

“Message from the Front”: Best Practices for Handling Price Demands in Healthcare Negotiations

By Tom Saine & Thomas Williams

Over the last several years, we have had the opportunity to work with a number of companies servicing the healthcare industry. While our discussions with sales managers and executives have spanned a broad range of topics, one of the most frequently asked questions is: “What guidance can you give our frontline sales representatives when faced with demands for price discounts or concessions?”

There is no shortage of articles addressing how to handle price demands, but we seldom read what frontline representatives identify as best practices. So we began collecting “messages from the front.” In other words, we began asking sales representatives (those who sell medical products, medical devices, system sales or services to hospitals, healthcare systems, clinics and medical offices) to identify “what works” and “what doesn’t work” for them when addressing demands for price discounts.

Our methodology was a simple four-step process applied over many sales organizations.

1. We asked groups of sales representatives to brainstorm “dos” and “don’ts” in addressing demands for price concessions.
2. We instructed the groups to identify “best practices” from their lists.
3. Each group was asked to explain their choices and elaborated on their reasons.
4. We eliminated obvious duplications and compiled the recommendations.

DOs: Below are the “dos” that comprise our list of “best practices” in handling price demands.

- Make sure you address all obstacles & challenges; don’t view price as the only issue but see it in a broader context.
- Prepare a list of options that might substitute for a price discount or concession.
- Maintain healthy tension; a discussion can get stressful and contentious—be a calming force for collaboration.
- Ask for a commitment; as you close a successful meeting make sure agreements lead to commitments (or invoices).
- Collaborate through open discussion and “brain storming” to determine issues and options.
- Use open-ended questions to probe for options and alternatives.
- Acknowledge price demands but place price in the context of value.
- Stand firm and test their resolve; often negotiators will demand unreasonable prices or terms just to see if you will concede.

- Identify and address objections; but before you try to reach closure on price make sure you know what other issues are unresolved that require further discussion.
- Understand all of their issues including priorities, flexibilities and underlying rationales.
- Identify all decision makers involved in the process and make sure they are included and engaged; you may be facing different expectations on price.
- Understand the data...your side and theirs.
- Listen—encourage them to openly address their concerns.
- Set your “walk away point” on price; know where you have flexibility and where you must be steadfast.
- Show confidence in your price and product; refer to your business case or documentation for your pricing rationale.
- Make sure your internal supporters (coaches or champions) have a voice in the negotiations.
- Pursue next steps; gain a clear understanding of your counterpart’s view of appropriate next action steps.
- Engage all parties including anyone who has a stake in the decision.
- Know your audience; research their background; talk to people who have experience with your counterparts.
- Articulate value clearly; have a well-crafted value message.
- Focus on benefits instead of features; keep your value claim at the forefront of the discussion.
- Uncover needs together; probe for unaddressed issues.
- Discover whether a long-term relationship is important.
- Determine who is the ultimate decision maker? In other words, who approves the purchase? This is often not the same person that issues the purchase order.
- Discover all sources of value to your customer (i.e., services as well as products).
- Be patient; allow your counterpart an opportunity to revise or recant on a price demand.
- Prepare a list of trades or exchanges to offer in place of financial or price concessions.
- Understand that every concession you make sets a precedent for future negotiations.

DON'Ts: On the flip side, here are some “don’ts” that you may wish to consider as guidelines.

- Lead with price; you need to understand your options and theirs before exploring price.
- Offer too much information; be open but be smart, especially if they want to probe contracts you have with other customers.

- Assume you know their buying process or what they want; sometimes customers give the impression that they are ready to make a decision when they are just collecting information.
- Appear desperate; if you feel cornered on an important issues (such as price), explain that you will need to confer with your manager.
- Bash the competition; it appears unprofessional.
- Assume that price is the key issue or that your price is too high; don't try to "close the deal" too quickly.
- Overlook the hierarchy of buying influences; everyone reports to someone so try and understand how closely the upper echelon of the buying organization is engaged.
- Talk all the time; when you are negotiating with skilled professional you won't be able to "out talk" them.
- Cave in--this is the most frequent mistake of inexperienced negotiators; don't cave in to demands in the hope of a quick closure.
- Speak only to your agenda; address their priorities.
- Focus exclusively on long-term goals; many of your customers are looking for immediate business benefits.
- Assume you have the business; they may be collecting information or comparing competitors.
- Assume the clinical team has the final say in decision making.
- Misrepresent product performance; skilled negotiators will expect documentation.
- Over promise; negotiators want candor and realistic assessments.
- Show all your cards; disclose cautiously and give only as much as you get.

Parting Thoughts

In facilitating these sessions, we learned a great deal about the commonalities and differences among sales representative in the healthcare market. Some face outrageous price demands over a range of products. Others are armed with a pricing strategy that has ample room for concessions.

Procurement professionals are more skilled and prepared. They are more aware of pricing through the market, more knowledgeable of side-by-side product comparisons and more willing to change suppliers to meet corporate financial benchmarks.

So the question becomes, "How do we make the information useful?" Should we build a scorecard? A checklist? We asked our teams a final question: "What one practice would you recommend to those joining your sales team that would best help them address price demands?" Their responses boiled the list of 28 do's and 16 don'ts into four words.

1. Research: discover their issues, priorities and options before you meet to discuss price and other terms.
2. Plan: prepare a list of options that have value to your customer and can substitute for a price concession.
3. Collaborate: treat the meeting as a way to better understand your customer's needs; reassure your customer of your intent to address their concerns.
4. Patience: be slow to respond to demands; don't be defensive or over-eager to close the deal; keep the conversation rolling.

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As always we welcome your thoughts and input. Let's start a discussion and elevate the sales profession with a thoughtful, civil and informative discourse. If you enjoyed this post, please share it with your social network and connect with us on:

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