If Price is the Problem…What is Your Solution?

By Roger Bostdorff

I am presenting this topic at the National Pavement Expo in Nashville in January. The coordinator of the show asked me if I could speak on this issue. It seems that many of the attendees are having problems protecting their margins. Evidently a very high percentage of the transactions in this industry end up being decided on price and only price. Is your company having similar challenges? Assuming you are also be encountering this challenge please read on.

Let's first look at this from the buyer's perspective. Please mentally select a product that you or your wife purchases for your home. Do you have that in mind? Since I cannot seek your input while I write this please allow me the liberty to select a couple of examples. Let's select groceries or gasoline. If you have a WalMart close my bet is that you have on occasion purchased at least one of these from Walmart. However, if the product or service being purchased is viewed as a commodity, then price is going to be the primary driver of your decision.

What is a Commodity? The word commodity is used to describe a class of goods or services for which there is demand, but which is supplied without qualitative differentiation across a market.

A box of Cheerios is pretty much the same whether you buy it at Kroger, Walmart or Bassetts. By the way, that may NOT be the case relative to their service. (Please see Bassetts locally in the grocery industry for Service!!)

Therefore, if you are selling a commodity, the best way to make money is to be the low cost provider. Let me emphasize that I said "cost" not necessarily "price." Walmart has succeeded in their market by driving their **COSTs** down by leveraging their size, their suppliers and their distribution channel. However, unless your company is the size of Walmart and has the lowest costs, then competing on price is a losing proposition. So what do you do? How do you compete?

You either have to cut your margins so low that you only can make it with a very high volume or you need to change the game.

People buy by comparing the products and services associated with the product. If the only differentiator of a product or service is price you can only compete on price. As I have pointed out earlier the only winner here is the one with the lowest cost structure.

Therefore, what needs to be done is to quantify other key differentiators of your offering than price.

I have facilitated with many customers their SWOT (Strengths, Weaknesses, Opportunities and Threats) Analysis. When we discuss their strengths, many times I get things like Customer Service, Quality, and Responsiveness. These are all excellent qualities of a company's product or service. However, can you envision your competitors suggesting that they provide bad Customer Service, Quality and Responsiveness as compared to your company, of course not? The question is how do you differentiate? What are your competitive advantages? How do you substantiate your claims?

The ground rules for outlining these differentiators as I call them or your competitive advantages as defined by J. Smith in her book "Creating Competitive Advantage" are as follows:

1. It needs to be objective not subjective
2. Quantifiable, not arbitrary-We have great customer service, 95% of our business comes from referrals.
3. Not already claimed by the competition
4. Not a cliché-Don't tell me you exceed customer expectations. How do you know what these expectations are?

How is your business? Are margins down? Do you have some new wrinkles in your sales message that is different than last year? If you do things the same way going forward you will probably get the same or similar results. Is that what you are looking for in 2013?

Or, are you and your team able to enunciate your Differentiators/Competitive Advantages? Seems to me that no matter what industry you are in unless you run the Walmart of that industry, you might want to invest some time-first identifying your competitive advantages and then figuring out a way to communicate these to your current customers as well as your prospective customers. The other alternative, assuming you have plenty of margin left is to continue to give it away!

Roger Bostdorff is the President of B2B Sales Boost. He spent over 30 years with IBM in sales and sales management. B2B Sales Boost is a consulting company helping organizations improve their sales and overall business processes. He is also available for business speaking engagements. You can find more regarding B2B Sales Boost on the web at www.b2bsalesboost.com or calling 419-351-4347. If you would like to receive the B2B Sales Boost Newsletter please send an email to sales@b2bsalesboost.com