



Customers will willingly ignore the price tag provided they perceive a true value in what they are buying

A CORPORATE DOSSIER SPECIAL SERIES ON CUSTOMER RESPONSIVENESS

Customer Responsiveness

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IN MY last article I spoke about the importance of pricing and quality as a function of customer responsiveness. The reason why I am speaking of the two factors in one breath, rather than separately is because, to my mind, a clear equation exists between the pricing of products and services and their quality.

While a common perception that was prevalent in the days gone by was that consumers went for the lowest price when they went shopping, the years have proved this assumption to be untrue. Marketing analysts will tell you today that customers will readily pay a higher amount — a premium on a product or service — provided they perceive a value in it or acknowledge that the company has provided something more, something additional with it.

Take the instance of the healthcare industry, which has undergone a revolution over the past one decade. From a situation where patients were dependent on a handful of Government run hospitals, today, the healthcare market is one marked by intense competition and immense choices.

Indian customers who can afford good healthcare will readily opt for the branded hospitals and clinics in the metros, without much concern for the often-astronomical bills at the end of their stay. Today, upmarket hospitals countrywide that are focused on providing quality services — the best diagnostic facilities, reputed doctors and specialists, and top class surgical care — are sought after by discerning customers who are unlikely to “shop around” or settle for something lighter on the wallet.

These branded healthcare institutions that are virtually run like five-star hotels — boasting efficiency, cleanliness, global-class medical attention and cutting-edge, technologically advanced hospital management systems — charge premium prices that scarcely draw a complaining breath. While factors such as health insurance have also played a role in patients going for expensive healthcare, the fact is, when it comes to matters concerning life and death, people are not willing to compromise. Provided quality healthcare, which is in tune with customer needs, is available, the price usually does not matter.

The hospitality and entertainment sector is also one where if customer responsiveness is high, there will be takers, despite the high price tags. India's five star hotels are continuing to draw customers from both the domestic as well as overseas markets, despite the fact that they charge premium pricing from their clients. A typical five star hotel room in India costs anywhere between \$75- \$400 (depending on the city, season and availability). My friends in the travel trade tell me that in most Indian metros such as Delhi and Bangalore there contin-

ues to be an acute room shortage through shoulder and high seasons. Does that say something?

I recall a conversation with a friend, the general manager of a popular hotel in Chennai, who commented on how willing people — including those on personal or business travel — were to pay for the “extras” and for being made to feel like royalty. Special suites on special floors, well equipped business centers, regular rooms with wonderful views, were all part of that exclusive and personalized experience that customers would happily pay for.

Provided the staff was polite, helpful and sensitive, the room luxurious and WiFi-enabled, the service efficient, the swimming pool tempting and the health club a delight, clients would not fret over signing the bill, however hefty. According to this hotelier, most customers would come again, if they were made to feel

special and pampered and as though they mattered. He talked about how a certain MNC executive came back to the hotel over and over again, just because he loved the “complimentary” fruit basket that was especially laid out for him daily. It contained some exotic offerings that were not provided any place else (not even in the adjoining room), and he liked the feeling of being cared for and thought about.

My point is that once organizations become benchmarks in quality leadership (read customer responsiveness), they don't need to get defensive about pricing. Of course, over-pricing is another matter. Discriminating buyers, particularly those with experience and knowledge, will not be happy

with inflated, over-the-top prices. People have to actually sense a true value for their money to allow pricing to stay on the backburner.

If that sense of value is there — whether it lies in the brand name, the quality or the service — the sky is almost the limit as far as price tags go.

Having said all this however, I would like to add a note of caution for companies that are playing in the premium space. In the long run and over the next few years, we will see a trend where customers will demand better value from their products and services as well as better quality, at reasonable, if not low prices. Just as buying the cheapest is not an option for today's quality-conscious buyer, who needs all the bells and whistles and a complete and smooth customer experience; tomorrow's user will reject what's grossly over-priced.

Clearly, organizations have to walk a tight rope and maintain a steady balance between pricing, quality and customer expectations. That is the only way they can bank on pricing and quality to enhance their customer responsiveness.

