

COLUMN: As The Saws Turn

TITLE: Selling Value against Price, Part II

One of the things that keeps me motivated to write this column every month (other than the sound of the editor's whip cracking...) is the response these columns generate. I know I've hit our industry's collective nerve when I get a lot of e-mails supporting...or taking the opposing view...about what I've written.

ECN's June issue featured my dissertation on selling value vs. price, and the dilemma we found ourselves in with one of our best clients. A quick review of the situation:

We were challenged by a very good client who was trying desperately to maintain his 60-event per year program while the company continued to slash his budget. We have done many things to help him be smarter about booking freight and show services. We have flat-rated most of our internal services to help him budget his events. And we have been very proactive about advance scheduling and multi-show logistics planning.

A competitor had given him a low-ball proposal to try to get his business. They were offering lower labor rates, lower storage rates and pass-through freight and show services. We knew these were not this company's "rack rates". We knew we were being pushed up against the wall and forced into a price war.

I discussed just one element of the total program: freight. Our client knows we are using a carrier that is well connected nationwide, that understands trade show freight – marshalling yards, convention center deliveries, target inbound and outbound times, and avoiding forced freight charges.

He knows that our team is in daily contact with this carrier, obtaining proof of deliveries, pickups and scheduling for the next several days and weeks. If there is a problem, he knows we'll handle it. There is a value to this level of service and we charge for it.

Our competitor was offering to pass through freight charges...to not charge for this added value. But we also knew they would not be using a carrier with the same level of expertise, and would not be dedicating as much time and effort to tracking it. We've seen this before. It is high risk for such an active schedule as this one.

Here was the dilemma: We are not in the business to lose clients, but we are also not in the business to lose money. If we could not convince this client – and his management - that our service has a value that is worth paying a little more for, we risked losing the client. If we attempted to match or beat my competitors' price – which goes completely against my better judgment – we might have kept the client, and lost money every time we sent him an invoice.

I asked for your advice. And boy, did I get it!! I received more e-mails on this article than any in nearly three years of writing this column. E-mail came from freight companies, exhibit companies, show management companies, client companies and industry consultants, quite a variety of potential perspectives.

What was interesting, though, was that to a person, every one of you advised sticking to our guns and not playing the price war game. Some spoke directly to the issue of freight: "Transportation may represent a relatively small percentage of one's overall trade show budget, but there is no single area that can produce more devastating results when failure occurs," commented one. I immediately recalled a time during my stint as a corporate trade show manager when our company's transportation department sent my exhibit by a "less than experienced" carrier. The driver (and my exhibit) stopped somewhere between

St. Louis and Detroit to visit “a girlfriend” for several days. The exhibit missed the show.

Most, however, focused on the bigger picture. This is from a corporate trade show manager: “Quality usually costs you a little more up front, and is always the better investment in the long run.” I like this guy. From another: “Your loyal clients will save money in the long run working with a stable company that consistently provides reliable, top quality services”, which ties right in with this comment: “Making a profit is not a bad thing. If you don’t make a decent profit, you ultimately die a slow death.” And how does that serve your clients?

As far as specific advice for this situation, you had some good ideas as well. One suggested we work with the client to evaluate the results of his shows with the objective being to reduce participation or cancel attendance in the shows that don’t provide the return they should, thereby saving budget. Another suggested looking at flat-rating some of the freight management services so the client knows exactly what the charge would be, rather than a traditional mark-up on the freight bill.

There was also a definite undercurrent of disdain for the “low ballers” and “bottom feeders” that use these price cutting tactics to “offer customers false value”. You questioned “If the shipping costs are passed through, is the responsibility, too?” Good question. Said another: “The company that is trying to steal your client will eventually find a way to bill their bargain hunting customers for the pass through services, or face the certainty of bankruptcy.”

Bottom line advice: “When I failed to change a customers mind, I then let them know I understood the circumstances surrounding their decisions, wished them luck, and made it perfectly clear they will always be welcomed back should the ‘new and less costly vendor’ fail to meet their requirements.” “Stand firm, but fair.” “If you’ve done all you can, you need to walk away leaving an opened door

and no hard feelings...nothing personal, just business.” “Stick to providing supreme service; the business will take care of itself.”

This is great stuff. You guys could write a book with all the experience you have!

By the way, we are still working with this client, and we are still working toward a better understanding on his management’s part for the value we bring to the party. The competitor is still pounding on him, but we are not going to give in to those tactics. We’re still not sure what the eventual outcome will be, but we know where we are standing on the issue, thanks to your good advice!

See you on the show floor.

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