

Your customers want to pay more

Your customers really do want to pay you more, you just don't make it easy enough

Whenever customers buy, they have to make judgements on the overall value for money based on many subjective elements. Think about how you choose the last car you bought, the last holiday you booked, or where you do your grocery shopping. In truth hardly any buying decisions are based solely on price. If you can understand clearly the elements that do form the basis of your customers' decisions, you have a better chance of getting the value and price up.

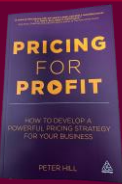
One survey asked a range of consumers to suggest a price that they thought would be fair for three specific purchases. Firstly a simple meal, secondly the completion of a tax return, and thirdly the valet of a car. Half the respondents were given very basic descriptions, and the other half a much more expressive explanation of the purchase. i.e. "Car valet inside and out" Versus "A full deep clean of your car, using our specialist cleaning materials to bring it back to showroom condition, including all the bits you can't see as well as all the bits you can". In all three comparisons the indicative prices suggested were significantly higher where the more detailed descriptions were given. The very top price expectations were always in the more descriptive set, and significantly higher than the average.

A big temptation for the sales person is to cut to the chase and present a simple explanation of the product or service together with the price. This often leads to an oversimplification of the work being done and as a result a much lower appreciation of value from customers. The desire for speed and simplicity has a high cost on the customer's perception of value.

Many other surveys ask customers to choose a level of service based on 4 options. Consider 4 levels of domestic plumber available to fix a washing machine. The very best arrived within 30 minutes, debated the merits of repairing or replacing the machine, carried the parts on his van, fixed it, tested it and cleaned up the mess. At the opposite end of the scale, the plumber only arrived after persistent chasing, didn't consider the replacement option, disappeared for hours to get parts and didn't test the machine and left a mess and his lunch leftovers behind. The two other options were in-between these two extremes. The prices were £40, £55, £75 and £100. Many surveys conclude that the lowest prices with the lowest service levels may be attractive to as little as 10% of the market and usually based on affordability rather than a value for money decision. The top end options can attract as much as 20% of the market, again not always based on value for money as much as a desire to have the best or not wanting to waste time shopping around. We will all know those people who choose 'Gold', simply because it's 'Gold'.

This analysis holds true for many service based businesses where it isn't possible to buy an identical alternative.

Generically, some customers will want a lower cost option whilst others are prepared to pay a lot more. A business could therefore set prices towards the lower end of the range but miss out on profit from those willing to pay a bit more, or perhaps potentially lose them altogether based on their perception that you may not be of the right calibre. As an alternative it could aim high and lose some of the more price sensitive customers, but limit the number of customers it can do business with. What if the business could do both? If it developed multiple options for clients to choose, it can try and tap into multiple sections of the market. Let's say it develops three levels of Bronze, Silver and Gold. There needs to be a clear differential of service as well as price, which could be the calibre of team member that handles them, or the speed of service or one of many features included or excluded from the options. But each customer can, like in the plumber example, choose the level of service and



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price that suits them. By offering these choices you can hit three segments of the market with solutions tailored to them.

Businesses are often amazed by who opts for Gold and who opts for Bronze, but what is most surprising is that many customers do value the extra features of the Silver and Gold options and choose to pay more for them.

What all of these points demonstrate are that by offering a range of options with more detailed presentations of the features and benefits of each option, a good percentage of the market may well opt to spend more.

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