



HOW DO I AVOID COMPETING ON PRICE?

BY **JULIE GUEST**

A You send one of your employees to give a potential customer a quote. He thanks him for coming but says he'll think about it. In less than half an hour, you receive a call saying he has found someone who'll do the exact same job for less. Unless you're willing to sharpen your pencil, you just lost the job. How many times has this situation happened to you?

We all know price warfare doesn't just occur with prospective customers. Jobs you've had for years can be pulled away from you suddenly—all because the customer was contacted by a competitor who was hungrier and more desperate for his business than you were.

COMPETING ON PRICE IS ENTIRELY OPTIONAL, AS LONG AS YOU HAVE THE PROPER MARKETING AND MESSAGING IN PLACE. NOT ALL BUYERS ARE DRIVEN BY PRICE. IN FACT, THE MAJORITY OF PEOPLE AREN'T DRIVEN BY PRICE.

When one of your customers asks you to lower your price, you're in a pickle. Do you price match that lower quote and leave them with the bad taste in their mouth that they've been overpaying all those years? Or do you try to justify your higher price and hope the strength of your relationship will win them over? The real truth is you don't ever want to get into these price negotiations in the first place because it puts you in a lose-lose situation. You're going to lose precious revenue or a job.

Here's the great news: Competing on price is entirely optional, as long as you have the proper marketing and messaging in place. Not all buyers are driven by price. In fact, the majority of people aren't driven by price. If they were, Wal-Mart would likely

be a hundred times bigger than it is and companies such as Apple, which charges \$3,000 for a new computer, wouldn't exist.

The simple and game-changing fact for your business is people only revert to buying on price when they have no other information available. There's a segment of the market that only buys on price. It doesn't matter how good you say your services are or how great the quality of your workmanship is, they're never going to choose your company because you're a smidge more expensive than the other guy. Frankly, you don't want these bottom feeders as your clients anyway. They're usually the most demanding customers, the least appreciative and the least likely to refer your services. Let the other guys in your market provide services to the extremely price-sensitive crowd. They can slash their prices and fight among each other to see who's most desperate for business.

In almost any industry, the bottom feeders account for 40 percent of the market. The rest of the market, which accounts for more than half, can afford and will pay more for your services, if you can provide them compelling reasons to. This is why having the right marketing becomes so important. But don't make the mistake of thinking you can just hike your prices and expect to achieve a similar result. You must have a solid marketing program to back it up. Here's how to do it in three easy steps:



1 Find something uniquely yours, something your business does better than your competitors that can create a distinct competitive advantage. An example of this is Domino's Pizza's original tagline: "Fresh, hot pizza in 30 minutes or less, or it's free."

2 Educate your customers and prospective customers about why your services are better than the competition. Help them make an informed decision about who to choose. Create a special report, booklet or mini magazine that explains this. Educated customers make the best customers, and they're the kind who will happily pay more for your services.

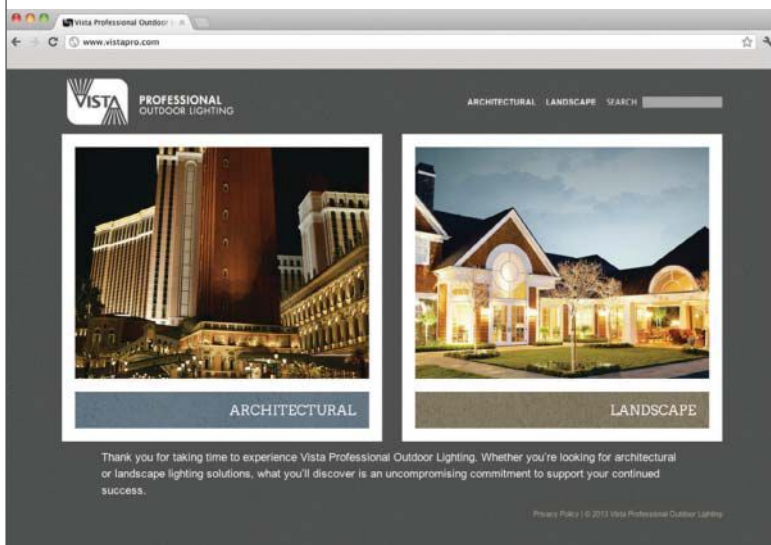
3 Take your key messaging in your special report or mini magazine and integrate it across all your marketing efforts. Eliminate any of your old marketing that refers to price and help your customers recognize your value. Don't forget to use direct mail, display ads, street signs, flyers and your website with this important messaging. Your website is the most important because it's where people will look and judge your value first.

If you still need convincing the majority of people don't buy on price, take a look around your home. What

have you bought recently that commanded a premium price—a brand-new TV, truck, piece of fishing or hunting equipment? Now think about what made you decide to buy that. It was the marketing. **LM**

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