

Sent: Thursday, September 12, 2002 9:32 AM
Subject: COMPETING ON PRICE ALONE = CERTAIN DEATH

Dear Aquathin Dealer OnLine;

From time to time I receive calls of concern from Dealers where some so-called competitor enters their market with bare to the bone pricing. This article below re-edifies our teachings at Aquathin University and is a must read for those that need reminding.

From Aquathin U.

- 1. Bare bones pricing goes with cheap systems that make zero or little claims of efficiency and a slim to none warranty.**
- 2. Competitors of cheap systems focus solely on one or two products and cannot reach the total market.**
- 3. Competitors of cheap systems are morons. Just talk to any at a home show or invite them to your home for presentation...and observe just how really good YOU are in comparison.**
- 4. Competitors of cheap systems mentality is they do not care how their products work or if they work at all...they just want to sell a million of them. And they play the lottery for their kids college education too.**
- 5. Its fun to use the money of the competitors of cheap systems to create market awareness. When their customer realizes what they bought is shoddy, the customer does not go back to tap water. The customer seaches the Yellow Pages or internet for better product with better service.**
- 6. AFTER ALL THESE YEARS, YOU ARE STILL HERE BECAUSE YOU PROVIDE THE VERY BEST IN HOME WATER SECURITY WITH THE VERY BEST KNOWLEDGE, A KILLER CATALOGUE, AND VERY BEST SERVICE AND A FAIR PRICE FOR ALL. THE COMPETITORS OF CHEAP SYSTEMS COME AND THEY GO.**

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"Alfie"
Alfred J. Lipshultz, President

P.S. "Splash NewsBulletins", "Forum Q & A", "Allergic Reaction", Tech Bank and Quote Bank... ARE ALL FREE services to all Authorized Aquathin Dealers and their clients to keep you abreast of technology updates and industry news.

Competing on Price Alone

Competing on price alone is a risky proposition, according to small-business columnist Rhonda Abrams.

by [Rhonda Abrams](#)

Source:

[RhondaWorks](#)

August 27, 2002

<http://www.rhondaworks.com>

An old joke: A store owner purchases pencils for 10 cents a piece, then turns around and sells them for only a nickel. Noticing this bizarre behavior, his partner asks, "How do you expect us to stay in business that way?" The man replies, "Volume!"

Surprisingly, many novice entrepreneurs choose a similar strategy. They think they can succeed merely by pricing their products or services cheaper than the competition. Low prices, they assume, will generate sufficient sales to more than make up for smaller profits. Like the store owner of the joke, these entrepreneurs rationalize, "What I lose in margins, I'll make up in volume."

Competing on price is risky. Yes, some big businesses -- and perhaps your local discount drycleaner -- seem to thrive on low prices. But low prices means narrow profit margins, and narrow profit margins means less cash floating around your company. With a small financial cushion, you're vulnerable with every slight increase in costs. The landlord raises your rent 5%? That may be your entire year's profit.

That, in turn, means you'll have to find ways to reduce costs. The first thing you'll be tempted to do is reduce wages and benefits. Watch out! This means you won't be able to attract good employees. They're less likely to be productive or loyal. You'll be busy keeping an eye on them, and they'll be keeping an eye on the clock.

The next thing you'll do is cut marketing. And businesses that compete on the basis of price almost always depend on high levels of marketing to keep customers coming in the door.

And the customers who do come are fickle. Low-price shoppers are loyal to price, not to you. So if the competition decides to squeeze you out with even lower prices, a lot of your hard-won customers will be gone in an instant.

But while price should never be the the cornerstone of your strategy, it also can't be ignored. So how can a small company, which may not qualify for the supplier discounts or achieve the economies of scale of a larger business -- still maintain competitive pricing?

- **Carve out a niche.** If you "own" a market [*and Aquathin Dealers do*], you have more room to set prices. If there are 100 mechanics in your city, you'll face constant price competition. But if you're the only mechanic specializing in Volvos, you'll face much less price pressure.
- **Work smarter, not cheaper.** Let's face it, a lot of your competition is just plain dumb. So, improve profits through innovative practices. Southwest Airlines, for instance, saved money by using plastic, re-usable boarding passes instead of paper passes, and they were the first to use electronic ticketing. Southwest maximizes profits from their planes by

getting them back in the air an average of 20 minutes after landing, instead of the 2-3 hours of other airlines. By being smarter, Southwest became the most consistently profitable airline in the industry. [*Hint: when you need less expensive, use AK40, AQ40, KT90, LeadOut, Yes*].

- **Focus on value, not price.** Value is a term used to mean the combination of price and quality. When you shop for a winter coat, you may be willing to pay higher prices to get quality that will last many years. Likewise, a client may be willing to pay a higher price for your printing services if you can deliver the job faster with fewer errors than your competition. Excellence and service are competitive advantages that let you justify higher prices.
- **Target the right customers.** Not all customers are willing to pay more even for better quality. So make certain you aim your marketing efforts at customers who will respond to the differences you offer and can pay a slightly higher price for that value.
- **Build loyalty to you, not your price.** Even if you use special pricing (discounts, introductory offers, sales) to initially attract customers, immediately go to work developing a relationship that keeps customers coming back when the price goes up. [*from A. U. -- the customer is buying you first. Belief in you and your presentation must be equaled or bettered by the product and service after the presentation, to keep a loyal client. I still speak with clients who have used Aquathin since day 1 !*]

Don't let yourself get caught in a continual battle to be the "low-price leader" [*Humphrey Tyler, editor of Water Technology Magazine calls this practice "the race to zero"*]. You may win that battle but lose the war -- or worse, your business. **Remember, you've got a lot more to offer than just a low price.**

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