



Trippin' Over Dollars to Pick up Pennies!

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Are your prospects more focused on the price than what you're offering? Are your competitors slashing their prices in response? Are you thinking you should too? Or are you doing it now?

I think right now a lot of people (prospects, competitors, etc.) are tripping over dollars to pick up pennies. Their focus is on short term instead of long term and it's up to you to educate.

Are you "selling" in your proposals? The proposal is your last chance to re-state your case.

When a customer buys a product, he's buying a tangible product. When he's buying your services, he's buying your time. There is a fundamental difference between selling a product and selling your time. That goes for the proposals you write as well.

When you sell a product, the customer can "test drive" it, take it for a spin and kick the tires. When you sell a service you don't have the luxury of offering a test drive. There is no "thing" for the customer to touch and feel. They have to rely upon your words, your proposal.

When you're selling a service, you're really selling VALUE, or you should be selling value. You're in affect saying, "pay for my time and experience and I'll give you a return on your investment." Then you have to convince them that you will.

What is value?

Value is whatever the customer thinks is valuable. It could be saving time, money, effort or something else. Value has to be determined prior to the proposal. You should have first qualified, defined the need, and discovered the financial impact before ever writing your proposal. Your proposal must show how you'll provide value at a price you **both** can afford.

In a proposal you need to focus on what the customer is interested in – period. It's imperative not to add anything else to your proposal. Don't make them sift through your junk to find what they're looking for because most of us won't do that and will look to your competition if it's easier.

Just focus on: How you will do the work – How you will manage the work – The people you bring – and the Tools/Resources you have available to get the work done.

Pull out one of your recent proposals and let's see what's in there. If it can stand on its own, it must contain the following:

- 1. Summary of your Needs Assessment**
- 2. Statement of Objectives**
- 3. Plan of Action or Method of Delivering the Solution**
- 4. Measures of Success and Return on Investment**
- 5. Relevant Experience**
- 6. Time-line**
- 7. Value Proposition** - This is the most important section of the proposal!

Ok, but what about the little details, like the pricing? A proposal should be a “working document”. Until you have agreement that your proposed solution will work it doesn't make any sense to talk about price. Also, let's say that during the proposal presentation the prospect has had some changes or wants to change some items in the proposal which could affect price. Do not submit pricing until you're sure what you're selling. Your pricing should be based on the level of service you will be providing. Until you know this, you don't have the information you need to price your service. The proposal is really a series of trial closes.

But what about the competition? What happens when they cut their price?

Remember that business is a game of margin, not volume.

When a business gets into financial difficulty, some genius will decide that they can cut their price *and* make it up in volume. Wrong. If you don't maintain profitable gross margins you will eventually go bankrupt, regardless of your sales volume. When gross margins go down because you've discounted your pricing, most companies do not re-align their company in order to sustain these lower gross margins. Therefore, wages go up as a percentage of sales (meaning too many people on payroll and the company isn't making enough money).

Declining gross margins is a clear, red signal that there is an inability or an unwillingness to sell the service at a high enough price to cover your costs.

Pogo the Possum said: “We have found the enemy and he is us”. It's not your competition that cuts your price - it's you, a self-inflicted wound. And if your competitor has more money to lose than you do, you'll go broke first.



“The bitterness of poor quality remains long after the sweetness of low price is forgotten.” Anonymous