



by Dan Apple



Remember the children’s story, Goldilocks? What did Goldilocks say when faced with choices of a place to sleep at the home of the three bears? “This bed is too soft. This bed is too hard. But this one is just right!” Having three choices when it comes to shopping is one of the most used selling strategies in the business world. Why? Customers like having choices. They want to feel in control of the purchasing process rather than being sold something. That’s why I am such an advocate for a good-better-best selling strategy for the garage door business. In addition to putting the customer at ease it is also a built in way to improve profit margins. Providing a three tiered price point allows the customer to choose the product based on perceived value as it relates to the benefits each price point offers. The result is the customer purchasing rather than you selling, a much stronger position to be in as a marketer. A GBB (Good-Better-Best) pricing and positioning strategy allows this to happen.

Three’s the Charm

People tend to rate things in blocks of three. Horse racing for example scores the race win, place or show. The Olympics award gold, bronze and silver metals for winners of events. Basically we tend to recognize three levels of performance. When it comes to selling products, we’ve adopted good, better and best.

We can credit Sears with being one of the first retailers to use a tiered pricing strategy. For those of us that are old enough to remember, Sears was THE place you went to buy home appliances for a very long time. For that matter, about everything else too!

Remember the phrase “Sears Best”. When you were shopping for a new washing machine, who didn’t want the best? We may have wanted it but our pocketbooks dictated otherwise. So Sears had two other price points to choose from.

Taking notes from the Sears playbook, most retailers today use a similar strategy. Go to an Apple Store to buy a new computer, there are three versions, MacBook, MacBook Air, MacBook Pro. Same basic computers that do mostly the same stuff, just more bells, whistles and horsepower as you move up the price range. Need your morning cup of Joe? Starbucks is pleased to offer theirs in Tall, Grande and Venti sizes. Need to take a trip? Airlines that once only offered coach and first class discovered they could add an in between price point and call it “business class”. Same seat as coach for the most part but they let you board sooner and put you near the front of the plane for which you are willing to pay a premium. Finally, how about the largest consumer product you’ll ever buy, a new car. Let’s say you’ve settled on a Toyota Highlander. Three models you can choose from include LE, XLE and Limited. All three will get you where you want to go, just depends on how much style and horsepower you need.

Continued on page 34

“Three’s the Charm...we tend to recognize three levels of performance. When it comes to selling products... we’ve adopted good, better and best.”

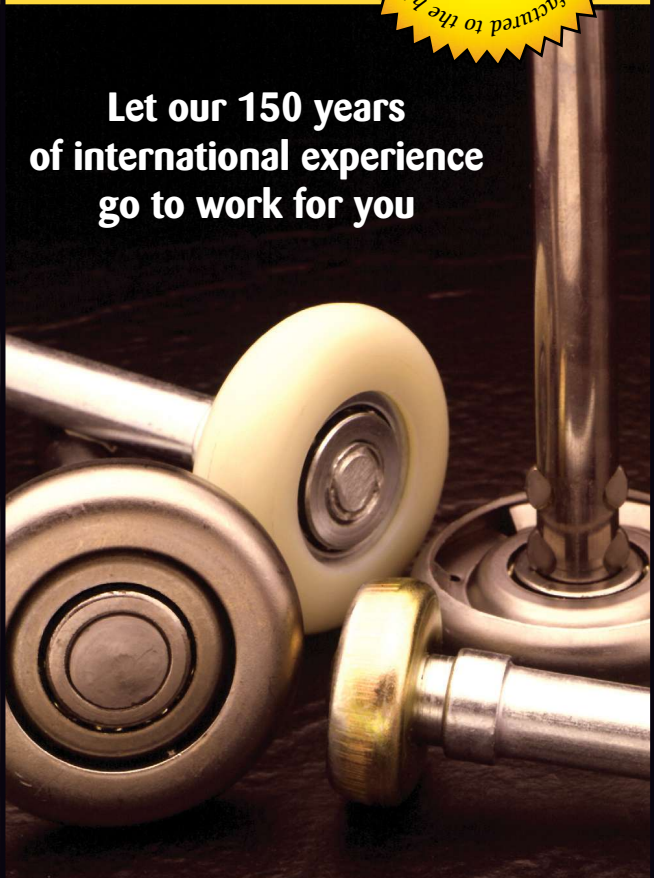


When Quality Matters, Choose...

Fehr

Quality without Compromise
Fehr Bros. products are manufactured to the highest standards.

Let our 150 years of international experience go to work for you



Fehr Products are manufactured to the highest industry standards

Fehr Bros. Industries, Inc.

Phone: 800-431-3095

Fax: 888-352-1790

www.fehr.com/door

SALES & MARKETING (cont. from page 33)

2015 Highlander
LE

FWD 2.7L 4-Cyl. 6-Speed Automatic



2015 Highlander
XLE

FWD 3.5L V6 6-Speed Automatic



2015 Highlander
Limited

FWD 3.5L V6 6-Speed Automatic



"...Economist Dan Ariely refers to what he calls "The Magic of Three"... at least three different choices can lead individuals to purchase more — at a higher price — than merely offering one or two limited options."

In all of these examples each step up costs more but the perceived value is higher. Let's take the simplest example of Starbucks coffee. The price ranges from \$2.25 to \$3.25, depending on where you are, for sizes 12, 16 and 20oz. To go from the "good" to the "best" you fork over another \$1.00. Doesn't sound like a lot but that's a 44% increase in price. How much of that adds to their gross profit? The difference in their cost is probably miniscule but the cushion added to the bottom line is more than likely significant. Everybody wins. You get a much bigger cup of coffee which you perceive as a better value and are willing to pay the going rate while Starbucks smiles and puts your money in the till. The point is you had a choice. You made a purchase, they didn't sell you anything.

Buying Behavior

Rhondalynn Korolak, known for her work with consumer behavior for large companies like Price-Waterhouse-Coopers, Max Factor and others put it this way in an article published by MYOB.

"Many business owners often mistakenly assume all customers are price conscious and that there is only one optimal price for each product or service. But there is strong empirical evidence to prove that customers are primarily value-conscious. There is actually a range of optimal prices commensurate with the value that is being offered."

Consumers prefer options. In his book Predictably Irrational, behavioral economist Dan Ariely refers to what he calls "The Magic of Three". He found that offering at least three different choices can lead individuals to purchase more — at a higher price — than merely offering one or two limited options. This is because when only one or two options are presented, prospects tend to focus on price. But when three options are presented, potential customers overwhelmingly favor value-based options. In fact, his research showed that giving three options resulted in a 43% increase in total revenue, with 52% fewer customers choosing the bottom (or cheapest option).

Continued on page 36

Images courtesy of C.H.I Overhead Doors.



Images courtesy of Linear Corp and The Chamberlain Group.

Goldilocks and Garage Doors

Does this GBB pricing strategy translate to the garage door business? You bet it does. Take a look at the products you buy. Garage doors come in three basic families these days, traditional raised / flush panel metal doors, stamped steel and overlay carriage doors and custom made wooden garage doors, such as traditional steel raised panel garage doors.

The same applies to automatic openers, chain, belt or direct drive. Within each category there are bunches of models and options to choose from. The list goes on and on and I am sure, with the overwhelming supply options in our industry, it is easy for you to get overwhelmed with all of the choices. If it's difficult for you to keep up with, imagine your customer trying to understand it?

That's why you need a Goldilocks pricing strategy of your own. Let's take garage doors as our first example. Start by deciding which product categories you are going to offer. Then settle on the models and options you feel best fits your market. Here's what your offering might look like.

Take a look at the price points in the table above. Why all the 9's? Retail merchandising experts recommend that a price point ending in a 9 is perceived as lower than a

whole number. Which sounds less expensive, on sale now for \$500.00 or \$499.99. Yes, it's a psychological thing but it works and is part of our buying culture.

In our sample good-better-best product offering, we see three broad categories of garage doors. When consulting with a customer during the selection process, it is important to figure out which broad category will make the best fit.

Avoid TMI

For example, let's say their home has a garage that faces the street, has a colonial architectural style, and they've indicated that they want a door that doesn't look like their neighbors' with a budget of \$2,000 or less. You may want to choose the "better" category of carriage doors. Conversely, if the customer tells you the garage is detached, is located

in the rear of the home and will be mostly used for storage, this may be a clear indication that a traditional style garage door is where you focus your sales efforts. Once the customer agrees that general style is what they want, then drill down to the good-better-best products and zero in on the model that best fits their taste and budget. Showing them the gambit of all of the garage door models in

	Category	Description	GBB Rating	Base Price Single Car
GOOD	Traditional Garage Doors	Raised and flush steel paneled garage doors		
		• Open Back	Good	399
		• Insulated Back	Better	499
		• Steel 2-sided insulated	Best	599
BETTER	Carriage Doors	Embossed and overlay steel / fiberglass garage doors		
		• Stamped steel embossed	Good	799
		• Steel embossed with composite overlay	Better	1399
		• Fiberglass embossed with composite overlay	Best	2699
BEST	Custom Carriage Doors	Made to order, custom designs in wood, aluminum and composite materials.		
		• Wood-panel in various combinations	Good	1799
		• Aluminum flat panel	Better	2499
		• Heavy wooden carriage door with wooden overlay boards, true divided lights built to customer's design.	Best	4999

Continued on page 39



OPEN YOUR EYES TO SAFE-WAY'S FULL VISION DOOR

Your customers will see the clear advantages of the model 550 Full Vision aluminum door. With a wide range of options, including insulated glass, this model will attract plenty of attention from contemporary, residential, commercial and industrial markets. For more information, contact us at [877-775-1670](tel:877-775-1670).

CHECK OUT THE NEW BRONZE COLOR

added to our distinctive line of Regency, Patrician and 270 Series doors. Bronze is available in 18", 21" and 24" residential section heights. Commercial section heights of 21" and 24" are available in the model 270 micro ribbed series.



safewaydoor.com
877-775-1670



(continued from page 36)

SALES & MARKETING

your arsenal is the worst thing you can do. TMI (too much information) is a killer to the selling process. You may think you are being helpful by pointing out all 27 models that you carry, but what you are really doing is overwhelming the customer with information and this is usually a sure fire way to sabotage the sale. Make the selection process simple by qualifying their needs through a series of relevant questions.

- What style door do you have now?
- What style are you in the market for? Traditional raised panel steel, carriage style or something more contemporary?
- Does the garage face the street? Is it attached or detached?
- Is color important? Are you trying to match colors?
- What about glass?
- What budget do you have in mind?

Once you have this information only then are you ready to pick a garage door category. Notice that we have not mentioned the word price yet? The reason is simple, there's no point in throwing out numbers until you know what to price! Again, hitting your customer with a barrage of price quotes is confusing and unprofessional. This part of the selling process is always the same, qualify their needs, settle on a product and then talk about the price.

The Goldilocks Choice

In general, people tend to pick the mid-level product. They shy away from the most expensive fearing that they'll pay too much. There are customers that want the best but there are just fewer of them. They will also avoid the lowest price point not wanting to buy the cheapest product, which usually translates to lowest quality in the minds of consumers. That's why it is critically important to position your "better" products with feature rich benefits and a price tag that reflects that. It is also where you build healthy profit margins into your pricing. The price spread is substantially higher than the "good" product which sends the signal of better quality and more benefits and is significantly lower than the "best" product leading the customer to believe there is good value in the "better" price point product. You can test this yourself by offering three different packages, and if there's something you really want to sell, make it the middle option.

In our example above, the customer sees three price points for the carriage doors, \$799, \$1399 and \$2699. The jump from "good" to "better" is significant at \$600 or 75% higher. But the jump from "better" to "best" is \$1300 or 93%. So when considering the cost, the customer naturally zeros in on the mid-level. I'm not saying that you should always avoid upselling to the "best" level, however the statistics support that "better" wins the day. But I again emphasize that the customer's needs will dictate which end of the pricing spectrum you'll be presenting.

Continued on page 40

	Category	Description	GBB Rating	Base Price 7ft
GOOD	Chain Drive GDO's	AC motors		
		• 1/3 hp	Good	325
		• 1/2 hp	Better	375
		• 3/4 hp	Best	450
BETTER	Belt Drive GDO's	AC motors		
		• 1/3 hp	Good	375
		• 1/2 hp	Better	425
		• 3/4 hp	Best	500
BEST	DC Powered, Belt Drive GDO's	DC motors, include trolley type and direct drive styles.		
		• 750 Newtons	Good	450
		• 850 Newtons	Better	550
		• Direct Drive	Best	700

Let's consider another product, garage door openers. Back when I started in the business you had three choices, 1/4, 1/3 and 1/2 horsepower. There are so many models and options these days it makes me dizzy just looking at the various manufacturers' websites. But let's say you settle on your good-better-best line up and it looks something like this.

Now back to our previous example, you and the customer settled on a carriage door with overlay at a base price of \$1,399. Now it's time to add the opener. Before we throw out a number, let's qualify the need. First it's a pretty heavy door that's probably the main access to the home. If the house is a two story, chances are good there's a room over the garage. So we need to consider strength and quiet. But let's not forget the customer's stated budget of \$2,000. Since we know the garage door's base price will be \$1,399 that gives us \$600 to spend on a GDO. Looking at the chart above, it looks like they could afford the "best" category, choosing the mid-grade DC opener at \$550 and still be under budget! So if I were doing the sales presentation in this example, I would only offer them the "best" category. They'd still have three choices within the category but I wouldn't confuse them with all nine models of openers you sell. The point is you let them choose, let them purchase, rather than you selling them something. And by the way, customers will almost always give you a lower number for a budget than they are really willing to spend. Expect to go over their budget but keep it within reason. That's just good selling.

Summary

Offering a "Goldilocks" pricing structure does many things for your business. It allows you to set prices based on each product's relative value. GBB pricing makes it easier for the customer to understand the range of choices based on

price. It gives you the opportunity to justify the differences in price points based on the products' features and benefits. GBB allows you to offer your products in a manner that is easy for your customer to understand by limiting the information delivered during the sales process, focusing on three products and price points only. Most importantly, it allows the customer to feel like they're making the buying choice instead of feeling like they were sold. This is critically important when starting what you hope to be a long term customer relationship. GBB virtually eliminates the "high pressure" that customers usually associate with the seller. The easiest way to test this concept is to ask yourself this simple question. How do you prefer to purchase products? If there are three choices, which do you typically buy? Yes, occasionally some of us will go for the gold and purchase the top product. However, more times than not we avoid the cheapest and walk away with the silver. As Goldilocks would say, this one is too high, this one is too low but this one is just right!



Dan Apple is president of The Apple Group LLC, a consulting firm located in Bonita Springs, Florida. His focus is assisting garage door dealers with profitability and marketing. Dan served as president of Apple Door Systems in Richmond, Virginia for 33 years which grew to a statewide dealership with eight locations. He was the first president of the Institute of Door Dealer Education and Accreditation where he was responsible for creating the industry's first national accreditation program in 1998. Dan also served as a director of the Door & Operator Dealers Association and the International Door Association from 1994-1998. Contact him at 804.640.4253 or email: danielapple@me.com or visit the website at www.AppleLLC.net.

