

Home Business Websites

COMPETING WITH SALES AND PRICES

When you are setting up your store, we recommend reading the following with regards to competing on Price.

Kmart undoubtedly offers the cheapest prices of all department stores in Australia. Their prices are so low that they no longer have sales or specials. Where else can you purchase a pair of kid's shoes for \$5.00 and a toaster for \$8.00?

Big W is second in line to Kmart with regards to prices and also offers affordable prices on all of their products.

Target is third in line for price, offering somewhat higher prices than the Kmart and Big W.

Despite the price differences, all of these retail giants manage to prosper and make huge profits year after year. The competition between these retail giants, does not affect their bottom line. You don't see Target lowering their prices to compete with Kmart - nor will this ever happen.

This poses the question, how can any online retailer or small business owner compete with Kmart, Big W & Target Prices? Quite simply, they can't, and neither should they try to. Retail giants purchase directly from manufactures and the volumes they purchase simply cannot be matched by smaller businesses. When Kmart purchases toasters, they order quantities in the tens of thousands, to supply all of their stores. It's the same for kid's shoes, they don't just purchase 1000 pairs, they purchase tens of thousands of pairs for all of their stores. Unless you are huge chain store you can never hope to compete with this type of group buying power and the volume discounts that they receive from manufacturers.

The good news is you don't have to (and nor should you try to) compete on price! Small businesses and small online retail stores have all existed and profited along-side these retail giants for many, many years.

How do they do it? Easy, they focus and compete on value rather than price!

It's worth remembering that when a shopper is looking to buy, it's not just about the price, it's also about value and perception.

Studies show that customers want to feel valued and they will pay more to receive value added services and personalised support.

Instead of focusing on price, focus on people, relationships, and *priceless* experiences. Compete on value not price. You can even make a high price a feature, rather than a downside, of your business. Premium products are only for people who know what they want, and people who know what they want - will pay more, they also make very high-value customers.

The business world calls this pricing strategy "perceived value." That means people pay what they think your product is worth. If you have a group of customers who insist your product is worth its price and prove it by happily paying for it, and leaving positive reviews then that is the ultimate validation.

You want a customer base that highly values your product and your service - right? So charge the price with the highest valuation. You can always offer discounts, but it is much harder to raise prices later. Then make them happy. Give them something extra.

Perceived value pricing forces you to think about the value you provide. It forces you to ignore quantity and focus on quality. It encourages you to listen to customers and understand their needs.

In short, competing on value makes you a better businessperson, and makes your business stronger.

People Want to Pay:

Fact: People enjoy the same food more when they pay more for it. The food hasn't changed, but the experience has improved. This has important implications for creating value for people. If people better appreciate things that require a greater sacrifice, irrespective of the things themselves, why take that away?

Always remember when it comes to buying and selling:-

- * Price is seldom the only deciding factor.
- * Price becomes less important when the product or service is personalized.
- * When your price is higher, you simply need to provide extra value and service.
- * People usually buy from people and stores that they like, despite the price tag.

Bottom Line:

If your customer service is noteworthy, your quality of work outstanding and your price fair and honest, then your value will be greater than the competition if they can only offer a lower price.

Project the right image and people will want to buy from you. Tell the right people about all the benefits of dealing with your company and you won't have to compete on price. Reassure your prospects and they will become your customers. Offer them exactly what they need or want.

Customers want peace of mind. If you are just selling them on price, everybody loses. Prospects buy from companies because they offer more benefits than price alone. Here's what prospects look for and at in a company when making a purchasing decision:

- The benefits of your products and services, not the features.
- The promises you make, be careful what you promise.
- Solutions to their problems.
- You and your service department
- Your believability. If they don't believe you, they won't buy from you.
- Other people's opinions of your business.
- Neatness. Just like in school, neatness counts. A neat image projects a positive message.
- Their expectations based on your sales and marketing to be met
- Dependability. Your customers should know what to expect from your company.
- Convenience. The easier it is for a prospect to do business with your company and to buy from you, the faster he will become a customer.
- Simplicity.
- Honesty.
- Personalized Service
- All of the above.

What else will make customers want to buy from you, remain loyal and become long term customers?

- Offering a wider range of products/varieties/models (sourced from many different suppliers)
- A personal approach to customer service
- Rewards and Discounts (Discount Coupons, Special Prices, Sale Prices to Newsletter Subscribers etc)
- Personalised Rewards, this could be something as small as an email and discount coupon on their birthday
- Constant, informative communication, keep them updated of new products via your store newsletter
- Guarantees, Refunds and ease of exchange
- Good old fashioned lay-by and pay by the month options
- Offering free advice and assistance

The kind of customers that create return business for your company are happy to pay more for a better experience. If you make the sale at little to no margin, what good is that customer anyway?

Saving a customer time by personally recommending a product and providing tips on how to use or install it, is a value big box stores can't provide and the type of customers you'll attract are loyal and produce profit.

Become a Specialist:

By becoming an expert – and successfully conveying that through your store – you'll be much better equipped to compete against the retail giants and the likes of eBay without having to rely on razor-thin pricing.

Speaking of eBay, have you noticed that in a market place as large and as crowded as eBay that there are often 60 or more sellers all selling exactly the same product, for all different prices? This is particularly true of the latest electronic items and gadgets. There are those with lower prices, the mid range prices, higher prices and the top of the range prices (for exactly the same item), with some sellers offering free shipping, others throwing in small bonus items and freebies, others offering extended warranties, some offering free exchange or refund within a 7 day period, others offering 60 day money back guarantee, no questions asked returns or refunds, there's express shipping, budget shipping, then there's Australian sellers, sellers from other countries.... and many other scenarios.

If you study the eBay marketplace closely you will notice that is **not** the sellers offering the cheapest prices that are making the most sales. Nor is it the sellers, selling for the lowest prices that are making the most profit. It is in fact quite the opposite!

The eBay sellers making the most sales are:-

- The 'power sellers' that have built a solid reputation through feedback and testimonials. This makes customers feel safe and secure; customers know that they can trust a power seller.
- The sellers that include additional photo's making their products stand out from the crowd
- The sellers that write better product descriptions, often including a range of specifications that others don't.
- The sellers that have better product titles, for example the same product can be listed as:-
 1. Mother's Breastfeeding Chair or
 2. Luxury Recliner Breastfeeding Chair with 3 different positions & Matching Foot Stool
- The sellers that take the time to make their stores look professional
- The sellers that take the time to make all of their product listings look professional and error free
- The sellers that organise their stores and products making them easy for customers to navigate and use
- The sellers that have taken the time to write a returns/exchange & refund policy and terms and conditions
- The Australian sellers, promoting the fact that the business is 100% Australian owned and operated
- Offering fast and free shipping from an Australian location

It's all of these things that make customers willing to pay more.

It's the shopping experience; the peace of mind, the trust, and the fact that eBay customers (like all customers) are looking for value as opposed to simply looking at the price.

Summary:

You only have to look at the history of small business and how they have survived for decades, and 'prospered' along-side all of 'the big boys'. There has always been, and always will be 'competition' for any product or service in the market place. There will always be someone out there offering lower prices, there will always be the retail giants, there will always be other bricks and mortar retailers, other online stores and other businesses all competing with you and with each other for a piece of the pie. The good news is that there has always been, and always will be - enough pie to go around to everyone!

Take a walk through any Westfield Shopping Square and count the number of ladies fashion stores, or shoe stores, all in the same shopping complex. Having 30+ ladies fashion stores all in very close proximity to each other, certainly doesn't stop any of these stores making a profit, far from it - nor do they compete on price.

Keep this in mind when you start your business and set the prices for your own online store.

Offer your customers value over price and your business will prosper!