

Guide: Profit improvement — adding value

Many businesses regard price as the only factor influencing their customers' buying decisions and reject the proposition that a high price strategy will work. You might think it's OK for some businesses, but it doesn't apply to yours.

Yet every business has the potential to command a premium price if it can market its products or services so that the customer perceives added value.

Marketing

If all your marketing effort, all your advertising and all your sales dialogues focus on price, then you will be beaten on price every time a competitor comes along with a lower one. If you make price the critical factor, it will BE the critical factor.

The only way to get out of this trap is to promote other features and benefits you can offer your customers. For example:

- better quality
- longer warranty
- satisfaction guarantee
- 24-hour accessibility
- more convenient location
- greater resale value

Create the perception of value

Your job as a marketer is to create the perception of value and then to back up what you sell with superb service. The thing to remember is that price is only important when all other things are equal.

Some customers only think in terms of price. They are better left to your competitors. What you should be doing is working with customers who are happy to pay for value. This means two things. First, you must deliver value (embody service) and secondly, you have to educate your customers to be aware that they are receiving value. One without the other will leave you exposed.

"It's unwise to pay too much, but it's worse to pay too little. When you pay too much, you lose a little money, that's all. When you pay too little, you sometimes lose everything, because the thing you bought was incapable of doing the thing it was bought to do. The common law of business balance prohibits paying a little and getting a lot — it can't be done. If you deal with the lowest bidder, it is well to add something for the risk you run, and if you do that you will have enough to pay for something better."

Attributed to John Ruskin

Target, Offer, Graphics, Copy

Effective advertising is a way to create new customers. This is a specialised area but there are four critical things to get right.

1. **TARGET** your customers — never try to appeal to everyone. Focus on those people who you know will benefit from your product/services. How to word your headline will be the major factor in accurately targeting your offer.
2. Make your **OFFER** compelling and relevant to the market you target. Don't be cute or clever. Say it exactly as it is.
3. **GRAPHICS** and layout will make your ad readable and noticeable. Don't try to make your ad look like an ad. Make it look like something worth reading.

4. Write your COPY in terms that your readers can clearly understand. It must be specific and believable. If you have a clearly defined target market and your offer is compelling and well stated, your copy can be poor and you'll still get a good response. That is, good copy writing will not sell a poor concept.

Target

Dick Potter, one of America's leading advertising specialists, has used split-run tests to evaluate the relative performance of each of these things. He concluded:

great copy	will give	50% response increase
good graphics	will give	150% response increase
good offers	will give	300% response increase
accurate target	will give	1,000% response increase

A specific focused target (i.e. people in the market who are predisposed to buy) is more powerful than how you express your message. If you know exactly who will be interested in what you have to offer and you make a compelling offer, you will find that you don't have to be a brilliant copywriter to get a cost effective response from your ads.

Advertise value

Whether you target a specific market or segment your market and focus advertising specifically for each segment, think about how each market segment perceives value. Consider what's important to your target market and how your product or service will benefit them. What problem does it solve, how does it help customers overcome obstacles, work more effectively, or feel better?

You need to show your customers the added value in your products and services and then follow up with impeccable service. Craft a buying experience for them so they return to you again and again.

Superb service

The only sure way to get customers to come back and to act as advocates for your business, is to give them superb service. They need to feel that you really care about them and that your business goal is to delight them. All of us probably fall short of this ideal but it is worth striving for.

Engagement

Engage customers. Seven out of ten customers cease to patronise a business because of perceived indifference. When you yourself deal with various businesses, aren't you inclined to want to deal again with those who take the trouble to show they care about you? Do you shop around when you're already delighted with the service you get?

"Your customer doesn't care how much you know until they know how much you care."

Damon Richards

Ask your customer to buy

Something businesses overlook is the simple act of asking the customer to buy. It's no accident that McDonalds is one of the largest and most profitable businesses in the world. The reason for this can't be found in the uniqueness of their product. It's the fact that they leave nothing to chance. Everything is done according to a plan including the question "and will you be having fries and a drink with your meal today?" About 30% of the time people will say "yes" even though it may not have been in their mind — effect, 30% increase in sales of fries and drinks and over 100% increase in profit contribution from those lines.

A client in the restaurant business used to ask guests at the end of the main course (without really thinking) "Would you like anything else?" The frequent answer was "No, just some coffee thanks". He changed this to "Would you like to make a selection from our new dessert menu, can I offer you a beautiful platter of Australian and New Zealand cheeses or would you prefer to try the..." or "The... are absolutely delightful".

Result: he instantly tripled dessert and cheese platter sales and still got the coffee sale. It's what you say and how you say it.

Delight your customers

Word of mouth referral is the best way to attract new customers. But satisfied customers do not become advocates for your business. Delighted customers do! And it's their perception of value in what you are offering them that makes the difference.

Disclaimer

Stephen Larsen and Co has provided this report on the understanding that:

1. The report is a guide only and should not form the sole basis for any decision without first obtaining proper professional advice.
2. We will not be responsible for and expressly disclaim liability, whether under contract or negligence:
 - (a) For the results of any use made by users of the report
 - (b) For any errors or omissions in this report
 - (c) For any direct or consequential loss or damage to arising from the use of this report, whether to a direct purchaser of this report or to any other person who may borrow or use them
 - (d) If any part of the report, whether used in its original form or altered in some way by the user, proves invalid or does not attain the result desired by the user
 - (e) For any negligence in the publication or preparation of these reports
3. This disclaimer extends to the user and to any client of the user who suffers loss as a result of the use of these reports.
4. The user acknowledges that it has not told us any particular purpose for which these reports are required and that it has not relied on our skill or judgment to provide a paper suitable for any such purpose.

Intellectual Property Notice

Stephen Larsen and Co is the owner of, or has the right to use, all copyright, trademarks and other intellectual property rights comprised in this paper, and all related documents, and in providing this guide does not allow these rights nor any part of this paper to be used, sold, transferred, licensed, copied or reproduced in whole or in part in any manner or form whatsoever without its prior written consent.

Last reviewed on 12 May 2021