

Paying less for goods, services may cost more in the long run

December 20 2010, By Kim McGrath

[The National Association of Business Economics November outlook](#) predicts continued slow growth for the economy with the unemployment rate expected to hold above 9 percent.

As the [recession](#) drags on and [money](#) and [job security](#) are concerns, it's not surprising that consumers continue to wait for sales before making a purchase.

In the short-run, the consumer "wins" -- purchasing the item for less. But at what cost?

“When a brand goes on sale, it gives away part of the profit margin needed to invest in future innovation and quality,” says Sheri Bridges, associate professor of business at Wake Forest University and expert in branding and consumer behavior. “This affects the consumer’s satisfaction in the long run because the company cannot afford to develop the newer and better products we all want.”

In fact, says Bridges, firms that keep giving away margin will eventually have to reduce the quality of their goods and services.

“Too many brands think the only way to get and keep customers is by cutting prices. In reality, consumers are more interested in high value than low prices. Value is a function of the bundle of perceived benefits offered at a given price. Apple doesn’t discount its products, but it’s still one of the hottest electronics brands around.”

Continual price-cutting conditions consumers to wait for sales before making purchases and sends a message that, in the company's eyes, the brand is not worth full price.

“Selling products at a discount is like paying someone to like you,” Bridges says. “Good marketers know that sales aren't necessary, if you're providing the right value to the right customer.”

Provided by Wake Forest University

Citation: Paying less for goods, services may cost more in the long run (2010, December 20) retrieved 24 April 2024 from <https://phys.org/news/2010-12-goods.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.