



# Handling Pricing Pressure in a Competitive Market

## Advice from the Experts

Picture this: Your firm has been asked to bid on a project that's right up your alley. You have qualified staff capable of doing the work effectively—in fact, you've completed hundreds of jobs just like it—and you could really use a new client, so after reviewing the project's details you write up a proposal and submit it.

by Dianne Crocker

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A few days go by and your prospective client is on the phone. He wants to give the project to your firm, but says your rate is too high. Will you lower it? You agree immediately—after all, you don't want to lose the job—and then you hang up the phone and grumble about the lousy economy and pricing pressure from your competitors, whose lowball bids are driving down prices for everyone.

Sound familiar? If so, you might want to think twice about lowering your price in response to pressure from a prospective client. The experts say that competing on price does little to ensure customer loyalty and everything to ensure that you'll play the price game each time you bid on a project. In the environmental industry, slashing prices has become a knee-jerk reaction for those who are unprepared to counter pricing pushback from potential clients with value-based sales tactics. For this month's column, I sought out advice from strategic experts on how environmental professionals can avoid playing the pricing game.

### Pushback: You're Not Alone

The first thing environmental professionals need to understand about pricing pressure is they're not the only ones feeling the pain. In this economic downturn, anyone trying to sell a product or service is facing pricing objections under the "do more with less" mantra that many clients are operating under. Such pressure in the environmental industry is real, and one that the majority of firms have a hard time resisting. According to RainToday.com's *Fees and Pricing Benchmark Report: Architecture, Engineering & Construction Industry 2008*, 67% of firms in this industry, which

include environmental engineering firms, discount their fees-for-services versus their published rates.

Not everyone in the environmental industry discounts, but experts say those who do have likely never been trained in selling services. "Environmental professionals are no more likely to face pricing pressure than anyone else," says Dave Kurlan, chief executive officer of Westboro, MA-based Objective Management Group and author of *Baseline Selling—How to Become a Sales Superstar by Using What You Already Know about the Game of Baseball*. "The difference is that many environmental consultants are unable to tell the difference between the common bluff, price competition, price sensitivity, and the put-off." While these four scenarios fall under the broad category of pricing pressure, they are, in fact, very different and each requires its own unique response.

### Handling Price Objections

Did you ever have a prospect say, "You'll need to do better than that"? This is the classic request for lower pricing, and your strategy, according to Kurlan, is to initiate a conversation. You can say something like, "Help me out. You provided me with your budget and my fee is within your budget, so I'm confused: Why does [the price] have to be better?"

You'll typically hear one of three things: "No reason, I just wanted to see if that was your best price"; "Because I got a better price from one of your competitors"; or "Something has changed and I can't spend that much any longer." (If you hear a fourth response: "I don't see the value,"

Kurlan says, you didn't do a very good job selling your services.) Here's how to handle each scenario:

**Pushback Scenario #1: The Bluff.** The bluff—when you're asked to lower your price for no reason—is simply a tactic that prospects use when they're okay with your price, but ask anyway in case they can get a better deal. To address this pushback, the experts say to simply hold firm to your quoted fee. Like most people, your prospect wants to make sure he's getting the best deal. If you remain firm, he will know that he is, indeed, getting your best price.

**Pushback Scenario #2: Pitting You Against a Competitor.** To address this second possible response, Kurlan says you should say, "Why didn't you give [competitive firm] the business?" Your prospect's answer will reveal your competitor's weaknesses and, at the same time, reveal his preference of working with your firm. Rather than meeting your competitor's price, Kurlan says to simply ask, "Are you willing to invest a few dollars more to get your problem solved the right way the first time?" The answer is usually yes.

**Pushback Scenario #3: Price Sensitivity.** To address this scenario—"something has changed and I can't spend that much any longer"—Kurlan says you have two questions to ask: (1) What exactly has changed? and (2) What's your new budget? "When you hear the new number, ask what part of the solution your prospect can do without." Usually, he'll review your proposal and find he wants the entire service. If not, you'll at least be able to talk about scaling down the work to meet the lower fee—or maybe meet the client halfway.

**Pushback Scenario #4: The Put-Off.** When your prospect says, "Get back to us if you can do any better," Kurlan advises employing the "Help me out...why does [the price] have to be better?" question. Listen to your prospect's answer, and proceed from there.

### **Avoiding Pricing Pressure in the Future**

Wouldn't it be great if you were able to stay out of the pricing game altogether? Some experts say that with a little training and effort, you can. The

secret lies in differentiating your firm from its competitors. "For environmental professionals, price pressure happens because of two fundamental scenarios," says Mike Schultz, founder of RainToday.com, and president of Wellesley Hills Group, a management consulting, marketing, and lead generation firm based in Framingham, MA. "Either there is a lack of differentiation in the minds of buyers about the professionals vying for the work, or there is a lack of urgency on behalf of the buyer."

Schultz says that more often than not it is the lack of differentiation that sinks environmental engineers. "Think of it from the buyer's perspective. If they can't tell the difference between their options and they believe each firm has the technical ability to perform the work, they'll choose the cheapest option." On the other hand, Schultz says, if you can set your firm apart in your prospect's mind, and if the difference is important to them, they will pay more. "It's a simple value equation."

"When facing pricing pressures, environmental professionals head down many unfruitful paths because they don't consider the fundamental question: What is important to the client?," says Schultz. "They'll try to differentiate with claims of size ('We're bigger and have more resources than the other firm'), or experience ('We've been doing this kind of work for more than 40 years' or 'We were the first to do this'). Who cares who did it first, longest, or whatever? Does it matter to your buyers? The answer is probably no."

Keep in mind that there are other things besides a lower price that buyers may value, such as a fast turnaround time or top notch customer service. The key is asking prospects what their goals are and then tailoring your sales pitch accordingly.

### **Bottom Line**

The next time a prospect asks you to lower your fee, ask some questions of your own. Use the techniques described above to address their concerns. Remember, though, it's easier to get your asking fee if you can avoid price pushback in the first place. Do this by engaging your prospects in conversation during the sales process to find out what their needs are before you even begin to talk price. **em**

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