
Price-Based Selling vs. Value-Based Selling

From an interview with Pat Ryan, Jr., CEO and Co-Founder of INCISENT Technologies.

Achieving the Profit Potential of each vehicle requires dealers to move from Price-Based Selling to Value-Based Selling.

Faster Inventory Turn and Higher Gross Profits Are Possible

Many dealers believe that cars have become commodities in today's Internet-driven society: dealers are competing on price and on price alone. When all you compete on is price, it's tough to earn a profit. Dealers who think of their cars as commodities can have good volume and turn but will see their profit per vehicle drop. To avoid the race to the bottom—to turn your inventory quickly and still generate strong gross profits—you have to evolve your practices from Price-Based Selling to Value-Based Selling.

Value-Based Selling: a Winning Proposition for Both Consumers and Dealers

Even with the advent of the Internet, the essentials of success require understanding what consumers are looking for. A vehicle is one of the most expensive and most important purchases a consumer ever makes. Whether they're buying a basic commuter vehicle or a Lamborghini, consumers are looking for the same three critical factors:

1. a car that meets their needs and is
2. a good value for the money and has a
3. fair price

If you can deliver on these three elements, you have the opportunity to earn a healthy profit, provided that you sell vehicles based on their value rather than their price.

How Value-Based Selling Works

To practice Value-Based Selling, you have to communicate how the vehicle meets the consumer's needs and why your price is a "fair price." If you know your high and low margin products (based on consumer demand) and are stocking, pricing, and managing your inventory accordingly (see previous interview, *Does the Internet Mean the End of Solid Gross Profits?*), your next step is to demonstrate the value of your vehicles. The key is *evidence*. The average consumer spends six and a half *hours* researching vehicles online



To view a short video of Pat Ryan discussing price-based vs. value-based selling, visit www.ConsumerOptimization.com

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before he or she makes a purchase. They've read the reviews, looked at the pictures, and comparison shopped your inventory against other dealers in the area. They are armed with a great deal of evidence to evaluate your vehicle and your price.

The result: the "amateur" (the consumer) knows more than the "pro" in your dealership.

A customer with encyclopedic knowledge can seem like a scary prospect. But it shouldn't be, if your team is armed with the same evidence. To practice Value-Based Selling, you have to find the same evidence your consumers gathered online and use it in every step of the sales process. Build credibility, inspire confidence, and demonstrate the value of your vehicle. A consumer who buys a car every two to three years shouldn't be more of an expert than the professionals at your dealership; with the right tools and a focus on Value-Based Selling, you can level the playing field.

The Evidence That Illustrates Value

What evidence should you use to support the value of your vehicle? The same evidence you'd highlight in a vehicle ad: most searched equipment, expert reviews, awards, and any other facts and figures that will ease the decision-making process. Talk about the car's JD Power Ratings; they provide consumers with a level of comfort because they reveal how current owners feel about the same car. Look up the car's vehicle history and share any compelling evidence of value with your consumer. Is it a One-Owner? Has it ever been in an accident? By discussing relevant evidence, you make yourself the consumer's advocate rather than an adversary, and you'll elevate your customers' confidence in doing business with you.

Selling the Value of the Car in the Closing Process

Communicating the value of your vehicles is important in every stage of the car buying experience. But it's essential during the closing process. Why? Traditional closing methods, like the traditional "four square," can work—but just as often, they can intimidate the customer and devolve into haggling. A confused, annoyed customer is significantly less likely to agree on a mutually-beneficial price (if he or she buys your car at all). As bargaining increases, your Profit Potential can actually decrease.

To maximize profit, you need to approach closing as you do the rest of your Value-Based Selling process. Consumers are looking for a vehicle that fits their needs at a fair price. Their biggest fear is being taken advantage of. If you introduce third-party evidence from the Web to support your vehicle's value and the fairness of its price into the closing process, you'll increase their level of trust. Demonstrate the value you're selling, and consumers will let you earn a profit.

The Internet has provided consumers with a new degree of expertise and influence. At the same time, a more knowledgeable consumer doesn't mean you have to resign yourself to being a commodity seller. Practice the principles of Value-Based Selling, and you'll be able to increase your CSI, profit and closing rate while delivering value to your consumers and meeting their needs for a mutual "Win-Win."