

How high can you go?

(extracted from Evergrow newsletter)

How do we survive in the midst of the economic turmoil? Although it is important to manage costs vigilantly during tough times, this is what entrepreneurs should be doing all the time – not just when the going gets tough.

The importance of cost (overhead) cutting will resurface every time when discussing how to survive the economic climate – but cost cutting will only get you so far and at some point you will hit the ceiling. The only way you will progress any further is by raising your prices. And the only way to do that is by creating more market value.

The fear, of course, is that higher prices will drive customers away. Customers who dump you due to price increase care about only one thing: price. That's obvious enough. What's less obvious is whether you should be pursuing those customers in the first place. There are always other aluminium companies who will undercut your prices, so those customers would most likely leave you sooner or later.

The obvious counter-argument is that later is better than sooner, so why raise prices and chase them away prematurely? But it's a short-sighted counter. The longer you hold onto those price-sensitive customers, the harder it will be to attract the customers you really want. The ones that are not motivated solely by price – those who are willing to pay a premium for service, quality, etc.

To many business owners are stuck in a race to the bottom. They are obsessed with cutting their costs to the bone so that they can lower their prices in a desperate effort to drive more sales. That's not a fun race. It is also not one that you can win – or that will lead to much wealth.



Alunite Vredenburg expanded into the building on the right.