Marketing Matters

By Richard D. Czerniawski

WHEN CHEAPER IS BETTER

The saying goes, "you get what you pay for." The meaning is clear: if it's cheap, it probably means it's of poor quality. Or is it?

One of the strategies for winning is the promise of “better value.” There are three approaches to creating a perception of better value: 1) value-added—offer more for the same price; 2) the same or similar but cheaper—provide the same performance for a lower, more affordable price; and 3) superior or premium value—where you give the customer much more, or s/he believes much more, for more money.

Larger, better-resourced companies can win with the first and third approach given their superior resources, whether that be advanced technology, more funding for product support, among others. As per smaller companies or brands with fewer resources that desire to grow market share the way to win is to offer (or at least create the perception of) the same or similar benefit at a cheaper price.

Dunkin’ (formerly Dunkin’ Donuts) has been taking the second approach to Starbucks - the same but cheaper. The brand attempts to steal share from Starbucks’ espresso business in growing afternoon traffic and sales. Dunkin’ has revamped their lattes, cappuccinos and Americanos behind new European equipment. Will they be better tasting than the Starbucks’ beverages? It’s doubtful they’ll win on flavor as taste preferences vary by individuals.

However, there's a twist! They’ve promised to be the same as Starbucks but cheaper. This could prove fruitful for Dunkin'. Why? Well, blind product taste testing would show relatively equal consumer preference between the two brands. Additionally, half of the consumers participating in a blind product taste test are not likely to identify a given brand accurately. So, cheaper, in this case,

could be compelling.

This approach also makes sense where generally accepted quality (GAQ) is, well, acceptable. In this instance, the lower price wins. Additionally, it can work in those sectors or categories, such as in the medical device sector, where an intermediary is more important than the product in producing a specific outcome. A highly skilled surgeon is capable of working, within limits, of even an inferior product, to generate comparable outcomes to a similar or superior product. S/he may just have to work a little harder, or smarter.

When is cheaper better? When we can claim that we're the same as the leader, but we're cheaper!

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