

Avoiding the “Pricing War”

Strategies for competing without lowering prices

Today's Economy is Driving Price Down

- The economy is changing and people are becoming more price sensitive.
- Competition is becoming increasingly fierce as prices drop.
- Employing a reactionary strategy of being the lowest cost provider is one option, but unchecked discounting will erode your profit margin and will eventually leave you digging a deeper and deeper hole in which you may ultimately never get out of.



The “axiom” of a Price War

“All things being equal....lowest price will always win the war”

Your competition
sells a good
product; you sell a
good product



Their listings are
informative; your
listings are
informative

Their service is
acceptable; your
service is
acceptable.



“All Things Are Not Equal.....”

The only effective way a seller can distance themselves from a price war is to

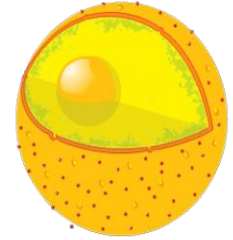
differentiate

themselves from the competition!



eBay Biology?

In biology, cellular differentiation is the process by which a less specialized cell becomes a more specialized cell. One reason stem cells are so popular for scientific research is that they have the ability to become any other type of cell through “differentiation”



An seller on eBay can differentiate in exactly the same manner...they have to take a less specialized product listing and become more specialized, or create a listing strategy that differentiates them from all others.

Differentiation in Selling

- In selling, **“differentiation”** is the process of distinguishing the differences of a product or offering from others, to make it more attractive to a particular target market.
 - What makes your listing or product different?
 - What sets you and your product apart?
 - What are the advantages you have over your competition?
 - Many sellers sell exactly the same thing; some thrive while others struggle or go out of business. What’s the difference?
- Differentiation is the process of describing the differences between products or services, or the resulting list of differences. This is done in order to demonstrate the unique aspects of your product and create a **“sense of value”**.

Importance of Proving Value



- Value, perceived or real, is the only thing that separates one product from another.
- "Value" is actually a perception that is often subjective and unique to each buyer.
- If everyone else is now selling for \$1.00 and you're still selling for \$2.00 your price is too high...unless you can prove that you deliver a dollar's worth of additional value to a potential customer!

Adding Value to eBay listings

- Remember, your customer is rarely making a decision solely or primarily on price so as a seller I need to optimize opportunities to add additional value
- HammerTap solves that need in two important ways:
 1. It is a powerful and efficient tool for conducting a competitive analysis
 2. It allows a seller to know which areas of differentiation (bold, highlight, start price..) are important to the current eBay buyers market for any given product

The Advantage of a Strong Competitive Analysis

How can my competitive strategy help me gain advantages over the competition?



- **Market your specialty**
 - What do you offer that's unique or special. If necessary, you may need to alter your product or service itself to accomplish this goal.
- **Market to a new audience**
 - If you've maxed out profits in a particular niche, why not try a new one? You may be able to add line extensions (variations of your product) that will stimulate sales from a whole new set of customers.
- **Offer more value**
 - Some sellers can and will compete based on having the absolute lowest price, but for many businesses, cutting prices is not always the answer. Often it is best to simply offer something of additional value that buyers will find tempting and worth paying for.
- **Open a new sales arena**
 - You may want to open a sellers store within eBay to give your customers more choices and allow them to shop and buy at their convenience.
- **Get meaningful feedback from customers**
 - To remain highly competitive, you must understand what your customers want.

Creating a Competitive Analysis

Identify your competitors

- Not an easy step
- Identify direct competitors
- Identify indirect competitors (especially if you have a new product)
- You'll need to understand buyer behavior to know how to influence them to buy your product.

Know your key competitors inside and out

- Include data from as many different sources as possible
- Analyze your competitors from the perspective of a buyer
- Visit your competition's listing
- Evaluate their product quality, customer service, listing features, and pricing to find strengths you can imitate or weaknesses to avoid
- Questions to consider include:
 - How do they market their products/services?
 - How do they treat their customers?
 - What are their pricing strategies?
 - What are their main strengths, and can I meet or exceed them?
 - What are their main weaknesses, and how can I do better?



Quick Competitive Analysis: Stuffed Animals

Disney

Results	
Total Listings	3964
Listings with Sale	1153
Listing Success Rate (LSR)	29.09%
Average Sales Price (ASP)	\$9.57
Total Sales	\$11,110.59
Sellers with Sale	681
Average Sales Per Seller	1.70
Average Revenue Per Seller	\$16.32

Fisher Price

Results	
Total Listings	1151
Listings with Sale	506
Listing Success Rate (LSR)	43.96%
Average Sales Price (ASP)	\$7.78
Total Sales	\$3,935.61
Sellers with Sale	152
Average Sales Per Seller	3.33
Average Revenue Per Seller	\$25.89

Gund

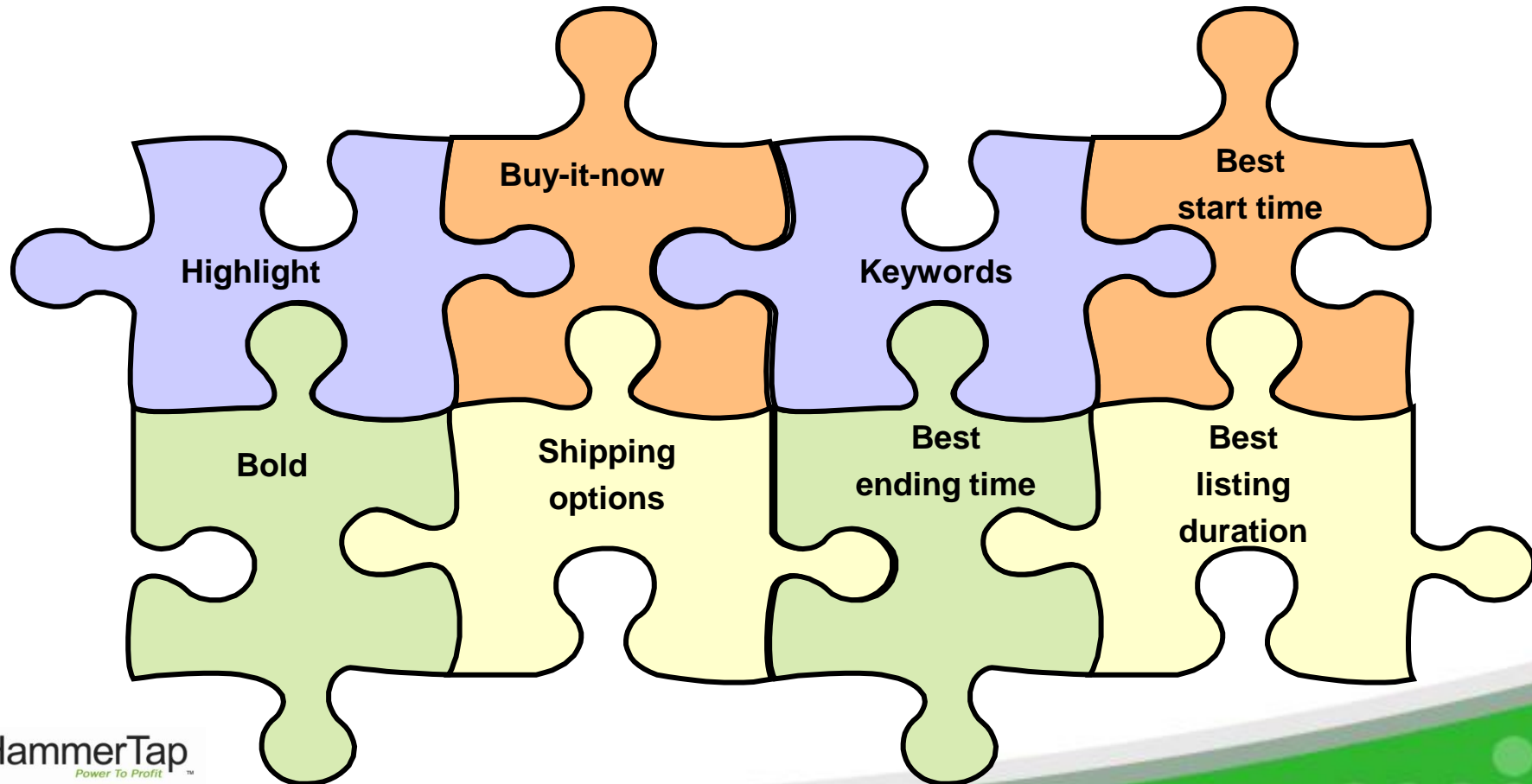
Results	
Total Listings	3895
Listings with Sale	928
Listing Success Rate (LSR)	23.83%
Average Sales Price (ASP)	\$12.53
Total Sales	\$11,652.20
Sellers with Sale	384
Average Sales Per Seller	2.42
Average Revenue Per Seller	\$30.34

Quick Analysis:

- Fisher Price has a much higher success rate 44% than the others at 23% & 29%.
- Gund has the highest average sales price, averaging \$12.53 per listing.
- Disney has many more sellers in the market with 681 making a sale in this timeframe

Listing Differentiation Must Match Buyer Behavior

Using HammerTap you can KNOW which listing features really influence buyer behavior and then differentiate your listing with absolute confidence!



Quick Buyer Behavior Analysis: Stuffed Animals

Listing Success Rate

Best Start and End Date

	Disney	Fisher Price	Gund
Start Day	Thursday	Wednesday	Sunday
End Day	Thursday	Friday	Sunday

Average Sales Price

Best Start and End Date

	Disney	Fisher Price	Gund
Start Day	Wednesday	Thursday	Friday
End Day	Monday	Sunday	Friday

Quick Analysis:

- Even within similar categories buyers have different preferences and behaviors.
- Selling Gund stuffed animals might allow a seller to optimize the time they spend since the starting and ending dates in both categories are the same.
- Remember this is only one small sample of buyer behavior toward a selling option. eBay has many other options sellers need to analyze!

Remember :There are Price War Alternatives!

In the business world the competitive landscape is often simplified into three arenas of competition. These are sometimes called “The Big Three”

- **Price**
- **Product Quality**
- **Service**



1. To avoid competing in the price war arena, sellers have to **differentiate** and **create value** in other competitive arenas!
2. Non-price competition is usually more profitable than selling for a lower price, and avoids the risk of a price war.

Please take some time to
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