

Don't resort to price cutting, expert tells event organisers

Business event managers have been warned not to discount their services and products in the face of the challenging economic times ahead.

Speaking to New Zealand and Australian delegates at the inaugural Professional Conference Organisers (PCO) Association Conference on the Gold Coast late last year, Dr Ian Brooks told organisers that if they engage in discounting, giveaways and other price cutting activity they not only run the risk of reducing or destroying their own profitability, but also that of the industry.

'You start a price war and there is no bottom to it'

Brooks says companies who discount are giving the message that they don't really believe in their product and that they feel clients are only coming to them because they are cheap - thus destroying the brand and the client's trust.

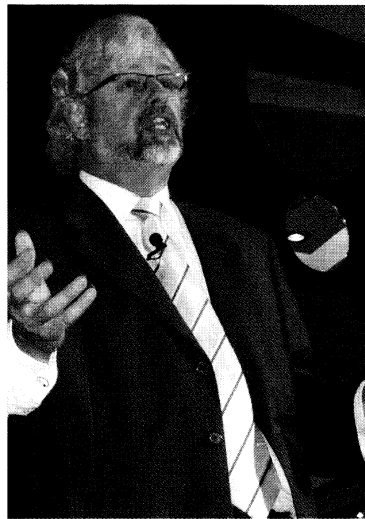
He adds that people who feel they have to cut prices to get through the tough economic climates should think again. 'I say you can not afford to discount'

Brooks refers to research that shows if a company is making a 30% profit margin and it discounts by 10% it has to sell 50% more to make the same amount of profit. Any company discounting by 20% has to sell 200% more of its products or services.

'Going into 2009 what are your chances of doing that?'

He says event managers should realise that price is never really the main reason customers do business with them.

'Price is only the main issue if you have not



Dr Ian Brooks addressing the Professional Conference Organisers Association Conference at Holiday Inn Surfers Paradise

created any more value than can be provided by your competitors and then you have failed - because business is about the creation of value.'

He says an even more tragic scenario is when you create the value and do not sell it.

Brooks says event managers have to realise what customers actually want. 'Your customers do not want your products and services. They want the value they can extract from having an event and all the benefits from that event.'

'You need to be asking your clients 'why are you doing this, what are you trying achieve?' That is what they will be focused on.

'You also need to understand that value is subjective. It's not what you think it is - only they (clients) can determine what is value to them.'

He gave the example of hotels which fold toilet paper into a neat triangle when the room is serviced daily.

'I don't know about you, but I don't need such accuracy. When I wait to check out and I am in a long queue because there are not enough people on the other side of the desk, I wonder if they are all up in the rooms folding toilet paper.'

Brooks also talked about an airline which offered a 'reserve a seat' online service for \$5. 'I thought that was great, but when the airline started to charge me a \$5 fee for a credit card transaction, when I had no choice to pay online any other way I got really angry. But I would have happily paid \$10 for the seat selection - in fact I would have paid \$12, so the airline would have been \$2 better off and I would not have been angry.'

'Value is not what people want, or what they need, or desire - it is what they are prepared to pay for. Do you know what it is that people are prepared to pay for?'

Brooks says the challenge for PCOs is to discover what they need to do to get their clients to pay the price they want.

'If you don't know, just ask your customers - they will tell you everything you need to know to make you profitable. Just ask them and listen to them.'

He says companies need to create a situation where the client says 'gosh, if I don't deal with that event company, I am missing out.'

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