, top performing companies are willing to pay for it.

### **4. Who else can produce this?**

Having perceived experience providing industry specific i.e. Pharma, Financial or complex products or services (i.e. VDP or cross media), the customer will be less price sensitive. When salespeople have this advantage and knowledge they have great leverage in extracting higher prices from customers.

Most customers will gladly pay a premium, for complex products and services if their risks of implementation are reduced. Remember, knowledge of your customer and their competition in the marketplace is power.

## **5. How much does it cost to switch printers?**

These are costs incurred when a customer changes from one supplier to another. The higher these costs are, the more difficult it is to execute the switch. The greater the switching costs—the less price sensitive the customer will be. This is the value of a deep relationship between your company's work processes and your customer's.

## **6. Are you comparing apples to oranges?**

Customers are more price sensitive to new ideas or innovative solutions, than to a price of known traditional printing. This is especially true if they have difficulty comparing the two.

For instance, if you are selling a new cross media solution versus a traditional static print direct mail campaign, a customer may have great difficulty justifying the new approach to their management without the salesperson's help. This often explains why many average salespeople have difficulty selling new products or services.

Don't underestimate confidence, knowledge and preparation. Don't assume customers know the obvious differences and benefits between two potential alternatives to a problem or opportunity.

## **7. Is this the best you can do?**

There are always customers who buy solely on price. These customers should be avoided unless the company can differentiate their products and services to obtain acceptable margins.

## **8. The bigger it is; the more the “bean counters” will be looking.**

In print, the sensitivity to price is related to the size of the order. Companies will take a much closer look at large printing expenditures. Senior managers in tough times will look to the vital few opportunities to reduce costs. The higher the expenditures, the more likely it will get visibility from financial managers.

The deeper the salesperson is imbedded in the customer's decision process and their ability to influence key buying specifications along the way, the harder it will be for others to compete.

## **9. How do I get a bigger bang for the buck?**

The greater the benefit of your offering, such higher return on investment (ROI), better response rates, more perceived value by end customers etc., the less price sensitive the customer will be.

## **10. It's cheaper if everyone "chips" in.**

In many companies, the total cost of printing solutions is a shared cost between multiple functions, i.e. HR, sales, manufacturing and marketing. The greater the reimbursement by other departments, and the more the costs are shared, the less price sensitivity.

This is reason alone why salespeople must get beyond purchasing departments to gain support for key marketing and graphic communications campaigns.

## **11. Is this a fair price?**

Customers need to believe that the price is fair. Overcharging customers is not only unethical, but will result in an eventual loss of the business. I have heard salespeople explain their strategy by telling me that they get the highest price they can get from the customer. This is not a business strategy.

## **12. This is not a time to hold any inventory.**

In this economy, return on assets (ROA) is a major financial metric. Companies are less inclined to hold inventory. In years past, some customers perceived holding a large inventory of printing as a way of controlling price increases. This is gradually changing with the growth of print on demand. The less the customer needs to hold inventory without losing any capabilities, the higher the price the customer should be willing to pay.

To obtain higher price levels, salespeople must pay attention to the basics, and be consultants to their customers. With superior industry/customer knowledge and mastering the consultative selling process, through practice and continuing education, most salespeople should be able to achieve reasonable price levels. The payback for your effort and skill is greater commissions and happy sales managers and owners.

With the tremendous pressure on prices within the printing industry during this recession, salespeople must learn to sell jobs at acceptable profit margins to survive. Understanding the customer and price sensitivities gives printing salespeople the best chance of winning more deals at higher profit margins.

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