

A Consultant's View

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Better Before Cheaper

For many years, Avis Car Rental had the slogan “We are #2, we try harder.” That slogan was wildly successful and Avis kept it for many years. It illustrated their commitment to being better than the rest. One of the rules for corporate success is: work to make your product or service better instead of trying to make it cheaper. Efforts to increase sales by going “down market” may hurt more than help.

Recently, “The Three Rules: How Exceptional Companies Think” was published reflecting a lot of research into how companies can create and maintain a long term competitive advantage. Their first rule is “better before cheaper”. When there is

a choice, exceptional companies choose to make their product or service better before working on cutting the cost.

The attitude of “better before cheaper” means that the sales force has an easier time explaining their pricing to prospective customers. When focused on the benefits of the extra quality, it is easier to sell the higher price.

However, this works only with a “marginal price difference”. When the price difference is huge, it doesn't matter how much better a product is. People will not pay that much more. When a used Honda will do the job, people won't pay for a Ferrari.

Over the years, Avis has been traded, sold, split up, recombined, etc. so many times that one has to wonder that the business survived at all. This meant that

top management was focused on the financial changes far more than renting cars.

Avis dropped that slogan. With all the turmoil at the top, it is no surprise that Avis recently dropped their iconic slogan. The company was no longer trying harder to satisfy the customer.

When there isn't an emphasis on improving the product, an advertising slogan doesn't make the product any better.

Easier Sales with a Quality Focus

Beyond mere product, companies are asked to be trust worthy. At the time that Avis started using that slogan, the CEO held up the marketing campaign for months until the company was ready to compete on meeting that

expectation. One of the main reasons for dropping the slogan appears to be that the company no longer can compete on that expectation. It is better to have a different slogan than to continually lead customers to expect better than what you can deliver.

Likewise, it is very tempting to take a high end brand and go “down market” with it in order to increase sales. Maker's Mark didn't have the production capacity to handle all the sales and thought that they might be able to supply the market by diluting their whiskey. The backlash was quick and the company quickly responded with a renewed commitment to quality.

In the early days of personal computers, Apple went for quality while TI tried to be the lowest cost. Atari was always cheaper than TI's costs. Apple is still in that business when TI had to bail.

Be the best you can.

Fail Forward

In 1864, General Grant was given the command of the army of the North. His plan was to engage the South on every side and just keep on fighting. The problem was that he never could move as fast as General Lee. In essence, Grant lost every battle that summer. Each time, he just kept on moving. His tactics failed over and over again. He kept failing forward. Each time, he would work out a different tactic and keep on trying. The results were that although he lost many battles, he won the war.

Failing forward is an important skill for any company. The more we attempt new actions, the more we are likely to fail. There are even companies that have the saying, “fail early and fail often.” Those companies are constantly learning about new markets, new product ideas, and new ways of making money.

One of the important parts of failing forward is how failure is handled. Failure means that we don't know everything. Share that ignorance with your team and learn. Trying to handle the failure by ourselves is often a way to keep doing the same kind of failure. Keeping the failure secret from your team is a sure way to continue the same pattern of failure.

Each of us has something in us that will trigger failure. That is about being human. However, there are those who try to hide that failure and those that use failure to try to understand what that trigger is. When we do the work of identifying what triggers us and find how to not let that trigger cause us to fail again, we move forward in life.

Often, failure is how we react to the situation rather than what the situation really is.

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Risky World

Florida attempted to ban Internet cafés. It immediately shut down a thousand such cafes. Unfortunately, the law bans any system or network of devices that could be used in a game of chance – including those games on your smart phone. Smart phones and computers are now illegal in Florida. The cafes are reopening in a new format.

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