

How To Charge Higher Prices And Thrive

What can technology companies learn from a 50-year-old hardware store? Plenty, especially when it comes to benefit experiences, and their effect on pricing.



Harvey's Hardware is a legend in my town of Needham, Mass. In business since 1953, Harvey's sells what most people consider to be commodity items--nuts, bolts, lawnmowers, shovels, and so on. And yet, Harvey's revenue per square foot is almost four times higher than the typical hardware store.

This is shocking considering that even though they sell commodity products:

- Harvey's never has the lowest prices.
- Harvey's never runs a sale.
- Harvey's never provides discounts or offers coupons.
- Harvey's limits their advertising to the backs of Little Leaguers' uniforms.

Why would people crowd into Harvey's to buy something that they could get for less at Home Depot or another big box store? The secret is that Harvey's provides a compelling combination of benefit experiences to its target customers.

First proposed in the 1980s by Michael Lanning and Lynn Philips, benefit experiences are the sum of the specific and measurable events that happen in your customers' lives as a result of doing business with you.

The concept of a benefit experience is something that few people talk about. Yet, the value your customers receive from the benefit experiences you provide determines the success of your business. This is true whether you are running a hardware store or a technology company.

Here is an example of a recent benefit experience that I enjoyed as a result of shopping at Harvey's.

On a recent Sunday, I was preparing to watch a 1 p.m. New England Patriots game with my children and father-in-law. Around 12:15 p.m., my mother-in-law announced that she had

finished making curtains for the dining room and they needed to be hung immediately. While I love my mother-in-law and she has a heart of gold, when she gets something inside her head, there is no arguing with her.

Unfortunately, I did not have the right fixture for the curtains. So I had several options (and saying no was not one of them). I could head to Home Depot and get the lowest price. But if I did that, I would likely not be back until halftime. Or I could go to Harvey's, pay more, but have the curtains hung before the game started. At Harvey's, with its knowledgeable, loyal staff, and extensive inventory, I knew that I could get in and out quickly with the right part.

I gladly went to Harvey's and paid the extra few dollars for a commodity.

But in reality, I was not simply buying a curtain fixture.

Harvey's provided me the opportunity to watch the Patriots game with my family and get my mother-in-law off my back. Enjoying this benefit experience was worth a lot more to me than the few extra dollars I paid at Harvey's.

A key to success at Harvey's is that the owners have aligned the organization so that it can regularly deliver the benefit experiences that I enjoyed. When you enter Harvey's the following happens:

- A salesperson greets you at the door.
- They don't ask you what you need, but rather ask you to describe the problem you are trying to solve.
- The salesperson then walks around the store and gets your materials while you wait at the front (the inventory levels are sky high so that you don't have to worry about an out-of-stock item).
- They explain how to solve your problem.
- If necessary, they will carry your purchases to your car.

Delivering this benefit experience does not come cheap. The high level of customer service requires Harvey's to incur labor and inventory costs that are much greater than the industry norms.

Harvey's breaks several conventional rules of retailing. They don't strive to reduce labor costs or increase inventory turns. They don't push the customer to do most of the work. Harvey's is the antithesis of self-service. Nothing is labeled and the aisles are cramped.

Most B2B companies focus on their product features and discounted pricing, and not the benefit experiences their products and services deliver. As a result, they miss the opportunity

to price their products based on the value of the benefit experiences they provide to their customers. Discounting becomes their primary sales strategy, and they have to price their products like a commodity.

How can your company become more like Harvey's?

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