



MONEY TALKS THE PRICE IS RIGHT

AS PURSESTRINGS TIGHTEN, MANY BUSINESSES ARE LOOKING AT WAYS TO ENCOURAGE SPENDING. DISCOUNTING IS OFTEN THE FIRST OPTION THAT COMES TO MIND BUT BRUCE MONTGOMERY ADVISES OWNERS TO STAY AWAY FROM IT.

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In recent times I have noticed a growing number of businesses offering discounts to their customers. But when any client of mine asks for advice on discounting, the answer is simple, DON'T.

Unfortunately, discounting has become such a common practice in New Zealand that it is often the first thing business owners turn to when sales begin to slow. However, there are a number of problems with discounting that should be taken into consideration.

Firstly, the minute you offer a discount you are focusing the customer's attention on price. If this is your only competitive advantage then you are in trouble, because price can always be matched. Your competitors will probably match any discount you offer and this could lead to a price war, which is not good for any business.

Secondly, a customer's perception of your product or service will alter if you discount it. Remember,

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customers are buying based on their perceived value. By offering a discount you are subconsciously letting the customer know that the product or service has less value.

You also need to consider the impact of discounting on your staff and the overall service being offered. If you, or your staff, believe a product or service has a reduced value then inevitably the service offered will also reduce. However, if the quality of what you sell is affected, you risk losing customers and spending more

money solving problems. One way or another today's discounts could rob you of future business, and profits.

It is often a good exercise to work out how much the discount will reduce your profits and how much more is needed to sell to recover this loss.

If you sell your product or service with a gross profit of 30 per cent and then offer a 10 per cent discount you will have to sell 50 per cent more volume to achieve the same result.

If your business IS going through a rough patch, why not consider some alternatives, leaving discounting as a last resort. You could offer a free product or service, free consultations or vouchers. By doing this you have the opportunity of introducing your customers to something they may not have tried before and, you never know, they may like it and want to buy it again!

Making a customer's experience more enjoyable can be inexpensive but have a huge impact on whether or not they will return.

Meet with some of your local businesses and see if there are ways of mutually increasing sales. I always remember being told of a hairdresser and a café that were next door to each

other. The hairdresser offered their customers a free coffee with their haircut and the café promoted the hairdresser to their customers.

For most people, it is not actually about price it is about either finding a solution to a problem or satisfying a need.

Remember, the first sale is always to yourself. If you believe your product or service has real value, and can communicate this to your customers, you will find that price has very little impact on the final decision. ● ■