

# The Homeowners Guide to Pressure Sales

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**'The Homeowners Guide to Pressure Sales'** is a guideline written by the owners of First Class Windows, Doors and Siding designed to educate homeowners to recognize the various high pressure sales techniques and discount methods that many window/door companies use to make it difficult for homeowners to say "no" and sign the contract. Recognizing these sometimes obvious but most of the time subliminal pressure techniques might save homeowners from choosing the wrong company, improve their negotiating skills or saving homeowners thousands of dollars. Before starting their own company, the owners of First Class Windows, Doors and Siding had many years of experience working for dealers and manufacturers in the residential window, door and siding industry. And this involved at times working for companies that used these techniques all of the time. These techniques were and still are being taught at sales meetings and in some cases stressed that if the sales rep does not follow the 'method' they would risk their job.

There are many high quality window, door and siding companies that follow good sales practices and don't use any high pressure techniques. Purchasing windows, doors and siding can be a very expensive investment and a trying experience for many homeowners. It is not like buying a lamp at the store and returning it the next day. Homeowners are being asked to spend not thousands but sometimes tens of thousands of dollars on their home improvements. Homeowners are being asked to spend that type of money and yet the focus of the window sales rep/manager in the home is 20% product knowledge and 80% effort on how can I get the homeowner to sign the contract.

The examples and description in this guideline are but a selection of the more popular and successful techniques used today. The examples are based primarily from a window dealer point of view but these can apply to doors, siding and many other industries that sell products and services to the homeowner.

Why did we write this guideline exposing these high pressure techniques? For the very reason we decided to start our own company, we never believed in these techniques when we worked for other companies and wanted to be able to offer homeowners a professional 'first class' company that would make window, door and siding buying a painless experience.

We gladly appreciate any comments or feedback from homeowners and we hope that this guideline has helped you in selecting the right windows and window dealer.

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***"Quality in a product or service is not what the supplier puts in. It is what the customer gets out and is willing to pay for. A product is not quality because it is hard to make and costs a lot of money, as manufacturers typically believe. This is incompetence. Customers pay only for what is of use to them and gives them value. Nothing else constitutes quality."***

**Peter F. Drucker**

## **The phone call to management**

The sales rep phones the manager/owner. Either the call will be made from within the house in front of the homeowners or else the sales rep will ask to be excused so he/she can step outside and make the phone call. The initial reason to call office/manager will either be to:

1. Get approval for a discount/price that the sales rep is not authorized to make.
2. Call office to confirm next appointment or sales rep is required to call office before leaving home
3. In some cases the sales manager/owner will call sales rep in house with excuse to discuss some issue.

The goal of the phone call is to pass control of the conversation to the manager/owner. The sales rep will more than likely be asked to put his cell phone on speakerphone and the manager will ask permission from the homeowners if he could discuss the results of the presentation/quote. The sales manager will thank the homeowner for allowing them to present their products, ask general questions to 'break the ice' and get on the homeowners good side. The goal is to steer the discussion to why you as a homeowner would not buy their windows/doors etc at the fantastic deal/price that the sales rep has offered. The sales manager will summarize all of the positives/features/company history etc. in two minutes, stress that the discounted price you are being quoted is unbelievable considering the list price of the windows. Eventually you will be asked by the manager the same question every sales rep is trained to ask: *"If it wasn't for the price, would you want these windows in your house?"* How can most homeowners say no to that loaded question? Most homeowners will answer yes and then that leads the manager to state: *"Good so if I can work out a price that you can agree upon you will be prepared to buy the windows."* The negotiation/pressure sell begins. Questions will be asked that will lead homeowners to answer yes. They will be reminded several times that they are really buying the best windows in the market that are really worth whatever their bloated list price suggests. The sales manager's goal is to offer an additional discount or combination of discounts but requiring the homeowner to do something in return or else the

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manager is able to miraculously find 'funds' somewhere in the company or in his department that he can give to the homeowner but only if the contract is signed that very day/night. It will be stressed that the final discount/price can only be approved if the manager has the signed contract on his desk the next morning.

Some of the items customers will be asked to commit to in order to receive additional pricing discount(s): Note: Some of these items are described in detail further on in this document

- Homeowner will be asked to allow their house to be a 'Model Home'
- Homeowner will be asked to write a reference letter
- Homeowner will be asked to accept telephone calls from other prospective customers as a source of verbal reference ( limited to 5 - 10 calls at their time discretion)
- Homeowners are asked not to disclose their price to anybody else because it is so low and the company could not afford to offer these prices to neighbours or anybody else!!!
- Place a company sign on their lawn for an extended period
- Allow that pictures be taken of their home for potential future marketing purposes (brochures. advertisement etc)

The more commitments the homeowner is made to agree to or accept the more the homeowner feels that they are committed or obligated to buying!

Some of the reasons that the manager/owner is able to offer additional discounts after the sales rep states that he could never go lower:

- Nearing end of the month and there is some unused money available from the marketing/advertising/sales department budget or else at the beginning of the month there is some budget money left over from the previous month
- Another customer at another house 10, 20, 30 minutes etc. ago made the big mistake of declining to take advantage of an approved manager discount so those funds are available exclusively to you right now! (unless another company sales rep in another house is offered this same discount before you sign the contract!)
- As a manager/owner they are authorized to give additional discounts at their discretion
- Manager gives homeowner discount because he really likes them and can tell they are 'good people' and he is risking his job/position if the owner/company found out. Lets homeowner know that he will fight for their discount or else find some way to get it,

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just close the deal, sign the contract and the sales rep is reminded that he must have the contract on the manager's desk in the morning.

-The manager asks the sales rep to write down the special promo code ( obviously fictitious) on the contract in big letters or even better it is a 'secret' promo code that the sales rep is instructed to write in a special section of the contract that only the manger and sales rep know about.

## Financing 101

Financing offered through renovation companies provides homeowners an additional method to purchasing their windows/doors/siding. Why not use your own bank financing? The reason is simple, financing through renovation companies can offer additional options that most personal banks will not offer or are not set up to offer without negotiating:

- 0% financing for the first 6/12 months or sometimes as long as 36 months
- Immediate credit approval (same day - close the deal)
- Better interest rates (for unsecured loans)
- Longer terms (up to ten years means lower monthly payments)

Most of these options can be made available with your own bank but this might take time to arrange or require negotiation. However, all of the financing offered by renovation companies are set up through recognized financial institutions such as banks and trust companies. These are special home renovation loan programs created by financial institutions to cater to the renovation industry. No renovation company that I am aware of has their own in-house financing. They are not set up to process loans, do credit checks, collect and more importantly do not want to risk bad debt (unpaid loans). A recent survey in Canada indicates that approximately 51% of home renovations are financed. For a standard unsecured loan some of the financing programs offered through renovation companies can provide better rates, terms and flexibility than that is available through a homeowners personal bank all in the comfort of the home taking 5 minutes to fill a credit application. However there are some items that every homeowner should be aware of:

1. Nobody can get true 0% financing. Not even the major banks and they are in the business to make money by lending money. There is a cost to 0% financing. Somebody has to pay for it and in most cases it is the homeowner whether they realize it or not. If you don't believe this then the next time you see an advertisement from a car dealer pay attention to the ad. Chevy

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Impala \$20,000 cash price or \$23,000 at 0% financing. I always believed that 0% financing was the same as cash. It's a matter of linguistics, you can buy the car for \$20,000 cash but if you decide to finance the car at 0% we will sell it to you for \$23,000 and your monthly payments will reflect 0% interest. You will never see that type of ad with a renovation company. The majority of renovation financing at 0% is for the first 6 or 12 months (No payments/No interest). With these programs the banks/renovation company might agree to share in the cost of the interest during the 6 or 12 month period. This cost might be minimal and might not be factored in to the price. However stay clear of 24 or 36 month 0% interest deals. You are paying a lot of money that is hidden in the final price. Remember that all of the loans are unsecured and as such the cost to cover the 0% rate can be anywhere from 6% to 10% per year! What that means is that 'hidden' into the final price could be up to 30% padding to cover the cost of the interest for 36 months. So if your final price is \$13,000 you are actually paying up to \$3000 to enjoy no interest for 36 months! Believe it or not, but the thrill of not paying interest is enough reason for many people to sign a deal. TIP: If you want to test the renovation company claim that they are really able to get 0% for 36 months ask the sales rep to add \$5000.00 to the contract and give you that money back in cash when the loan comes through. You are getting \$5000 interest free for 36 months so go out and invest it! Sit back and listen to the excuses that will follow from the sales rep on how they cannot do that. However, this 'cash back' deal is done very often by renovation companies on standard rate loans. As an example banks give better rates for a larger amount of loan. So if the bank offers 8% for loans up to \$9,999 and 6% on loans over \$10,000 and your contract price is \$9500, then most sales reps will write a loan request for \$10,000 on the credit application and show that amount on the contract and the renovation company will issue money/check to customer for \$500 when the bank pays the renovation company. The customer can take the \$500 and pay down the loan by that amount and the homeowner has basically saved 2% over the term of the loan. This can be a lot of money over a 10 year loan. But this will not happen with 0% interest loan! Advice: Buyer beware and do you really need to have no payments for 24 or 36 months?

2. No interest versus deferred interest. Be aware of a slight difference in descriptive terms when dealing with 0% interest and no interest. A company or sales rep can make it sound like or imply 0% interest/no payments for first 6 months but in reality it is no interest payments/no payments for 6 months. Did you catch the difference? 'No interest' for six months can mean that you are deferring the interest payments for six months. If the financing contract clearly states ( in the fine print) that it is deferred interest for the no payment term, then the interest for the first 6 months is accrued on to the loan and added onto the balance of the monthly payments. So you are paying the interest for the first 6 months. *Advice:* Always ask the sales rep/company to specify if the interest is deferred during the no payment period or if in fact it is 0% interest during the no payment period.

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3. You have been pre-approved. At some point during the sales presentation your sales rep might tell you that you have been pre-approved for \$12500 as an example. The rep will explain that the bank has pre-approved you for that amount. Misleading to say the least. Your immediate neighbourhood has been pre-approved by the bank. Banks and financial institutions can look up financial statistics of your street/neighbourhood and find that homeowners on your street earn an above average income, have excellent credit ratings and that there have been no bankruptcies/loan defaults for the last 10 years. Based on this information you are fortunate to live on a street where the banks consider all homeowners to have an excellent credit rating and risk and you are automatically 'pre-approved'. You then agree to sign the contract due in large part to the fact that you have been told that you are pre-approved (but unfortunately for some people they know that they might have a few small credit issues) and now you are asked to fill out a credit application, sign the contract and you will find out tomorrow if you have been approved. "Wait a minute! I thought I was approved?" The sales rep calms you down and states that this is part of the normal process, even though you have been pre-approved the banks still require the standard paperwork for 'final' approval. Unfortunately some homeowners have financial/credit issues that banks were not aware of when they did the pre-approval process. The next day you are told that you have not been approved. By the way, your crediting rating score just dropped because you have made a credit application that was declined. You will more than likely receive a call from the sales manager/owner offering the services of finding you an alternative finance source ( at a higher rate) or in fact they have already submitted your application to another secondary source because now that they have your signed contract they will do everything possible to get you financed because you really need the windows and they want the sale. *Advice:* ignore the pre-approved congratulatory message from the sales rep and if you have any credit issues that you think you can hide from the bank it will not happen. Do not risk your credit score and the potential embarrassment.

4. Hidden adjustable rate on longer term loans. It will be stated on the loan agreement. Technically it is not hidden, but 99% of homeowners have never read the full 10 - 15 page legal document. In most cases the sales rep will have homeowners quickly pre-sign the loan agreement when they sign the credit application so that all the paperwork is already done. No need to come back and waste the homeowners time signing paperwork. No time to read the details when everybody is caught up in the purchase and the homeowners have just spent 3 hours trying to negotiate a deal. In some cases the sales reps are not aware of this clause as well or do not mention it if they are aware. On longer term loans ( example 10 years), the banks will protect themselves from a change in interest rates that could occur in the future, particularly if rates rise. Banks will allow themselves the option to adjust the interest rate after 5 years for example. So from years 6 to 10 on your loan you are paying more interest but your

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monthly payment stayed the same. The homeowners monthly payment amount will not change however at the end of the loan after you think you made your last payment and have finally paid off the windows you find out you owe an additional \$500 or \$1000 dollars or more. This amount represents what you owe for the increased portion of the interest rate during the balance of the loan term. The opposite can also happen if rates decrease but then you are relying on the financial institution to lower your interest rate. If this occurs you can actually pay off the loan faster. Today interest rates are at all time historically low levels, it can only go up from here particularly in the next 5 to 10 years. *Advice:* Ask the sales rep/renovation company if the bank can change interest rate at some time during the term of the loan and always read the loan agreement.

5. Term versus Amortization Your 3 year loan has a term of 3 years on the interest however the monthly payments are based on an amortization of 5 years to reduce the actual monthly payment amount. At the end of 3 years you will still owe money and the bank has the right to renegotiate the interest rate, meaning it could go up significantly if rates change. *Advice:* Always make sure the term and amortization period is the same and this should be clearly indicated on the credit application as well as the loan agreement. Is it really worth having different term and amortization periods to save \$20 per month as an example only to end up costing the homeowner more than the total savings when the homeowner has to refinance the balance at a higher rate.

6. Open Loan versus Closed Loan Always make sure that the loan is 'open' meaning that the homeowner can pay off the loan or pay a portion of the loan off at anytime without penalty. Generally most loans today are open, however always verify that indeed it is 'open'.

### **Creative Math**

Now it gets interesting. The use of creative math can mislead people into believing they are getting more than they actually are receiving.

#### 1. Claim a 40% discount but actually give a 34% discount

The sales rep begins with the retail price and begins to offer discounts (drops) and might even show these figures/calculations on paper. The first discount is a 10% reduction for the advertised promo. Then another 10% discount because the homeowners are seniors. Another 10% discount because it is the end of the month, another 5% discount because you will keep a sign on the lawn for 2 months and finally a 5% discount offered personally from the sales rep because the sales rep wants to make his quota this month and needs your deal to make sales target. After all is said and done the sales rep proudly sums up the discounts (10% + 10% + 10% + 5% + 5% = 40%) and claims he has offered the homeowner a once in a year 40% discount.

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"Let's close the deal tonight at these prices" offers the sales rep. Let us look at the math and assume that the original retail price is \$10,000.

Retail price	\$10,000.
10% Promo discount	<u>(\$1000.)</u>
Discounted Net Price 1:	\$9000.
10% Senior Discount	<u>(\$900.)</u>
Discounted Net Price 2:	\$8100.
10% End of Month discount	<u>(\$810.)</u>
Discount Net Price 3:	\$7290.
5% Lawn Sign Discount	<u>(\$365.)</u>
Discount Net Price 4:	\$6925.
5% Personal Quota Discount	(\$346.)
Final Price:	\$6579.

Now take a calculator and deduct 40% from \$10,000. The answer is \$6000. The final price of \$6579. offered by the sales rep after claiming a 40% discount is in fact a 34% discount (34.2% to be exact)! The sales rep will never start with a round number like \$10,000 because it will show the obvious deceit in his math. If the sales rep starts with an obscure figure like \$14761. and does the dropped discounts unless the homeowner is really paying attention and following along with a calculator or is a math whiz they will not realize that the overall 40% discount claimed by the sales rep is in fact only a 34% discount. This method is taught by owners and sales managers as a way for sales reps/managers to make more money (commission). The newspaper ad states 40% savings, the sales rep uses the discount drop method above in a home and makes an additional 6%!

### 2. The windows can pay for themselves with the energy savings

Typically used in conjunction to justify financing the sales rep will ask the homeowners that 'if he could show them a way that the \$15000 'investment' for new windows could almost pay for themselves would they be prepared to buy the windows today? The sales rep will at some point during the presentation ask for the homeowners gas/electrical costs. This will usually happen after the sales rep has convinced the homeowner that they can reduce energy bills up to 40% if they replace their windows. In fact their company has a written 40% energy or fuel

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savings guarantee which no other company can match! (more on this guarantee a little later) You will note from this point onward the sales rep starts to talk faster as he zips through all of the manual calculations so that there is no time for the homeowner to verify calculations/assumptions as they try to follow along. The homeowner proceeds to state that their gas bill costs them \$200 a month to heat in the winter. Less in the summer. If the homeowner does not know the actual annual gas cost (because most homeowners are not prepared or expecting to review their utility bills) then the sales rep will take the winter bill and perhaps cut it in half for the summer months (creative math begins when in reality it will probably be about a quarter to a third) and tells the homeowners that their annual gas bill is probably around \$1800 to \$2000. Most homeowners will agree. The sales rep will ask what their electricity bill costs and most homeowners (given today's rising electrical rates) will say it is too expensive and it keeps going up. The sales rep likes to hear that. Let us assume the actual annual electrical bill is \$1500. The sales rep will begin by stating that the annual energy bills are about \$3300 to \$3500 or approximately \$300 a month (already the math is not adding up!). And the homeowner will be reminded several times that electricity rates will continue to rise in Ontario by 50% in the next 5 years and gas prices will rise as well. A prepared sales rep will even take out a document with a table or graph indicating historical gas/electrical prices and that future predicted prices will continue to rise at even greater rates. A quick calculation will show that a 40% reduction in energy bills today will result in a monthly savings of \$120 (40% of \$300), but in four to five years these savings could be \$200 or more a month based on future prices of gas and electricity. And now the homeowners are reminded that if they financed their windows it would cost them \$190 a month for the next ten years (the ten years might not even be mentioned at this point). But they would save about \$120 a month today and possibly \$200 a month or more several years from now! So in effect the windows would only cost them \$70 a month today (\$190 less \$120 savings) and they could cost nothing in 5 years from now. The homeowner is reminded again by the sales rep about their written 40% fuel savings guarantee. The sales rep pushes for the signed contract because he has demonstrated how the homeowners could almost get their windows for free and it would not make any financial sense to hold off putting new windows in the home. There are so many flaws in the math and deceit in the facts, so let us begin:

1. Rounding up figures to increase utility costs. The first round up occurs in the assumed summer gas bills so that the annual gas costs are probably inflated by several hundred dollars.
2. Annual bills of \$3300 to \$3500 (if accurate but more than likely already inflated by the sales rep) means an average of \$3400 or \$283.33 a month and not \$300 a month. In reality it is more likely that the actual average monthly costs are around \$225 a month.

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3. The calculation method for the proposed savings on utility bills (regardless of whether it is 40% or less or more) is being based on the total utility bill by the sales rep. In addition the actual portion of electricity charges that can be applied to running a gas furnace and A/C unit is difficult to estimate. Appliances, electrical hot water tank, TV's, computers, lights etc. make up the bulk of the electricity bill. Any homeowner can take a look at their bill and clearly see that a significant portion of their bill goes toward paying off utility debt, transportation/delivery charges etc. These fixed charges will not be reduced because you have energy saving windows and doors. In fact if a homeowner looks closely at their utility bill they will find that the actual electricity or gas usage charge is perhaps 50% to 70% of the total bill. So the calculation of savings should be based on actual usage costs of \$150 to \$210 a month based on the already overinflated \$300 a month cost. In reality the actual usage costs are probably \$110 to \$150 per month. Accepting the sales rep claim that the homeowner will save a guaranteed 40% then the actual monthly savings are 40% of \$110 to \$150 per month or about \$44 to \$60 per month. This is significantly less than the stated \$120 per month savings. Many homeowners will buy and finance the windows after this presentation because they are made to believe that the \$15000. worth of windows will cost them next to nothing with the energy savings.

### 3. The Fuel Savings Guarantee

There are some window dealers that use a 'Fuel savings Guarantee or Warranty' to lend credibility to their claims that their windows/doors are the best and will save homeowners 30% to 40% because they guarantee it in writing!! If the savings are not met then the window dealer will reimburse the homeowner the difference between what they actually saved and the 40% guarantee if it is less. These guarantees are created by the dealer. The homeowner actually saved 25% in fuel costs and the guarantee was 30%, the dealer will pay the homeowner the 5% difference. In all cases read the fine print. Sales reps and/or managers will stress the guarantee and make it sound as if the guarantee is for as long as the homeowner has the windows. "Just show us your fuel bills if you have not met the savings guarantee and we will pay you back the difference." However most guarantees have small print designed to protect the window company, such as:

-Window company guarantees a 40% energy savings on utility bills. In small print it clearly states that guarantee is valid for first year only and to a maximum claim of \$500.00

-The method to calculate the savings is based on actual 'consumption' of gas/electricity and comparison to previous year might include taking into account 'degree days' or average daily temperature. So if this winter is colder than last year then you could not expect to save the guaranteed 30% or 40%. In other words a homeowner needs a meteorologist degree to prove their claim.

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-The hidden 'Up sell' opportunity. Some fuel guarantees require the homeowner to change every single window in the house including all of the doors in order to qualify for the guarantee. The homeowners were only looking to change all of the nine windows on the main floor of their ranch, now they are required to change the five basement windows and two entry doors and one patio door (additional \$\$\$ for the window dealer). Or the homeowners purchased a couple of new windows 2 years ago from another window company, now they would be required to replace these virtually new windows in order to qualify for the fuel savings guarantee.

-The window company has to be notified if homeowner changes/alters/adds another energy source. For example the addition of a pool gas heater because this will use more energy (gas). Now what is the new baseline for comparing gas bills? The window company can claim that they cannot honour the guarantee because they cannot make a true comparison of fuel savings because of the new pool heater.

- The number one reason window dealers offer these fuel savings guarantee is because they know that 99.9% of all homeowners will never make a claim against the guarantee.

Homeowners will forget about it or not bother to keep track of actual fuel 'consumption' year to year. One window dealer that we are aware of proudly boasted that in the ten years that he has offered the fuel savings guarantee two homeowners have come back asking for a refund. That cost is negligible compared to how many homeowners bought windows because of the fuel savings guarantee.

In reality new energy efficient windows utilizing the latest technology in window coatings, seals, spacers etc. can reduce energy bills by a significant amount. However this all depends on what type of windows are being replaced. If homeowners have a 15 year old home that had good quality energy efficient sealed windows with LoE and Argon gas installed when the home was built, but the windows were made of wood and they are showing signs of serious frame rot or homeowners are fed up of spending \$1000 every 3 years to get them painted then replacing these windows may result in energy savings of 10% to 20%. If the home is 50 years old and has single pane glass slider windows that are extremely inefficient (no seals or gaskets, huge air leaks) then it is possible to reduce energy bills significantly (30% or more being possible). Heating/Ventilation companies are promising 30% and 40% savings if a new furnace is installed, insulation companies are promising 30% to 40% savings, window companies are promising 30% to 40% savings, appliance manufacturers are promising 10% to 20% energy savings with their energy star appliances. Add these energy saving improvements and your utility bill could be reduced by 100% or more. This is not going to happen, it is impossible. The best source to verify expected energy savings is to visit the actual glass manufacturer website. Window companies do not make their own glass, they buy from large glass manufacturers. Companies

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like Cardinal Glass and PPG Industries to name a few. On these company websites you will find many detailed case studies and reports that provide actual energy savings results when using various types of residential glass. Some of these companies have built model homes and have monitored the energy usage with sophisticated equipment over long periods of time (several years) to determine actual savings (%). Trust these numbers.

## 4. How a 30% or 40% or 50% discount still works out to the same price

We all get the flyers in the mail box. One month Window Company A has a 30% sale, two months later they have a 40% sale and in the fall they have their one time a year incredible 50% off winter sale. Another promo is buy 3 windows get one free or windows include free argon gas and free LoE. Most people will not have the same window company quote their windows several times. But for those who try to take advantage of better sales promotions they usually find that the final price is the same whether the company is offering 30% or 50% off. Here is why: as the discounts get larger the small print gets smaller. Some examples:

- At 30% off this includes the windows and basic installation labour.
- At 40% off the discount is only on the windows and not the installation labour.
- At 50% off the customer is required to purchase a minimum of 10 windows and includes labour but material is extra.
- The 'buy three get one free' deal stipulates you must buy 3 windows at regular full list price and get one free. Nobody ever pays full list price for windows until this special comes along, so in effect you are buying four windows at the company's regular everyday discounted price.
- Free argon gas and free LoE is the same as a car dealer advertising that the car comes with free tires and a free steering wheel. All window manufacturers are geared to produce windows that already include LoE and Argon gas because these are needed for Energy Star certification.
- The discounts are off what price? Every window company sets their own list prices and these can change anytime. So a bigger discount being offered might mean a higher list price to start off with so after all of the different discounts the final price is the same.

*Advice:* It's the bottom line price that matters not how the discount is calculated. A bigger discount does not mean a better deal.

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## Pricing Methods

Costing or pricing methods to calculate final product and installation prices can vary. There is no implying here that the pricing structure is deceitful. However examples below will show how homeowners should be aware of how window prices are calculated. What starts out looking the same might end of being very different. There are two major components to a window install: the actual window and the labour (plus finishing materials - caulking, trim, capping etc.). Usually the finishing materials are included in the labour cost for a basic install unless the customer requires exotic trim woods as an example. The window price can be all inclusive meaning that the price includes the window and labour. Or the prices for the window and labour will be separate where the labour charge might be a fixed amount ( ex: \$400 per opening up to 20 square feet) or on a dollar amount per square foot. All inclusive price is easier to work with because the math is less complicated and it will remove the sticker shock or resistance that some homeowners have regarding labour costs. The examples below start with a scenario of list price and then adding some options and then giving discounts. Assume a 10 square foot opening for a double hung window with a basic install. All other factors being equal i.e.: window quality, warranty etc.

Window Company A uses an all in one price (window and labour is included) and the list price is \$900.

Window Company B separates window and labour and shows the list price separately for both items to be \$600 for the window and \$400 for the labour ( for window openings up to 20 square feet) for a total of \$1000.

Both sales reps offer a 30% discount and the homeowners select Company A (Net price of \$630 vs. \$700 for Company B). The homeowners call the sales rep from Company A and tell him the good news that he has been selected. The sales rep is back at the home to sign the contract and before they do the homeowners have decided that they want to add three more windows and change the color of the windows on the exterior from standard white to optional (\$) Cream. The three additional windows are set in a larger opening ( 20 square feet) requiring 2 double hung windows (10 square feet each) to be placed side-by-side in the single opening. In total the homeowners are adding 6 new double hung windows. The cost to have the windows ordered from the factory painted Cream is an additional 15%.

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Let us take a look at the price for the additions from Company A:

Company A:

6 Double Hung Windows at \$900./window	\$5400.
Factory Paint Cream color (15% of \$5400.)	\$ 810.
Total:	\$6210.
Discount 30%	(\$1863.)
Cost for additional windows:	\$4347.

Now let's look at Company B if they had the same opportunity to quote:

6 Double Hung Windows at \$600./window	\$3600.	
Labour (\$400. up to 20 square feet) 3 x \$400.	\$1200.	
Factory Paint Cream Color (15% of \$3600.)	\$ 540.	
Total:	\$5340.	
Discount 30%	(\$1602.)	
Cost for additional windows:	\$3738.	Approx \$610. savings.

*Scenario 2:* Homeowners want their living room Bow window units replaced. Bow window has 6 window units that are 10 sq. ft. each and they also want windows painted a custom color (Purple). Custom paint color is a 25% charge.

Company A:

6 Windows at \$900./window	\$5400.
Factory Paint Custom color (25% of \$5400)	\$1350.
Total:	\$6750.
Discount 30%	(\$2025.)
Total:	\$4725.

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## Company B

6 Windows at \$600./window	\$3600.	
Labour (\$600. for 40 Sq. ft. and over)	\$ 600.	
Factory Paint Custom color (25% of \$3600)	\$ 900.	
Total:	\$5100.	
Discount 30%	(\$1530.)	
Total:	\$3570.	Approx \$1155. in savings

Although Company A offers a simple all-in-one price for the window the homeowner can get caught paying for additional labour fees hidden in the price when dealing with large openings that require two or more windows to be set in the single opening. Company B charges labour separately and bases this on an overall opening size not per window. As well the paint option is a percentage charge and will be based on the total window price for Company A (including labour) rather than the separate window price for Company B. In other words the homeowner is paying an additional 15% on the hidden labour portion of Company A windows when they opt for a painted window. Also in this example, Company A sales rep could have shown a copy of Company B price list to the homeowners at the beginning of a presentation for a single 10 square foot window and convinced the homeowners that Company B was more expensive (\$1000 vs. \$900). As a result, the homeowners may have never called Company B to their home to quote. Advice: Understand pricing method and be wary of window specific options that are priced as a percentage of window price when the windows are sold as an all-in-one price (includes labour).

## The Model Home offer

The model home offer has to be one of the oldest tricks in the renovation industry. Granted there are and will continue to be innovative and new building materials and products developed that will require the use of actual model homes to introduce and highlight truly new products to the public. However in the window/door industry the use of 'model home' offers to homeowners is a well crafted method of gaining commitment(s) from the homeowner so that the homeowner feels 'special' and has agreed to the many 'tasks' required of the program and then the final "don't tell anybody about the special price you will pay tonight" offer that it is hard for many homeowners to say no. Some sales reps use the model home approach as part of the presentation in every home, while others use it selectively. Many times it will be

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offered by the sales manager when the phone call to the sales manager ploy is initiated by the sales rep.

-The sales rep or manager will identify that your home is in an area that their company is looking for model homes. Better yet, the sales manager will ask the sales rep out of curiosity what postal code or area or zone the home is located (even though the sales manager already knows where every sales rep. is at every moment). The sales rep will ask the homeowners for their postal code and provide it to the sales manager or mention that it is in 'Zone A4' (totally made up by the sales rep) and the sales manager will act surprised and excited and tell the homeowners that this is a part of town that the company desperately needs model homes. The homeowners are asked if they have a couple of minutes to spare to listen to the model home program and the sales manager/rep promises that by the end of the discussion the homeowners will not be able to say no to the program. The homeowners are given a summary of why the company uses model homes and the sales manager/rep stresses how important it is to the company because it leads to many sales referrals. The select homeowners who are invited to be a model home will be compensated for their participation with a special 'model home' discount price that will be detailed at the end of the discussion. The homeowners want to know the special discount price so of course they will listen to the model home presentation.

-The model home program will be explained so that it will require the homeowners to perform certain tasks or requirements. And because of these tasks the homeowner will be compensated with the special discount. Some of these tasks might include:

1. Placing a company lawn sign on their property for an extended period like 2 or 3 months (even though it is a standard company sign with no mention that the property is a 'model home'!) If it is a corner lot they may require additional signs.
2. Allowing photos being taken of before and after. The homeowners may even be asked if they would sign releases to allow pictures of their home to be used on company marketing material (brochures, pamphlets, advertising etc.).
3. The homeowners will be required to write a very positive reference letter once the installation is completed.
4. The homeowners will be asked to accept phone calls from other sales reps or other homeowners when they need a verbal reference.
5. Most importantly, the homeowners will be asked to never disclose the discount price they will receive for their windows to anybody (neighbours, family) because it is too low and that the company would be out of business if they had to give everybody the same discount. The sales manager almost begs the homeowners to never reveal their price to anyone.

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6. The homeowners might be asked to sign a Model Home 'contract' outlining the above commitments and thus making it look very legal and official.

What is happening here? The sales manager/rep is getting commitments from the homeowners without revealing the discount/price. The homeowners are still anxiously waiting for the discount price. The sales manager asks the homeowners if they are willing to perform the requirements/tasks. Of course the homeowners agree because first the tasks are not really difficult and second they want to hear the discount price. The sales manager/rep indicates that he is excited that the homeowners want to be a model home for their company because they have agreed to the commitments and then the special discount price is revealed. The homeowners are reminded several times that this price is so low and that they will never have another opportunity to buy at this price. As a last minute high pressure push before the homeowners can ask for time to discuss or think about the price the sales manager reveals that there are other sales reps in the same area/neighbourhood at this very moment making presentations to other homeowners. If he receives a call from another sales rep that the model home offer has been accepted by another customer then the model home offer to these homeowners will be cancelled because they only need one model home per zone/area. Totally false since the company will never reject a deal if a homeowner is willing to sign a contract. Unfortunately many homeowners fall for the model home offer.

### **Let's get you pre-approved**

Some sales reps will use the guise of getting homeowners pre-approved for financing to make sure that the homeowners will be actually approved and for the amount they are budgeting even if they are not willing to commit to the purchase. This will always require a signed window contract to be submitted with the banks credit application. Being approved at one financial institution does not mean that the homeowner is automatically approved with another financial institution. So if the homeowner gets 'financing approval' with Window Company A but decides to purchase from Window Company B, then the credit application has to be submitted again if it is with another bank. Another trick is to request financing for a larger amount to see how much more the homeowner can afford. It will be easier to up sell a homeowner to a larger amount if they have already been approved for more. Finally, once a window company has your signed contract they will do everything in their power to ensure that the deal goes through.

### **I am not on commission, I am paid a salary so there is no reason for me to price high**

Ninety five per cent of all sales reps are on some sort of commission/bonus structure and are not employees of the window company. Stating that they are paid a salary implies that they are an employee (even though they might not mention that they are an employee). Some sales

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reps use this approach because the homeowners will relax and not think the sales rep is there to make a huge commission. In fact some window companies have all of their sales reps carry business cards that are printed with important titles like 'Area Manager', 'Regional manager', 'Product Manager' etc. to imply that they are indeed part of management and are employees. This is far from the truth. The next time a sales rep from a window company states that he is an employee or does not make a commission and is paid a salary ask that sales rep to bring to you the following day copies of their weekly pay stub for the last 3 months showing all of the government deductions (Unemployment Insurance Premiums, CPP etc.) and a consistent weekly pay amount. This will never happen and you will not hear from the sales rep again.

### **All of our installers are our employees**

Ninety five percent of most renovation companies in the window/door industry sub-contract their installation. But ninety five per cent of sales reps/managers will tell homeowners that their installers are their employees to gain their trust and imply that because the installers are their employees they are 'factory trained' or 'company trained' and therefore the quality of the installation is better than some sub-contractor. Being an employee does not guarantee better quality work especially if the 'employee' is only there to collect a pay check. There is nothing wrong with sub-contracting out and it should not detract homeowners from dealing with a window/door company. A reputable window/door company will only sub-contract out to the same experienced installers that do quality work and will try to provide enough work for them that they are too busy to work elsewhere. Most installers do not want to be employees because:

- There are major tax advantages to being self employed and contracting out their services
- Many window/door companies cannot always guarantee consistent full time work (because of their product line or season) and being independent allows installers to find other work to keep a regular pay check. Also because most companies cannot guarantee consistent full time work the door/window companies cannot afford to keep installers as employees and pay a weekly salary and all the government deductions that ensue. Some companies even furnish their sub-contracted installers with company trucks that make it more plausible that they are employees when they are not.

Once again if a sales rep/manager is adamant that their installers are their employees ask for copies of a couple of months of paystubs with all of the payroll deductions for the installer they intend to use on their home. If a sales rep 'claims' he is not on commission (as described previously) and the installers are employees and not sub-contracted out and cannot furnish proof to the contrary do you want to deal with this company?

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### **"We manufacture our own windows" or "Our windows are exclusively manufactured for us"**

First, there are many true window manufacturers that sell direct to the public. However the statement "We manufacture our own windows" has been used by certain window dealers/sales reps to imply to homeowners that they are a manufacturing facility and with this brings the trust element that they are buying direct from the manufacturer and since that cuts out all of the 'middlemen' they can offer a better price. Far from the truth. Most window/door dealers are resellers and are not a manufacturing concern. They buy windows from a wholesaler or directly from a manufacturer. The fine line between truth and a 'little white lie' is when a window dealer buys directly from a manufacturer and might have a private label agreement with the manufacturer. A private label agreement simply means that the manufacturer will allow the dealer to sell their windows under a different name exclusive to the dealer. Some dealers will have brochures and marketing material printed with the private label name to give the window name/brand validity. In this case some dealers or sales reps will imply that they make their own windows.

"Our windows are exclusively manufactured for us." can also be another stretch of the truth. The sales rep will admit that their windows are manufactured 'exclusively' ( and will stress the exclusively part) for them under a private label deal by another company (but usually will not give the manufacturers name). The windows are touted as being 'exclusive' because the windows made for them contain exclusive features and improvements that cannot be found in any other window and as a result are one of if not the best windows in the market. Imagine how a small window dealer in an average sized city maybe selling 1000 to 2000 windows a year can negotiate with a huge window manufacturer running non-stop everyday to stop and change their production set-up and schedule to accommodate the 10 unit window order today so that the 'exclusive' titanium screws are used in their windows. This is not going to happen. More than likely the 'exclusive' windows being manufactured are the same windows being produced day in and out by the manufacturer. The only exclusive part is the window label with the window company's private label name stuck on at the end of the production line. This does not imply that the windows are less quality, they may very well be made by one of the best window manufacturers on the market.

How can a homeowner check the validity of the claim that the window dealer manufactures the window or are exclusively made for them without providing the true manufacturer name? Very simply check the Canadian Energy Star website and search for the window by the window name. If the windows are Energy Star certified ( and should be) as claimed by the dealer/sales rep and were certified under the dealer product name it will show up on the website list. If not it means two things: either the windows are not Energy Star certified and then the window dealer/sales rep is lying and committing fraud or the windows are Energy Star Certified but

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registered under a different name (typically the actual manufacturer's name). So now the sales rep is in a predicament, does he admit fraud or does he tell the homeowner the real manufacturer's name? In many cases the reason the sales rep will not disclose the manufacturer's name is the homeowner can find out that their 'exclusive' windows are actually being manufactured by Window Company ABC and those exact same windows are being sold for a lot less by other window dealers. Another source to check name validity and manufacturer is if the windows are stated to be CSA A440 certified. This can be found on the CSA website as well.

### **Warranties - read the fine print**

There are generally two types of warranties that are related to a window/door purchase: product warranty and installation(labour) warranty. Product Warranty is usually offered by the window manufacturer and the installation warranty is almost always offered by the window dealer. Most product warranties offered today are stated as 'Lifetime'. Some warranties are not Lifetime and may clearly state 10 Year or 15 Year Product Warranty as examples. No matter whether the warranty is Lifetime or 10 Years it is important to understand the difference between a true 'no fine print' warranty, a 'limited' warranty and a 'pro-rated' warranty. The sales rep proudly states that their window warranty is Lifetime and shows a copy of the warranty. The homeowners fail to notice that in small print it states that warranty is pro-rated and the sales rep failed to mention this little detail. What does this mean? Pro-rated means that the window manufacturer's responsibility (\$\$) decreases over time and the homeowners (\$\$) are responsible for more of the cost should a product component fail and require replacement under warranty. For example in some Lifetime pro-rated warranties for the first 5 years the manufacturer is responsible for 100% of the cost to supply the defective part. In year six, the homeowner is responsible to pay 10% of the cost of the replacement part under warranty and in year seven the homeowner is required to cover 20% of the replacement part cost and this increases by 10% per year until the homeowner might be responsible for 90% of the cost for the balance of the Lifetime Warranty.

Another type of warranty is the 'Limited Warranty' (again in small print) that places a lot of limitations on the responsibility of the manufacturer and limitations on the type of claim that can be considered valid. For example if the window seal breaks and the window is all steamed up and although 'seal failure' is covered under a lifetime warranty the manufacturer is only limited to cover the first \$150 of the replacement glass. Technically they do offer a lifetime warranty on the seal but not on the full replacement cost. What does the replacement glass cost to replace? I can guarantee that it will probably be in most cases more than the \$150. And what happens in 10 years when the price of glass doubles or triples as an example?

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The manufacturer is limited to losing \$150 at the most. These 'pro-rated' and 'limited' warranties are also used in conjunction with some 10 and 15 year warranties virtually making them useless. A true 'no fine print' Lifetime product warranty means exactly that. No fine print to protect the manufacturer or make it difficult to claim, the homeowner can rest assured that as long as they own the windows they will never pay a cent for any replacement part covered under warranty and in most cases a quality window manufacturer will warranty just about every component of the window including unexpected situations such as glass breakage. Ask the sales rep for a copy of the warranty and better yet ask the sales rep if the Lifetime Warranty is Limited or Pro-rated. If unsure visit the window manufacturers website as most if not all of these companies make their warranties available for download or viewing.

Many window product warranties are also '100% Transferable' meaning that if the homeowners sell their house the warranty can be transferred to the new homeowners. Read the fine print on these transferable warranties, again limitations might include that the 'Lifetime' warranty will only be valid for 3 years with the new homeowners or there is a transfer fee of \$10/window or an administrative fee of \$150 to transfer warranty. More than likely these small details will not be explained by the sales rep.

### **Fear of Loss**

The consistent underlying technique of many sales reps/managers in negotiating price with pressure sales is to put the 'fear of loss' into the homebuyers. Get the homeowners to fear that if they do not sign the contract or make a decision today/tonight that they will lose the 'special' discounts or extras tonight or tomorrow. This is a basic human emotion and this is what most sales managers will use when utilizing high pressure sales. In the car industry people buy expensive extended warranties because of the fear of the high repair costs that could happen in the future as pushed by the sales rep. In the window/door industry the fear of loss can be very blunt. The sales manager on the phone or in the house will be very clear that the last minute \$2000. discount that he has authorized for the homeowners is a one-time offer and only valid unless another sales rep in another home can take advantage of the special \$2000. discount today for his customer then the discount is gone! No mention that the homeowners are asked to sign the contract they are just reminded that they will lose \$2000 if they do not act! All of these last minute high pressure offers are shrouded in some sort of secrecy or require special authorization from a senior manager/owner and need acceptance right away or else the offer will be lost to another homeowner or will expire within a very short time frame (the same night or next day) The sales rep/manager makes it sound as if you are the only people offered this chance, or it is your lucky night or he is risking his job/position to get you the discount. The high pressure offer is usually ended with a question that requires the homeowner to answer yes to the special offer leading them to commit to signing the contract.

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Examples of fear of loss techniques:

"Lock in the deal before our price increase next week". More than likely, there is no price increase coming.

"We are at the end of the month and I know that I have some money left over from the marketing/sales/promo budget. I tell you what I will do for you tonight, I will allocate \$1000 from that department and give you a further \$1000 discount but the end of the month is in 2 days and the money will not be available after that. Can I allocate the \$1000 to your contract?"

Or else "It's the beginning of the month and I have some budget money left over from last month and the owner does not know it yet. I can take from the surplus and give you a further \$1000 discount and hide it in the marketing expense for last month, but I need you to go ahead tonight because the minute the owner finds out he has money left over from budget he will use it elsewhere. Can I authorize the \$1000 discount to your contract?"

"It's the end of the month and I tell you what I will do, I will eat the HST. I can play around with the HST tax within another department and make it so you won't have to pay it. That's an additional 13% discount on top of all of the extra discounts I have authorized tonight. Do you want to pay the HST?"

"I am authorized by the owner to give three special discounts tonight, I have already given two out to other sales reps, I can't guarantee that I can hold the \$1500. 'special' discount for you if another sales rep calls me tonight asking for help in closing a deal. Can I authorize the discount for your home?"

"We want to promote your home as a model home in your neighbourhood, however I have two other sales reps in other homes in your neighbourhood right now. If I receive a call from one of those sales reps tonight stating that his customer wants to be a model home and they are willing to sign before you do I will have to give the model home discount to the other homeowner. Do you want to be our exclusive model home for your area?"

"Our advertised 40% off sale ends tomorrow and we only do 40% off once a year. Do you want to save 40% now or in another year?"

"In order for me to get the owners approval for the special discount I need to show him a signed contract with the discount code/amount on the contract. If he does not approve then we will cancel the contract." What chance do you think that the owner will not accept the deal?

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"Is this a finance deal or a cash deal? If you are paying cash then I have been authorized today only to take some money we always allocate to cover financing costs and give that back to you, which is 5% of the total contract. Can I authorize the 5% deduction on your contract?"

### Summary

The home renovation business is extremely competitive particularly in the window/door replacement sector. Many companies use tried and proven high pressure techniques on homeowners. This article goes over some of the more common and successful high pressure sales techniques used by sales reps and owner/managers whether it is done in the home or on the telephone. The purpose of this article is to educate homeowners and prepare them so that they can recognize the 'high pressure' signals and other methods used such as creative math. This article did not concentrate on product quality or what to look for in a window or door. This will be reserved for future articles. So please check our website for other articles in the future to help homeowners in their buying process. Should you have any questions or comments please feel free to contact us. We hope that even if you did not purchase any products or services from our company this article helped you to find a window/door dealer that follows a professional code of selling ethics or perhaps saved you thousands of dollars.

Regards,

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