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How High To Raise The Price Of Your Product Or Service Without Losing the Shirt Off Your Back

Michael Senoff Interviews Product Pricing Expert

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Dear Student,

I'm Michael Senoff, founder and CEO of HardToFindSeminars.com.

For the last five years, I've interviewed the world's best business and marketing minds.

And along the way, I've created a successful home-based publishing business all from my two-car garage.

When my first child was born, he was very sick, and it was then that I knew I had to have a business that I could operate from home.

Now, my challenge is to build the world's largest free resource for online, downloadable audio business interviews.

I knew that I needed a site that contained strategies, solutions, and inside information to help you operate more efficiently

I've learned a lot in the last five years, and today I'm going to show you the skills that you need to survive.

It is my mission, to assist those that are very busy with their careers

And to really make my site different from every other audio content site on the web, I have decided to give you access to this information in a downloadable format.

Now, let's get going.

Michael Senoff

Michael Senoff

Founder & CEO: www.hardtofindseminars.com

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Published by:

Michael Senoff
JS&M Sales & Marketing Inc.
4735 Claremont Sq. #361
San Diego, CA 92117
858-234-7851 Office
858-274-2579 Fax
Michael@michaelsenoff.com
http://www.hardtofindseminars.com

How High To Raise The Price Of Your Product Or Service Without Losing the Shirt Off Your Back.

The price of your product or service is one of the most important decisions you'll make for your business and unfortunately most people act like sheep when pricing their product. They instinctively look and copy what their competition is doing. In this interview, you'll learn why this is the worst thing you can do when determining price. Your going to hear from Larry, a strategic pricing expert. Larry specialize in sales and marketing training with a primary focus on selling at prices higher than your competitors and maintaining profitable margins for your company.

Larry is a Ph.D. and former professor who has become famous for his work in getting profitable results in business. His specialty is in the areas of how to successfully raise prices and maintain high profit margins. Larry has educated hundreds of thousands of businesspeople both public and private seminars and is considered one of the nation's foremost authorities in getting top dollar for one's products and services.

In this interview you'll learn.. How to stop racing your competitors to bankruptcy court and start selling at prices that actually earn you a profit. Why business is a game of margins, not volume. Why competing on price might be a surefire way to run your business into the ground. Why your problem isn't your competition; it's Your thinking. The truth about why people buy, only one of which is price. You'll also learn other proven strategies for selling based on value rather than price, how to price products or services correctly in the first place, how to withstand pressure to cut prices. This interview is 58 minutes.

Larry: Price buyers are the most expensive customers you sell to. They take all your sales time. They do all the complaining. They forget to pay you. They tell everybody else how little they pay you. They drive off your good customers.

Michael: Hi, this is Michael Senoff with Michael Senoff's www.hardtofindseminars.com. Get ready. Here's another one-hour audio interview with the Pricing Expert. The price of your product or service is one of the most important decisions you'll make for your business and unfortunately most people just like you act like sheep when pricing their product. They instinctively look and copy what their competition is doing. In this interview you'll learn why this method is absolutely the worst thing you could do when determining price for your product or service. You're going to hear from Larry, a strategic pricing expert. Larry specializes in sales and marketing training with a primary focus on selling at prices higher than your competition and maintaining profitable margins for your company.

Larry is a PhD and a former professor who has become famous for his work in getting profitable results in business. His specialty is in the area of how to successful raise prices and maintain high profit margins. Larry has educated hundreds of thousands of businesses, both in public and in private seminars and is considered one of the nation's foremost authorities in getting top dollar for whatever you're selling. In this interview, you'll learn how to stop racing your competitors to bankruptcy court and start selling at prices that are actually earning you a profit. You'll learn why business is a game of margins, not volume. Why competing on price might be a sure fire way to run your business into the ground. Why your problem isn't your competition, it's your thinking. And you'll learn the truth about why people buy. Only one reason is based on price. You'll also learn other proven strategies for selling based on value rather than price. You'll learn how to price products and services correctly in the first place and how to withstand pressure to cut prices.

This interview is 58 minutes. It's something you want to listen to several times. We've got a lot to cover and I know you're going to enjoy it, so let's get going.

Michael: Any idiot can give stuff away by cutting the other guy's price. Selling occurs when your prices are higher, but you are still able to close the deal. If you want to give stuff away, get a job at the Welfare Department. If you want to learn how to sell at high prices, learn some of your material given at your seminars. It's about making money by selling. Is that what selling at higher prices is?

Larry: Well, it is in my opinion. The interesting thing about the concept of selling at high prices, just about any sales rep you talk to thinks they sell at high prices, but very few of them do. Somebody has the highest price in the country, but most salespeople really feel that their prices are higher than anyone else's, which leads to another kind of conundrum for sales managers, if you will. Most pressure and most companies cut price comes from the sales force, not from the customer. And if you don't believe that, let me state it a little differently. Virtually all resistance to rise in price comes from the sales force. Sales reps start complaining about a price increase before they even talk to a customer about it. So, people think they're selling at high prices, but they really, for the most part, don't like to. Now, I shouldn't say maybe even the most--many salespeople feel their prices are a whole lot higher than their competitors when indeed they are not and they spend all their time beating up the boss trying to get the boss to let them cut the customer a deal. Good salespeople do sell at prices that are higher than their competitors and they are oblivious to their competition, but their competitor's lower prices certainly don't handicap them getting a sale.

Michael: If price were the only reason anybody bought anything, we wouldn't need salespeople. What do you mean by that?

Larry: Well, it's true. Just think it through logically. If price were the only reason anybody bought anything, only one seller would sell all there is that's sold, whatever that stuff is, and that's whoever could survive the longest at the lowest price until everybody else went broke. And that doesn't happen. And then, of course, the second thing, if price were the only reason anybody bought anything, we don't need sales rep. In today's electronic world, we can handle all sales transactions electronically and I'm not really even talking about using a computer. I'm talking a fax machine. A computer can answer a phone. A fax machine--here comes an order if price were the only condition. And what I'm driving at there really is this. I mean this is for the mentality of the salesperson. The salespeople hear customers say things to them like price is the only thing we look at. Price is the only condition. It's got to be the lowest price. Well, if that was true, how could anybody sell anything at a premium price and yet we see things being sold all the time at premium prices. And you don't have to look very far for any examples.

But the basic thing is that buyers make good liars. They are incredibly good at telling other people--that is salespeople--that they can get the same thing down the street for less money and they're not telling the truth. And we can talk a little later about how you can tell when somebody is lying other than their lips are moving, which is almost a certain indicator. But there's really some answers to that in terms of how can you tell when someone is lying about having a sweeter deal. But fundamentally what they're trying to do is beat up the sales rep to get them to cut their own price. And price-cutting is a self-inflicted wound. Price-cutting is something the salesperson, the selling company organization does to itself. Competition does not cut your price. If you think your competitor is the one who is cutting your price or your competitor is the one who keeps you from raising price, why don't you just call up your competitor and ask them if it's all right with them if you raise your price. And I've got a funny felling they'll say go for it. So much of this game is salespeople just--I don't know, maybe they just don't want to work very hard at selling.

Michael: Do you think a lack of marketing and a lack of marketing understanding with most businesses out there only give businesses one option to sell and that's to sell on price because they don't know how to sell on anything else?

Larry: Sure. The easiest thing they can do is cut the price. But again, what you will find out…and this is predicated in tons of research that I've done and numerous other people…most businesses go broke in the United States. Let me give you some statistics. Sixteen out of 17 businesses that start in the US failed, most in the first couple of years of their existence. Average life expectation, all business in the United States, just at seven and a half years. In fact, one of the lines I use in another program…if your business in not eight years old the odds are it never will be. And that's a mathematical certainty. It's just as true if I say if your body is not 80 years old the odds are it never will be. Average life expectation for people in our society is not 80 years. For the ladies it's more like 79. For men it's more like 74/75. But statistically we'll all be boxed up and buried before we're 80 years old. And statistically a business is dead and gone before it's eight.

Now, you've got to analyze why do businesses go broke and they either do go broke or they just go out of business because they're not making any money. I mean when's the last time you heard somebody go out of business because they were making money like a bandit that they just couldn't hide all of the money they were making? When businesses quit, it's because it isn't any fun and it isn't any fun because they're not making any money. Most businesses that do go broke go broke cutting price. There are three things that almost always herald the failure of a business and I'm not talking small businesses. I'm talking large businesses. We'll get into that in a minute.

One thing is declining gross margin. Gross margin only goes down because your selling price is too low relative to your cost. The second condition is wages is a percentage of sales increasing. And the third condition, surprisingly, is sales volume increase.

Now, a lot of people say how can that be? Well, to put it simply, when a business gets into trouble, and let's talk about trouble in a business. Trouble comes when you can't pay your bills. When you can't pay your bills, you need some cash. Now, to get some cash, we've got to sell something. How to sell something, let's cut the price. And invariably they cut the price, but they didn't cut your cost because when you cut prices, you don't cut the cost, you just cut the selling price. Your costs are still there. So, your gross margin has gone down. Now, when you cut price, did you cut payroll? No. If you cut price 2%, 10%--pick a number--do you cut wages of everyone that works there 2% or 10%? No. So, wages as a percentage of sales go up and consequently you will probably sell a little more and have some sales volume increase, but your margin hasn't gone down, your wages percent of sales has gone up, your sales volume is going up and your company almost assuredly is going broke. When those three conditions prevail in a business for two years and whoever is running that business doesn't get it turned around in another two years, almost assuredly someone in the head-shed of that business will get to know a bankruptcy judge on a first name basis. And people can't believe that. They say well big businesses don't go broke. Yes, big businesses do go broke.

Tom Watson is the guy who built IBM. He wrote a book called, *A Business and Its Beliefs*. In fact, this quotation is the first two paragraphs out of his book and I love to quote it. It's why I always have it handy, but let me just read it.

"Of the top 25 industrial corporations in the United States in 1900, only two remain in that select company today. One retains its original identity. The other is a merger of seven corporations on that original list. Two of those 25 failed. Three others merged and dropped behind. The remaining 12 have continued in business, but each has fallen substantially in its standing. Figures like these help to remind us that corporations are expendable and that success at best is an impermanent achievement, which can always slip out of hand."

Now, he wrote that book back in, I think it was 1963. I forget the exact date of it, but anyway let me update it to today because he was talking of the 25 largest industrial corporations in the United States in 1900. So, let me just re-read the first sentence, but I'll update it to the year 2006.

"Of the to 25 industrial corporations in the United States in 1900, only one remains in that select company today."

I mean the likelihood of a business being successful for an extensively long period of time is not very likely. It's an impermanent achievement. Let me also rattle off--a lot of people don't believe this, they don't think big companies go broke. This is from the national bankruptcy statistics that are published by the bankruptcy courts. These are companies that have more than $100 million in assets, meaning that their sales should be sizably bigger than that, up to like a quarter of a billion or more. Let me just read off a few that filed for bankruptcy in early 2000: Air Traffic, NRG Energy, Solutia, Teletext Corporation, Conseco, Global Crossing, Adelphia Communications Corporation, Genuity, Inc., BioSystems, Consolidated Freightways, RoadHouse Grill, President Casinos, Archibald Candy Company, Florsheim Group, TransTexas Gas, Formica Corporation, Oakwood Homes, Global Star, Highlands Insurance, Farmland Industries, National Steel, Neenah Foundry, Magellan House Services, Congoleum, Eagle Food Centers, Cone Mills, and the list goes on and on and on.

People don't understand the failure rate of the world's largest transportation. Most people don't understand the world's largest retailer failed. And I might tease the audience into thinking about well now who was that. Well it was Campo. Wal-Mart is the largest now and they're in serious trouble when you really look at it. They're not nearly as profitable as they were and one of their big problems is pressure from their employees to unionize. In other words, pay us more money.

Michael: And that's their thing. They want to remain the low price leader, but their expenses are going up.

Larry: All right. Now, let me address that for you. History shows no long-term business successes that are discounters. And people's initial reaction to that is well what about Wal-Mart. Well, what about Wal-Mart? David Glass, President of Wal-Mart was the first employee at Wal-Mart. When Sam Walton started Wal-Mart, his childhood buddy, David Glass was his first employee and David

Glass was with Sam Walton until his death. David Glass became President of Wal-Mart and in Fortune Magazine he's quoted as having said, and let me give you this quote. Recently he was looking at a list of the top ten discounters in 1962, which is the year K-mart, Wal-Mart, and Target started operating. Not one of the ten even exists today. Now notice, in the early 1960s, IBM was IBM and Wal-Mart was a gleam in Sam Walton's eye.

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Now, Wal-Mart is the biggest corporation in sales really in the United States. But put a little bit different spin on that. Discounting is not new. There were discounters in the early 60s. Who were the major discounters then: FedMart, W.T. Grant, White Front, Corvet, Mad Man Munch, Crazy Eddy? What happened to them? They went broke. Well, why did they go broke? Price is too high, I guess. Hey, if selling at low price is a sure success for a company, companies could not go broke selling at low prices, yet historically they always do. So, who are you kidding when you think well I'm going to cut price and make it up in volume, which leads me, I might add, to what I consider the oldest joke in selling. It's the one about the guy that's buying watermelons at $1 each and selling them for $10 a dozen. The punch line is we need a bigger truck.

While doing my research, I ran across a book written by a name, Paul Nathan. He published a book called, How To Make Money in the Printing Business and the copyright date, 1900 even, and on page 114 in that book he told that same joke. It was about the old apple woman who was selling apples at a cent each and buying them at 12-cents a dozen. And the punch line again was well how can you make any money with that and her response is by doing a very large volume. Well, it's impossible to sell below cost and make it up in volume. And everybody giggles and laughs about that like they're so all-knowing about it, but most people don't understand enough about finance and accounting of a corporation or sole proprietorship to really appreciate the meaning of that and then they go broke. And then they wonder what happened. And they want to blame it on somebody else. The devil made me do it. It's a self-inflicted wound. That's your price.

Michael: So, all these companies that have gone bankrupt, do you think by raising prices and how much would they have to raise their prices to still be in existence today?

Larry: Pure and simple. Business is a game of margins and it is not a game of volume. If you maintain margins, you're going to be profitable. Now, the higher your selling price versus the cost, the more money you're going to make on any given sale. And this notion of making it up in volume is what will make less money on each sale, but will sell a lot of it. But keep this in mind. The word volume means more work in the same period of time. If you're going to cut price and make it up in volume, then you have just decided that you're going to have to sell one heck of a lot more product in the same period of time because if you string out the time period, then you're just making less money in any given time period because you've lowered your margins.

Michael: And haven't you increased your expenses because it takes more people to do all of the fulfillment?

Larry: Sure. And this is where that kicker of wage is a percentage of sales come in because when you cut your prices, you probably start selling more and then what happens. Well then, customers start getting unhappy. They don't get any service. They don't get attended to. They don't get waited on, whatever it is. And as a consequence, everybody's yelling and screaming we need more help. You hire more people, so your wage's percent of sale goes up even higher and it's like pinchers that just come together, squeezing that margin between the selling price and the cost and pretty soon the profitability is gone. I mean the statistics are there. You can't argue with the statistics. Anybody that thinks differently should get a copy of the Robert Morris Associates Annual Statement studies. I actually think their website is www.rmahq.org. I think that's their website. It stands for Robert Morris Associates headquarters, is the way I keep that straight in my head. That's an organization that's put together by bankers for bankers to study margins and operating ratios of business. And I subscribed to it and every year I looked at the same numbers over and over again and you can just see where the disasters are brewing and it's there.

Michael: Can you give me some case studies of maybe some companies you've worked with that were about to go under and they implemented your pricing strategies and what that did for them? Any one or two that really stick out in your mind, anything.

Larry: There are a lot of stories. If we're talking about wages as a percentage of sales, one of the most notable examples was the air traffic controller strike in, what was it, the late 1980s. Ronald Regan fired all the air traffic controllers and when he put them back to work, they put less than half of them back to work. Well, a similar story, I had a client in Minneapolis and he was a take-over specialist, if you will. And he took over a company. It was losing money. And he did every trick he knew to do to turn it around and he just couldn't get around profitable and said everyday I'd go in--and it was manufacturing operation. He said everybody is working or at least looks like they're working. Of course, when the boss is around, everybody looks like they're working or just coming off break and get busy. But he said he wasn't sure what anybody was doing, what really needed to be done, or what didn't. So, he pulled what I call a parking lot trick. He said all right I want everybody out in the parking lot and people said well the phone is ringing, the machines are running. I don't care. Let the phone ring. Just shut the machine off. And he had something like 200 employees or so and he takes them all out in the parking lot and got up in front of them and said you're all fired. He says I don't know who's doing what and needs to be done, but we've got to do something. Now, the phone is ringing. We do have product to try to get out the door, so I'm going to start hiring people back as I need them and when I call you if you want to come back to work that's fine. If you don't, that's fine, too. If you're so mad at me you don't want to come back, fine. But he says right now I'm terminating everybody. Nothing personal. I'm going to start calling back people when I've got something for you to do. Well, the first day he hired back 30-40 people and the next day he hired back 20 or 30, maybe more. The next day, how many, and I forget what the numbers were, but the upshot of it was he turned the company around, made it profitable in the first month of hiring back less than half the people that were working there. I've got all kinds of stories like that.

Now, relative to raising prices, similar kinds of stories. I've had people tell me that they doubled their prices, tripled their prices, and nobody says anything. In fact, one time…this was a public seminar I was doing in Denver maybe five years ago I guess. I had a guy and he was there representing his company and I was talking about when you raise prices, you don't necessarily lose customers. He said we had a customer, he said, that was the worst customer I ever had. He took all our sales time, did all the complaining, would forget to pay us, tell everybody else how little he paid, drive off our good customers, wouldn't buy from us, our prices were the lowest in town. He says just all the aggravating pricing buying type tricks that you've ever seen. And he said one day we just decided we had had it with him and he said we were afraid to refuse to sell to him for legal reasons, but we just decided okay we're just going to triple our prices to him. And I said well and what happened. He said he kept on buying. And I said well what are you going to do now? And he says well I'm thinking about raising the prices again. He says when we tripled the price he told us that was it and the next day he sends us another order. He says that tells us something. Our prices were a third the price that it should have been.

And I had executive councils for years and most of the people that attended them, this was just a group of presidents and owners of companies and we'd get together and there are a lot of groups like that. And one of the things I always advocated and we always talked about was can you get away with a higher price. And a lot of that is just screwing up your courage and asking the higher price. The basic trick to selling at premium prices--this is the first inviolate rule of selling at a premium price--the customer has to believe that you believe that you're going to get that price. If you don't believe you're going to get that price, the customer is not going to pay that price. We discovered that years ago. I mean back, I don't know 25 years ago. I was working with the Jeweler's Association of the US and they got to talking about why is it that a very small percentage of the retail jewelers sell almost all the really high priced jewelry sold in the United States. And that was an interesting question. And if you're looking at the price of jewelry, well first off, jewelry essentially is functionless. Jewelry doesn't do anything, but fundamentally look pretty. You can have a watch or a pin or a tie-tack or a cuff link or a hairpin or a scarf clip or something like that and it holds something together, but there isn't much other function to jewelry and they get some outrageously high price, I mean up in the millions of dollar for them. And you've got to raise the question, how is it and why is it that it's always the same jewelers and their people, their employees who could sell the high priced stuff because most jewelry stores don't sell very high priced stuff. But most people who work there think they do. I'll bet you I can find you another one real close by that's got higher prices than you do. I've spent too much time on it.

So, we started analyzing and studying the people who seem to have this knack and the first thing we discovered was this inviolate rule that the customer has to believe that you believe that you're going to get that price.

The second inviolate rule is these people who sell at premium prices do not feel their prices are high. They know that their prices are higher than their competitors' prices, but they don't feel that their prices are high. Just because you're twice as high or three times as high or ten times as high priced as your competition does not mean that you're not giving the customer good value and that your price isn't worth it. It's just that your price is a bigger number than the other guy's price. It doesn't mean that your price is too high. So, that's the second inviolate rule. They don't think or feel that their prices are high.

And the third inviolate rule is they don't think their customer is stupid for paying that kind of money. I mean one of the things I do in public seminars that I have a lot of fun with, I've clipped all kinds of catalogs for high-priced items and one thing I like to talk about is high-price pen and pencil sets. I mean let's start with the basics. You can go into a hotel or motel or an office building and mooch a pen or pencil off of somebody if you want something to write with. You don't have to pay hardly any money for some kind of a writing instrument. So, how can they sell a Montblanc pen say for $400 and people buy those pens and people sell those pens. And most people think well yeah that is pretty high priced. Waterman or any of the other designer pens, if you will. But then I start pulling out my clipping of pens for sale. I've got a tear sheet from a Montblanc catalog that has a pen for $2,100 and everybody goes oh my, that really is high. Oh, no, no, no. Then I pull out the one pen set for sale for $30,000 and oh isn't that terrible. Well, oh no, no, no. Let's get serious here. Then I pull out one for a half million dollar fountain pen. Well, who'd pay a half million dollars for a fountain pen, a flaming idiot? No. Bad answer. I'll tell you who'll pay a half million dollars for a fountain pen. Somebody that's got a spare half million lying around, they don't mind spending on a fountain pen to give somebody as a gift. The same way as many bosses and companies spend $100, $150, $200 on a Montblanc pen to give as a gift. The same as the husband or wife or whoever would give to a friend. The point is you can sell things at extremely high prices that you can get essentially for free if you wanted to. Now, would they be the same? No.

Michael: What are some examples of everyday items that people can relate to that they're paying high prices so that they can understand that they're already paying higher prices for items that they could get for a lot less?

Larry: I don't know. You might start with gasoline. Everybody's mad about the oil companies. I'm old enough to remember when you wanted lead in your gas you had to pay extra. Then when everybody decided they didn't want lead in their gas, then you had to pay extra. It's absurd the things that people will do. To me the classic one, everybody yelling and screaming about how much gasoline costs and never do look at what that bottle of water they've got carrying around with them cost them. It's far more expensive than gasoline. It puts real meaning in this statement, Evian is naïve spelled backwards. You can get great water almost any place in the US and it's good water and what have you, but people go out and pay far more for water, $1.50, for 12 ounces, 16 ounces of water. By golly, you covert that into gallons and see what you're paying and then compare that to gasoline and people can't get enough of that stuff. Again, you don't have to look far.

Michael: Let's say I'm company and I'm selling at pretty low prices currently and I'm having a hard time. I'm surviving, but I'm right on the edge and I take your advice and I double my prices for my items even if some of the products maybe commodity type products. What can I expect to see happen?

Larry: Well, you might see your sales go up. You've got one of three things going to happen. Your sales go up, sales will stay the same, or your sales will go down. And every one of these optimistic sales reps will immediately think their sales will go down. Your sales won't necessarily go down. If you raise your price, what you might find out is your competition will raise their price, too. Come to find out you're the dummy was out there charging too low a price. And normally that's what happens and your sales volume will not only stay the same or go up, you will find your profitability will immensely increase. But most people don't have guts enough to try that. They're so terrified of losing sales and the first thing they think, if we raise prices, we'll lose all our sales. You're not going to lose all your sales. If you're going to lose all your sales, how's anybody gotten away with price increase in the past hundred years. You're not going to lose all your sales. What you've got to do is have courage enough to raise your price and be convinced that you're going to get it. The way you handle your price will largely determine the probability that you'll get that price. If you go at it with well I don't guess you'd want to pay this much, you know what, you're right. They don't want to pay that much.

Michael: Can you give me some techniques to use with price buyers?

Larry: Sure. What do you say to a customer when he or she says your prices are too high? Well, I'll tell you what most salespeople do, which is bad and then we'll get to the good. So, keep me honest on this if we drift off.

The bad thing: the customer says your prices are too high. Invariably the salesperson cracks and what I mean by crack is when the salesperson tells the customer that they're willing to negotiate or make some kind of a price concession. So, the customer says your prices are too high and the salesperson says well you know I want to work with you. Well, now what does that say to the customer? You've just told the customer I realize you don't want to pay that and I really want to get the sales to come back at me, what will it take to get your business. What do I need to do to get the business? Tell me where I need to be.

We've studied actual sales presentations and I tape-recorded them, really the hidden microphone type things and I analyzed them. I did it for years. And what we find is that most salespeople when brought under pressure by a customer to cut them a deal or make some kind of concession cracked and signaled the customer that they're willing to negotiate the price. And cracking is you know I want to work with you…let me talk to the boss…see what I can do for you…let me sharpen my pencil on this deal…tell me where I need to be; those kinds of things. Those are stupid responses because you've just told the customer okay I'm willing to cut my price.

Michael: What should you do instead?

Larry: Flip-flop. What should you do? The customer says your prices are too high, you have to be capable of acknowledging the fact that your prices are higher and that you full expect to get the sale notwithstanding. Now, I not so eloquently refer to that as hanging in there baby, and there are several things and let me enumerate them that rather than crack, the sales rep should do to the customer. One technique is what I call the "so" technique. The customer says you're 10% higher than your competition. Your response to that is so, and then you shut up. And I mean you shut up. You don't say anything. And the reason you use that technique is because the customer will come back with so what makes you think I'd pay that kind of money. Well, I'm glad you asked. Let me tell you why we get a 10% premium. I'm glad you brought that up. You see, most salespeople will tell me I try to tell the customer we have a better service, better product, we give better turnaround time, this, that, and the other stuff, but they don't listen. All they want to talk about is price, price, price. Well, do you want to know how to get the customer to listen to you talk about your better quality service delivery? Use the "so" technique because I guarantee you if they say your prices are 10% too high and you response with "so" and you shut up, they will come back with so what makes you think I'd pay you that kind of money. Now, a lot of people say you can't say that. That's confrontational. No, that's not confrontational. I'll tell you what's confrontational. Dang right we're 10% higher than anybody else and I'm not going to do anything about it and what are you going to do about that. And don't forget that sniffing part. That's very important. See, that's confrontational.

Michael: And that hurts your chances right there.

Larry: Yeah, sure. So, what you say is "so," and if it were in writing three dots in printing is called ellipses, you don't need to remember that, but it means so shut up. The point is that you say so and those are the people who can't imagine saying so to a customer. Remember, what you're doing is acknowledging the correctness. They have accurately statement or at least think they've accurately stated that you're 10% higher than your competition and let's say that's fact. And you say, so. And the implication of the so is that's right and I'm not going to do anything about it. But you didn't say that. You just said so and you waited until they came back a knee jerk reaction.

Now, if you don't want to say so, any grunt will do it. How about "and" as in you're 10% higher anybody else. And? What makes you think I'd pay you that kind of money? Well, I'm glad you asked. Let me explain to you about our better quality, our better services.

Let me give you a bunch of other good ones. Yeah? Well, what makes you think I'd pay that kind of money? Uh…huh… Well, what makes you think I'd pay that kind of money? You bet. Yes sir. No doubt about it. Absolutely. Wouldn't have it any other way. Usually are. Really? I mean there are a zillion grunts of noise and you make that essentially one-word grunt response of acknowledgement and then you shut up and let them come back and say well what makes you think I'd pay that kind of money. Well, I'm glad you…that is a demand by the customer of you for a sales representation. That's one technique.

The second technique is what we call the "why not" technique. Customer says I'm not paying that kind of money. That's the stiff-arm technique and incidentally, they teach buyers to do that. I'm not paying that kind of money. A good sales rep will just say why not. And the customer is going to say why not. I'm going to tell you why not because your prices are too high. Unless you guys can get your prices down, we're not going to do any business. Well, now what the customer has done then is gone into the subjunctive mode of talk and as a consequence, he's telling you he's lying about having the better deal. One of the sure fire indicators of people lying about having a sweeter deal down the street is they will use the subjunctive mode of talking to insist on that. I mentioned this to you earlier when we were talking.

There are three ways to tell when a customer is lying. Number one, where is he looking? The customer has a very difficult time looking you in the eye when they're telling you a falsehood about having a sweeter deal down the street.

They'll tend to look at your hand or if you're sitting across the desk from them they'll look down on their desk or they'll look to the ground of what have you. And that's not all that strong of an indicator that they're lying, but it's pretty good.

The second technique is they'll get personal and use opinion verbs. What I mean by that is the customer rather than say I can get the same thing and you say no. Let me tell you about the difference. Ours is higher quality. Ours is faster, longer, stronger, whatever it happens to be. They'll say well as far as I'm concerned, they're the same or I consider them the same or I view them the same. And invariably they make it personal. There are two things that customers do to beat up sales reps on price. One is intimidation and the other is denigration. Intimidation they try to intimidate the salesperson into thinking they're just getting ready to go buy from the competition. They try to scare or frighten the salesperson. The second thing they do is denigrate. They try to put down the value, the relative perceived value of what it is the salesman is trying to sell by saying well I can get the same thing down the street and the sales rep says well no ours is different, faster, longer, stronger. Yeah, well I consider them the sale. Now, what have they said? They've made it personal. I and then consider or I view them the same or I perceive them the same. They always use the opinion verb. They don't use the factual verb. The customer switches to making it personal and using opinions because you can't argue with their opinion without calling them a liar or that they're stupid. And salespeople are afraid to do that.

And the third thing, they'll use a subjunctive mode of talking and that is virtually infallible. When a customer goes to the subjunctive mode of talking and the way you identify the subjunctive mode of talking, customers will use the word "if," "unless," or the combination of two words "either/or." Let me say all three of them. If you don't cut your price, we're not doing any business. Unless you cut your price, we're not doing any business. Either you cut your price or we're not doing any business. All three of those statements say I don't have a sweeter deal. I'm just trying to beat you up. I'm trying to see if you're strong enough to hang in there on your higher price. And you've got to understand the cycle dynamics of that relationship with your customer.

The "why not" technique, customer says I'm not paying that kind of money. Why not? Why not? Because your price is too high. Unless you get competitive, we can't do any business. That's the second oldest joke in selling. That's the one about the guy saying, look, I can get the same thing down the street for less money. Well, I'm sorry, sir, I can't let you have it at that price. I guess you'll just have to go down there and get it. Well, I would, but I can't. Well, why can't you? Well, they're out of it right now. Oh my. You come back when I'm out. Mine are free. I'll give you a heck of a deal when I'm out. And what the customer is telling you is he can get a sweeter deal. Well, if he's got a sweeter deal down the street, why isn't he down there getting it? And the answer is, is because he can't get it or he doesn't want to get.

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Those first two sounded similar, so let me elaborate on that first can't get it. He can't get it because the competitor is out of it. The second can't get it; he can't get it because the competitor won't sell it to him even though he does have it in stock to deliver it at a lower price. Well, why won't the competitor sell it to him? Well, let me think of one common reason. The customer hasn't paid for the last stuff he bought down there. And let me put a little philosophical thought on that one. You're not going to get paid for it either, you may as well charge more and if you charge enough too much more for it, you might not get the order, then you won't have to fill it and not get paid for it, and that will really improve your profitability, you'd be surprised.

And the third one is the customer who says he can get it down the street for less and they have it down the street and they're willing to sell it to him down the street, the customer nevertheless does not want to go down the street to get it because your competitor is a crook or a jerk or very difficult to do business with or has no reliable service, or whatever. So, when customers constantly tell you that unless you're willing to cut them a deal, they're going to have to go down the street, why don't they just go down there and get it if they've got this sweeter deal stuck in their hip pocket like they claim. And the answer is because they can't get it, they can't get it, they don't want to get it and any sales rep that cuts his or her price under those conditions are flaming idiots.

Michael: If I raise my prices, how do I know that my higher price is actually to my advantage?

Larry: Well, what you'll probably find out--there are several things. Number one, your sales volume will probably go up. Number two; you'll lose the most expensive customers you've been selling to.

Michael: Have you found through your research that the low price buyers are the most expensive ones?

Larry: Let me tell you about a man. He's long dead now. His name was Marvin Shut. He was executive director of National Sporting Goods Association. This was years ago when I was first involved in selling with the National Sporting Goods Association in Chicago. And Marin Shut one time said the most expensive customer you ever sell to is a price buyer and I was so naïve I said why do you say that Marv. And he rattled this off and I memorized it because it proved to make me a ton of money. He says, Larry, you've got a customer whose mentality, you the seller are not going to make any money off of. The price buyer is the most expensive customer you sell to. They take all your sales time, they do all the complaining, they forget to pay you, they tell everybody else how little they pay, they drive off your good customers. They're not going to buy from you the next time unless you're priced to low then, only continue to buy from you so long as you're priced to low until such time as your company goes broke at which time they're going to say I knew they were going broke, priced to low, could have told them that. Run up your investment in inventory, land, building, machinery, equipment, trucks, warehouse space, people to supply their needs. They lie to you and steal from you. He said other than that, they're good accounts. Don't ever do business knowingly with a price buyer.

Michael: A business who is selling products, even if they're exclusive products, just by increasing their price, they can be dealing with better customers right off the bat.

Larry; Absolutely.

Michael: Give me the converse. What's the higher price buyer like? What kind of customer are they like?

Larry: Well, seldom do they make much of a to-do over price. I mean you've got to handle price. You're going to make virtually no sales without somehow coming to grips with price. But the higher price buyers are not nearly so concerned about the price. They're far more concerned about typically first and foremost delivery and right up there real tight against it is quality and also service may be exclusive. By exclusive, I mean be even more important than delivery or quality and then they'll overlook just the shear capability of salesmanship. I mean people buy from people.

The way I answered your question, Mike, is pretty simple. You asked me what does the business compete on. That's really what you asked me. One is price, one is quality, one is service, one is salesmanship, and one is the ability to delivery the product on time as promised. And what I did was simply go back and my answer was the higher price buyer isn't concerned about price. Price really isn't that important. Most people think price is the most important thing. And a lot of people genuinely believe that, but there are very few price buyers out there in reality.

Let me ask you a question. Are you wearing the cheapest shirt you can buy? Are you wearing the cheapest shoes you can buy? Do you live in the cheapest house you can live in? Do you drive the cheapest car you could drive? I learned that, again, thinking back to sporting goods days. One of the things Marvin Shut told me, he says, Larry, think of your favorite sport, hobby, or recreational activity. Surely you, everybody, engages in some sport, hobby, or recreation. Think of your very favorite one. You're probably pretty good at it. You probably really enjoy it. He says now think of the gear that you use for whatever that sport, hobby, or recreation is. I bet you've got pretty good gear. People don't buy for themselves things to engage in sport, hobby, and recreation when it's just cheap stuff. And oh by the way, if you get wind of the fact that dear one is planning for your birthday or something to buy you a new golf club or whatever it is, you probably feel a little need to at least educate dear one as to what a good club could be so that dear one doesn't go out and buy el-cheapo and then you have to throw the thing away or take it back or whatever it happens to be. I mean like Yogi Berra said, much can be observed by just watching. You can go out there and look around. People don't buy the cheapest things. They say they do, they think they do, but they don't.

Michael: Are there some strategies that you can give for online marketers who have set price on their products to test this?

Larry: You've got to understand one thing. If the only thing you're pushing out there is price, then the only thing you're going to sell it on is price. So, you have to somehow or other communicate to the customer about quality, service, delivery--those kinds of things.

But again, let's take some examples, people buying airplane tickets. There are people who will buy the absolutely cheapest plane ticket available because it doesn't make any difference when they go to the airport or how many cities they have connect in to get to where they're trying to go because it's just money. Most people, time is more important than money, so okay if they want the cheapest non-stop ticket. Then they realize oh well I'm a night person and I don't like to get up in the morning and today you've got a 6:00 a.m. flight departure and it's an hour to the airport and then you've got to be there about an hour for the security line and get out the gate and get checked in. So, let's see the flight is at six, so I've got to get there about five and it's an hour to the airport. That means I've got to leave about four and well I'm slob and I'll just get up and throw my clothes. I'm not even going to brush my teeth let alone take a shower and shave. But I've still got to get up at 3:45 and man that sucks. I think I'll go on this flight that leaves at noon.

And again, most people are relatively knowledgeable. But make this point. If all you do is throw out there your price with no effort to sell it--I'm into collecting car or my assortment. I don't have a collection, but I've got one from like every decade since the 20s and I try to keep them up nice and so forth. The other day I popped a hubcap off a '57 Pontiac that I have and where do you go looking to buy a hub cab? Well, there's Hub Cap Annie's, but if she doesn't have any, where are you going to get online. You go online and so what do you see? Some guy might have a hubcap for '57 Pontiac, he doesn't even describe it, and perhaps doesn't even show a picture of it. And then the picture might not be of any decent quality. I mean there are so many things and you don't trust those kinds of things. Are you going to buy the cheapest one? Well, as a buyer, you know what you're going to do? You're going to concern yourself about well is this (a) the hubcap that I need, meaning it'll match the other three that I've got, and (b) what kind of condition is it in Ideally it'd be new old stock, never taken out of the box, but those are few and far in between. Then you start communicating as the buyer because you have to know about the quality and you have to know about the availability, which translates into the delivery of it and so forth. So, don't kid yourself into thinking even if you're out there on the Internet just pumping stuff out there. I mean if you go out there and you think your low price is what's going to sell your junk, well you're going to find some price buyers that'll probably buy it, but you're going to have to do just as much work almost to sell that piece of junk as you do something in pristine condition. There maybe a little more effort taking a picture or communicating to the customer or something like that, but I'll pay off in significantly higher rewards. I mean people pay through the nose for collector-type items. And like I say, the only time I'm really buying stuff off the Internet is really car parts and things like that. And keep in mind, when I'm looking for car parts, I'm looking for something that is hard to come by and I'm wanting something that is as close to new or pristine condition that you can get. Frankly, low prices scare me.

Michael: Let me ask you this. Let's take for instance information products. Now, you have information products on all your pricing strategy and on your site you've got products ranging anywhere from $9.95, the second to the highest price is $165, and then you've got a CD or a DVD set for $800. And I'm sure you've heard this before, well here's one for $800, almost four or fives times higher than the next highest one. Do you have people say, well why is this one $800 and all these other ones--does it naturally create a curiosity?

Larry: Most people look at it and realize it's a DVD, which means it's video rather than a CD, which is audio. So, the big differentiation there, the $165 product is an audio CD of the seminar that I'm doing or did live and then you get a copy of the book with it, which is a $25 value. The DVD is me, live, of 13 hours of actual training, talking about all these techniques that we were talking about. We've been talking here for about an hour and that was 13 hours of stuff that I sat down and actually prepared for the camera, if you will, so it's not just audio. It's video and it's designed to really bore into all these kinds of subjects.

Michael: What do companies pay you to come to do a seminar like this?

Larry: That depends upon the length of the time of the presentation. Up to three hours is $7,000 plus expenses. Up to four hours is $9,000 plus expenses. And what I call a full day, which is usually about six hours of actual presentation time, is $13,000 plus expenses.

Michael: Let's say that I was a company that brought you in for 13 hours. If a company paid you to come in and put this presentation on for me, relate it to the

$800 DVD set. What would that cost a company for you to do what you did on those DVDs?

Larry: Remember, on the DVD that's like 13 hours long, but on a DVD, you've got to have something for everybody, whereas when I do a presentation for like a private in-house company, what I do is I talk to various people in the company about what the situation is, what's going on, what kind of problems they fell they're having, and I try to tailor and customize my remarks specifically to their company, their product, their industry, their service situation and what they're trying to do. So, usually when I work for a company, it's no more than a one-day type presentation, which would be about six, maybe seven-hour presentation, while the video is a prepared presentation that the playing time to get through it like about 13 hours.

Michael: So, could any business who is selling products or services benefit from this training?

Larry: I think so. I mean I can't think of anybody that doesn't charge a price unless you're truly giving it away. Take a lesson from the psychologists. They learned years ago they don't like for patients to have all of their psychological health paid for by insurance because then the patient thinks it's worthless. The truth is if it has value, you will charge for it. There are very few things in this life that are free and you could hurt your sales by charging too low a price. There's no question about it. You can charge an incredibly low price and scare off customers.

Michael: Why does a low price scare off customers?

Larry: Well, price makes a credibility statement. Low price makes a negative, derogatory, diminutive statement about a product or service. High price makes a positive, salutary statement. Here's a simple example. Would you go out for a low price bid for your brain surgery? I doubt it.

Michael: That's true.

Larry: Probably what you're talking about is I've made brash statements, I suppose like you ought to just go home and quit selling to 20% of your customers and those are the price buyers. And how can you tell who the price buyers are? The simplest way to find out who a price buyer is, look at your accounts receivable. Anybody who does not like to pay high prices does not like to pay period. If you're selling on credit to customers, your accounts receivable will almost surely identify who your price buyers are because they're always slow payers. Remember that litany I went through that I said Marin Shut taught me about taking all your sales time, do all the complaining, forget to pay you, tell everybody else how little they pay you. It's easy to find out who your price buyers are and those are the people that do all the complaining and all the other aggravating things that customers can do. And so, you can make more money, be a whole lot happier, and give a whole lot better service in response and turnaround time to your better customers and everybody wins. Your customers are happy. You have fewer customers. You're making more money percentage wise. What's wrong with that?

Michael: That's the end of this interview with Larry. I hope this has been helpful and if you're interested in any of his public or private seminars, please contact Michael@MichaelSenoff.com or call (858) 274-7851.