



Four reasons you can stop discounting. (You'll be surprised!)

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Guest writer Wes Ball...

The other day, I had someone come up and say, "Wes, I just can't stop discounting. It will kill my business. You just don't understand the pricing pressure I'm under."

My response is pretty much the same each time: Yes, you can. And it's because of the pressure you are under that you need to stop. Sure, that sounds completely counter-intuitive. But here are four big reasons why you can (and should) stop discounting...

Reason #1 – Most of your competitors are doing it

Sound ridiculous? Good. Because you need to recognize the absurdity here. What do good customers want most? Something different. They want someone to show them something different and explain how that difference means something different to them.

Instead, what do they get most often? The same thing from everyone. Everything sounds the same. And, even when it begins to sound different, a discount appears and it sounds exactly the same

again. It is truly far easier to sell against someone half your price than it is against someone selling at your same price. Why? The salesperson has established his value

with his price. It's easy to question what's wrong with the half-price offering, because it's half price.



Wes Ball,
The Alpha Factor

Reason #2 – Competitors will never understand it

I recall helping an ice cream manufacturer (a very price-competitive category) triple his sales in one selling season. He did that while reducing his discounting. Honestly, instead of being excited, I was worried. The way we did it was too visible. I was certain that every competitor was going to copy what we did. It didn't happen. In fact, we learned that every competitor assumed we must be buying that much growth with discounts. So, they never responded.

Why did that happen? Competitors who believe they must discount are blind to anything else. In their minds, nothing but discounting can work. You win. They lose.

Reason #3 – People want to pay more

If people did not want to pay more, there would be no Mercedes, no Tiffany's, no Gap, no Ben & Jerry's. Price is not the issue. What good customers want is "value that is more valuable" to them. Bad customers make price the issue, because they believe that's how to win what's most valuable to them. Good

customers are more interested in avoiding pain, enhancing their life experience, and feeling smarter, more appreciated, more empowered.

Make price the issue, and you attract bad customers. You can even turn good ones into bad customers. Sadly, only about 10% of the population is absolutely determined to get the lowest price. The other 90% wants more. Why worry about the 10%?

Reason #4 – You can't afford not to

If you can use a spreadsheet, you can figure this one out very easily. If you can't, suffer along with me for a minute. Here's the problem: If you should have a 40% gross margin to generate a 20% net profit (figuring a typical 20% overhead factor) and you offer a 15% discount on the price, what have you done to your net profit? You have reduced it by 75% to just 5% net profit. You could have generated four times the net profit by not discounting that 15%. Actually, I see many companies offering 20% to 30% discounts. You can't stay in business that way. Also, customers are not stupid. They figure you are smart enough to make a profit. So, your discount tells them you over-priced your product. You were a liar. Still like discounting?

Yes, you can stop discounting.

Even if you have never met a company that doesn't discount, you can stop... and grow your business more than ever before. You will attract better customers. You will make more net profit. And you won't be seen as a liar.

You can learn a lot more by visiting thealphafactor.com.