

# The High Cost of Discounting

Realize that the price of a beauty product can enhance or diminish its value in your customers' minds.



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HOW MUCH DO DISCOUNTS REALLY COST you? Much more than you may realize. Before we get to “how much,” we need to understand “why.” When you discount your products without offering a reason, you confuse your customers. Let’s take this out of the realm of beauty products so that you can be more objective in your analysis.

Let’s say you’ve been shopping for a new outfit and find one that’s simply to die for. Then you discover that it is priced much less than you anticipated. What’s your reaction? Are you elated or do you suddenly have doubts? Do you begin examining the garment and looking for flaws? Are you more critical when examining it in the mirror as you try it on? Do you find yourself torn between really wanting the outfit and wanting to leave it because you couldn’t find a reason why it should be priced so low?

For most of us, the latter experience is the one we’re most likely to have. Few sellers realize that price can enhance or diminish the perception of value in the customer’s mind.

## AT THE BEAUTY STORE

Let’s take a look at how you create this dilemma for your customers. You begin by touting the beauty product—how it’s going to remove those unsightly lines around the eyes and mouth or how much healthier and fuller it will make the hair. Most beauty products are initially priced to reflect such claims. However, as soon as you begin discounting those products, you give your customers reason to doubt those introductory claims.

When given a choice of what to believe, customers are going to trust price over the marketing claims. Isn’t that what you experienced in the clothing example above? Isn’t there an inclination to trust the price over the beauty of the garment?

With this awareness, it’s easy to see that the damage is much higher than just the amount of the discount—it’s the discounts plus sales that are lost to buyer confusion. To avoid this pitfall, always remember the value of what you’re selling.

AS SOON AS YOU BEGIN **discounting**, YOU **give** YOUR **customers reason to doubt** THOSE **[beauty-product] claims**.

Actually, there are only three things that any business sells: image, innovation and time-savings. Which are you selling? I’m sure that most of you would say “image.” I’m inclined to agree with you in the vast majority of cases. That’s good news because people pay huge sums for image!

Here’s an excellent example: You can buy a Chevy Aveo sedan for about \$12,500 or the smallest S-Class Mercedes sedan for more than \$90,000. Clearly, buyers of the S-Class Mercedes are sold on the value that accompanies its image. Thus, buyers sold on image will pay out accordingly.

So, is there any reason to discount your offerings? There is. It’s to get your customers to try your highest-priced items. The keys to success with this strategy are:

- Make sure that your customers know that the reason for your discount is to give them an opportunity to see how well the product works. This lets them know that you’re absolutely convinced that it works.
- Limit the time period of the offer to a few days—give them a reason to buy *now*.
- Limit the number of items they can buy at the discounted price.
- Don’t repeat the offer again until a time frame after the typical user should have exhausted her supply.

These simple tips will help you sell without confusing your customers.

## OTHER BUYER TYPES

So far, we’ve discussed the majority of your customer base: the image buyers. Let’s not forget that there are two other types out there:

innovation buyers and time-savings buyers. What premiums are available to you with these buyers? Let’s take a look.

Innovation buyers are people who simply demand the latest, greatest of anything. The easiest comparison is in the electronics arena. The early adopters of VCR and DVD technology paid about \$1,200 for their models. The dependability buyers paid around \$400. Late adopters—those who don’t buy new innovations until they no longer have a choice—paid \$85 to \$100. As you can see, early adopters pay three times as much as dependability

