

# Comprehensive Sales Training .

Handling objections is both an art and a science.



# Pricing Strategies

## Negotiating Module 4

## **Job Descriptions**

Develop roles clearly and completely across varying levels of experience

## **Agreements**

Draft your business agreements across a variety of areas

## **KPI's**

Performance indicator, a quantifiable measure of performance over time versus a specific objective.

## **Strategic tools**

These tools are recognised the world over in business schools, consulting firms and companies who plan strategically.

## **Scorecards**

Designed as functional or subject indicators across a variety of situations to enable performance of situational evaluation versus aligned standards.

## **Assessments**

Assessments are designed around specific areas to conduct reviews and will center around a benchmark reviewing individuals or functions

## **Research**

Research tools for sales and marketing engagement

## **Checklists**

Designed around achieving milestones in a sequential manner.

## **Calculators**

calculate the right ratios for businesses looking for benchmarks in a variety of situations

## **Analytical Tools**

Interactive excel tools on specific business areas based on your data inputs delivered in a workbook model with instructions.

## **Content Modules**

Best practice material in power point for use as a knowledge base in business training , planning and execution .

## **Templates**

Templates are designed based gather information in a structured manner



# Module 4

## Pricing Strategies

### Negotiating Price

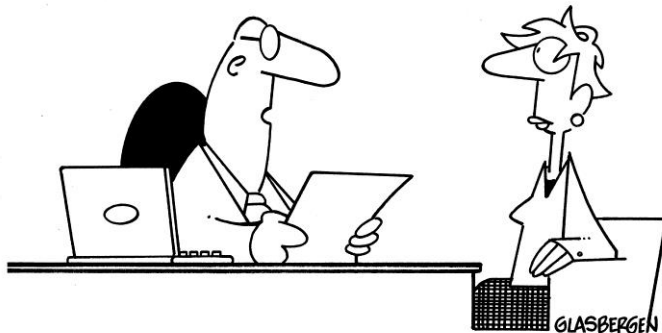


# Pricing Strategies

## Module 4 - negotiating price.

### Summary

Negotiating price effectively involves a blend of preparation, strategic thinking, and effective communication. By understanding the market, building rapport, presenting value, and handling objections, businesses can achieve favorable outcomes while maintaining profitability.



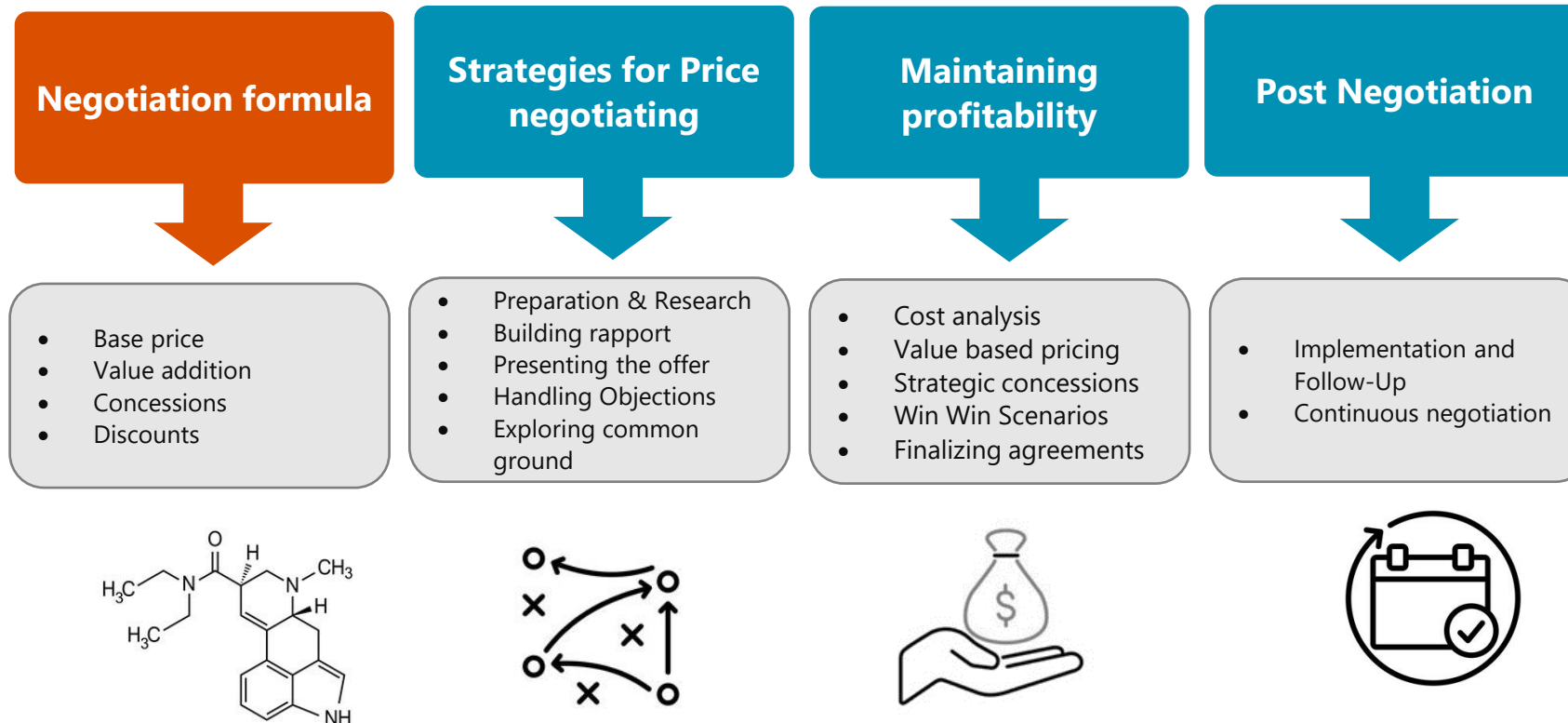
"If you are willing to take a 25% pay cut,  
I'm willing to give you a 10% raise!"

# Negotiation formula

# Module 4 - Pricing Strategies

## Negotiating Price.

**Learning Objective:** Understand the key steps in how to create a pricing strategy that aligns product price with perceived customer value to enhance sales and profitability.



# Pricing Strategies

## Module 4 - negotiation formula.

### Components of the formula

$$\text{Negotiated Price} = \text{Base Price} + \text{Value Additions} - \text{Concessions} + \text{Discounts}$$

# Pricing Strategies

## Module 4 - negotiation formula.

### Components of the formula

**1.Base Price (BP):**

The initial price point derived from your cost structure and desired profit margins. It represents the minimum price at which you can sell the product or service without incurring a loss.

**2.Value Additions (VA):**

The additional value your product or service offers compared to competitors. This can include superior quality, exclusive features, customer support, warranties, and brand reputation. Quantify these aspects to justify a higher price.

**3.Concessions (C):**

The compromises you are willing to make during the negotiation. This can involve extended payment terms, bulk purchase discounts, additional services, or flexible delivery options. These should be calculated to ensure they don't erode your profit margins significantly.

**4.Discounts (D):**

Any price reductions offered to close the deal. This can be early payment discounts, seasonal promotions, or loyalty discounts. Like concessions, these need to be controlled to maintain profitability.



# Pricing Strategies

## Module 4 - negotiation formula.

### Components of the formula

#### Calculate the Base Price (BP) ( A)

$BP = \text{Cost of Goods Sold (COGS)} + \text{Desired Profit Margin (PM)}$

- **COGS:** Direct costs associated with the production of goods or services.
- **PM:** The profit percentage you aim to achieve over the COGS.

$$BP = \$100 + (0.30 \times \$100) = \$130$$

#### Assess Concessions ( C)

- **Bulk Purchase Discount:** \$10 per unit
- **Extended Payment Terms:** \$5 per unit

$$C = \$10 + \$5 = \$15$$

#### Compute the Negotiated Price ( E)

$\text{Negotiated Price} = (BP + VA) - (C + D)$   
 $\text{Negotiated Price} = (BP + VA) - (C + D)$

$$\text{Negotiated Price} = (\$130 + \$45) - (\$15 + \$10) = \$175 - \$25 = \$150$$

#### Determine Value Additions (VA) ( B)

- **Unique Features:** \$20 (e.g., advanced functionality)
- **Customer Support:** \$10 (e.g., 24/7 support)
- **Brand Reputation:** \$15 (e.g., recognized brand)

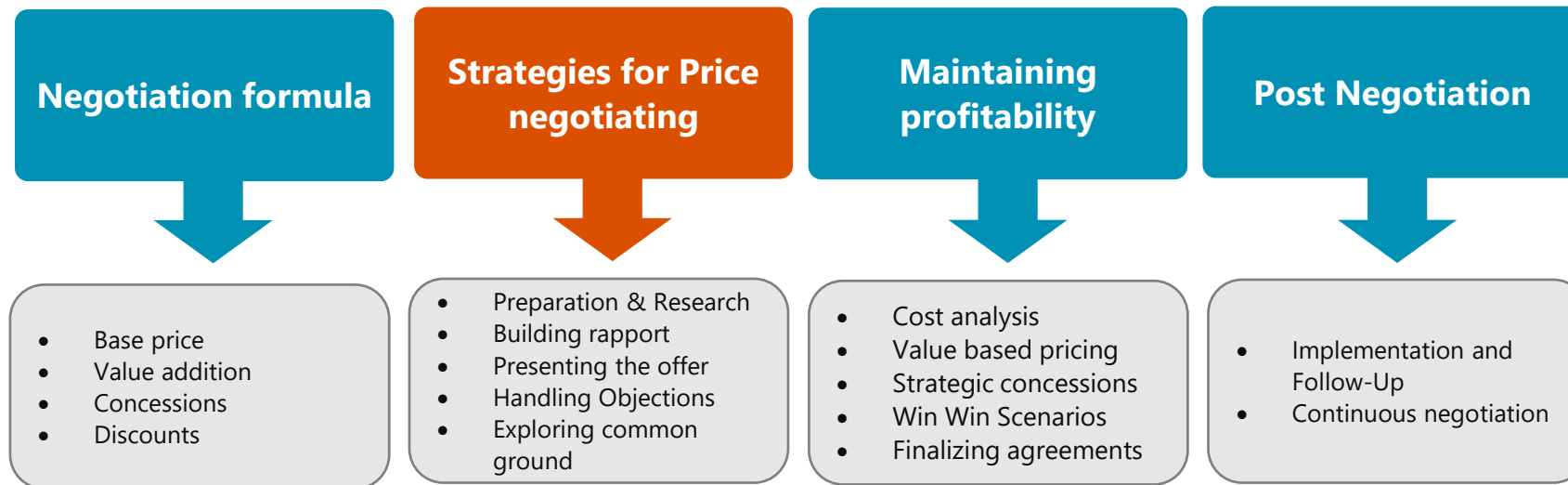
$$VA = \$20 + \$10 + \$15 = \$45$$

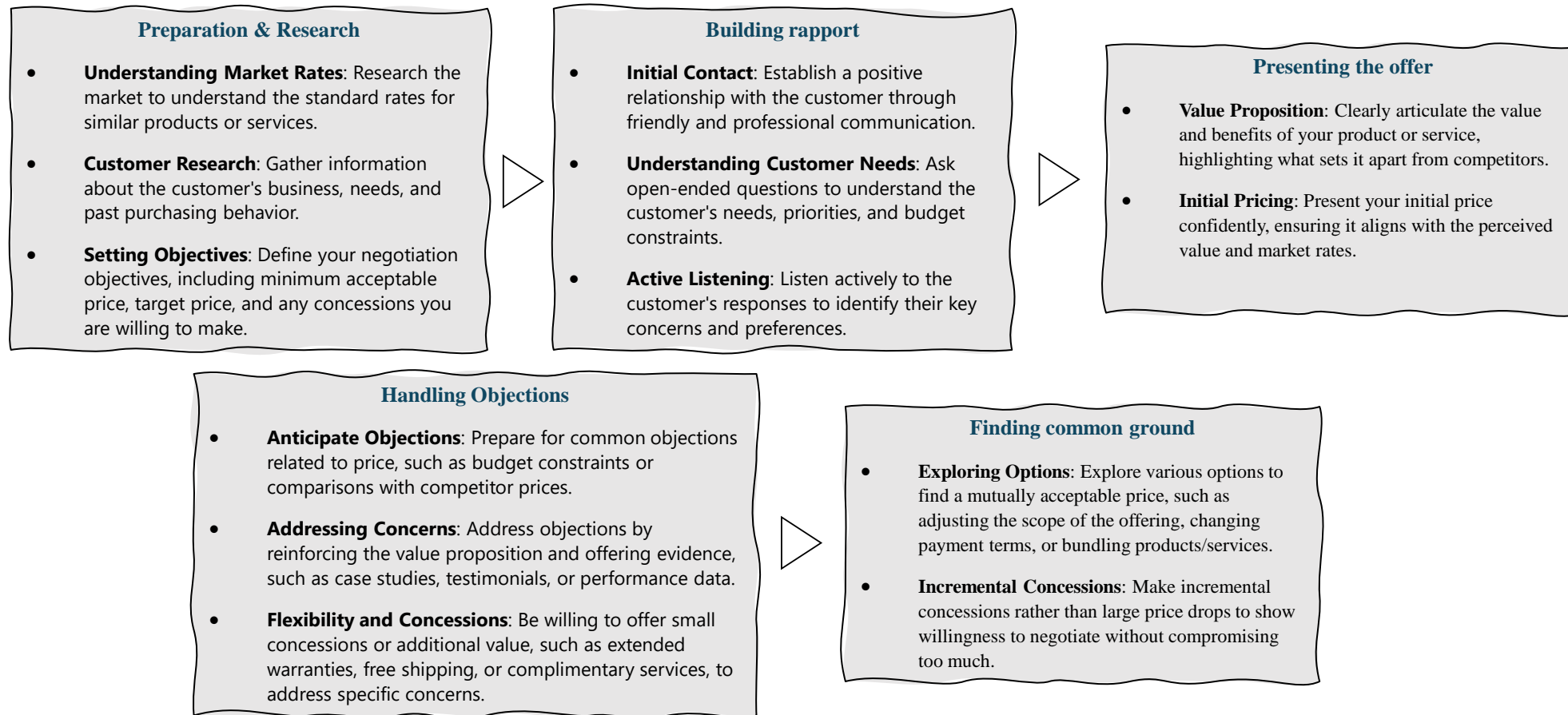
#### Calculate Discounts ( D)

- **Seasonal Discount:** \$5
- **Loyalty Discount:** \$5

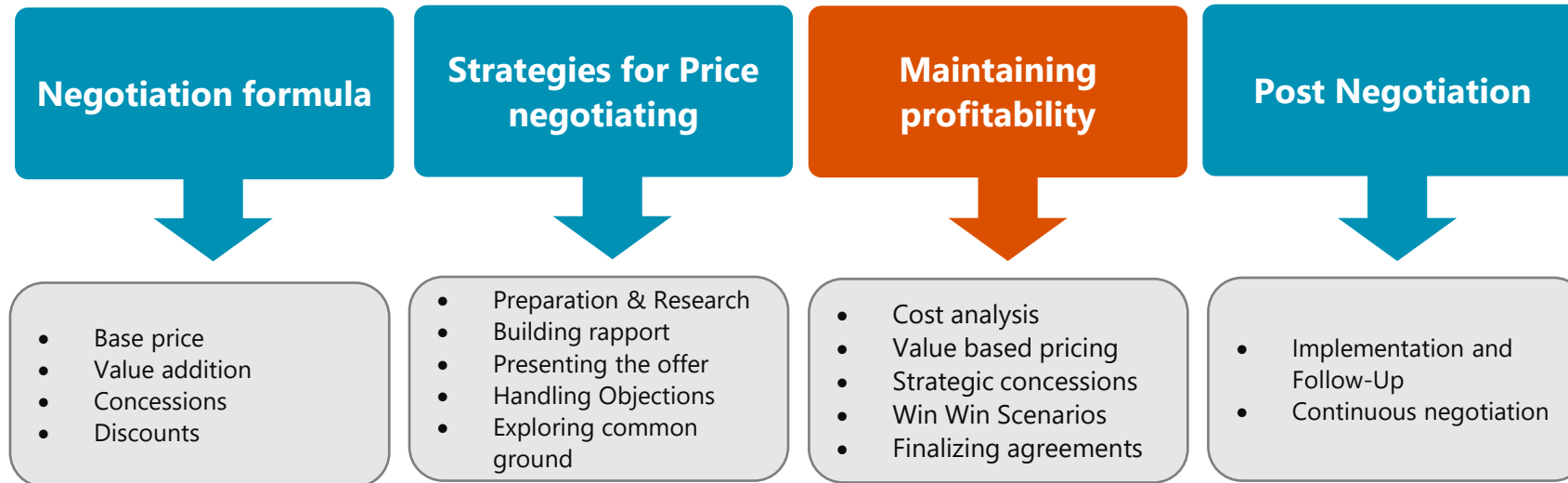
$$D = \$5 + \$5 = \$10$$

# Strategies for price negotiation





**Maintaining profitability**



## Cost Analysis

- **Understanding Costs:** Have a clear understanding of all costs associated with the product or service, including production, distribution, marketing, and overhead.
- **Minimum Acceptable Price:** Determine the minimum acceptable price that ensures a reasonable profit margin.

## Value based pricing

- **Aligning Price with Value:** Ensure that the negotiated price reflects the value delivered to the customer, emphasizing unique features and benefits.
- **Customer Segmentation:** Tailor pricing strategies based on different customer segments and their willingness to pay.

## Win win scenarios

- **Mutual Benefits:** Aim for solutions that provide mutual benefits, ensuring that both parties feel satisfied with the agreement.
- **Long-Term Relationships:** Focus on building long-term relationships rather than winning a single negotiation. Satisfied customers are more likely to provide repeat business and referrals.

## Strategic concessions

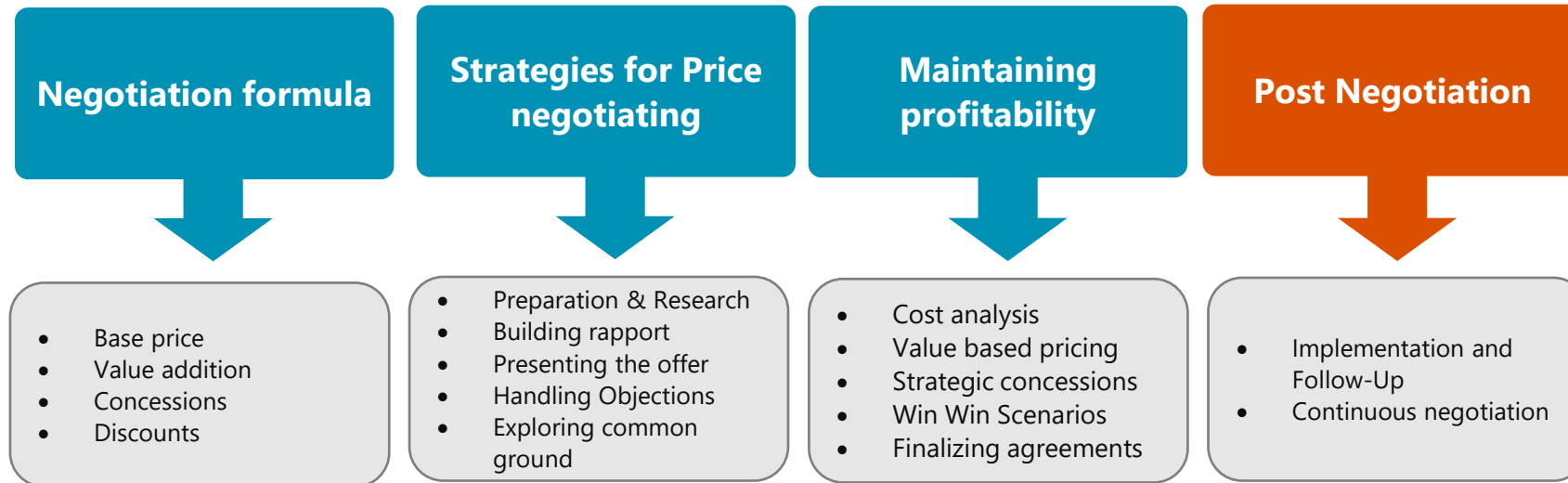
- **Conditional Concessions:** Offer concessions that are conditional on certain commitments from the customer, such as larger order quantities, long-term contracts, or referrals.
- **Non-Monetary Concessions:** Consider offering non-monetary concessions, such as enhanced support, faster delivery, or exclusive access to new products, to preserve profit margins.

## Finalizing the agreement

- **Clear Documentation:** Ensure that all agreed terms are clearly documented in a contract or agreement to avoid misunderstandings.
- **Review and Confirmation:** Review the agreement with the customer to confirm their understanding and satisfaction with the terms.

# Post negotiation





## Implementation & follow up

- **Delivering on Promises:** Ensure that all terms of the agreement are met, and that the customer receives the agreed-upon value.
- **Customer Feedback:** Seek feedback from the customer to understand their experience and identify areas for improvement in future negotiations.

## Continuous improvement

- **Negotiation Review:** Review the negotiation process to identify what worked well and what could be improved.
- **Skill Development:** Invest in ongoing training and development for sales and negotiation skills to enhance future performance.

# Summary

## Summary.

Negotiating price effectively involves a blend of preparation, strategic thinking, and effective communication. By understanding the market, building rapport, presenting value, and handling objections, businesses can achieve favorable outcomes while maintaining profitability. It is crucial to balance concessions with the need to maintain profit margins, focusing on creating win-win scenarios that build long-term relationships.

Post-negotiation activities, such as implementation and feedback, are essential for ensuring customer satisfaction and continuous improvement in negotiation practices.

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Handling objections is both an art and a science.



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