

Marketing Mishaps

The Perils of Price Advertising

Cheaper is not better.

BY SHAREEF MAHDAVI

I get nauseous every time I see or hear an ad for LASIK that talks about the price: "Call now for our \$699 special," or, "For a limited time, you can get both eyes treated for the price of one," and so on.

It's hard to think of this incredible procedure being bandied about in the same fashion as mattresses, long distance phone service, and fast food. I had the procedure back in 1995, and I recommended it to many friends and family. And now, it's just embarrassing to think that the message that dominates consumers thinking about LASIK is: "Choose us because we're the cheapest!"

LASIK IS NOT A COMMODITY

As consumers, we are bombarded with several thousand messages a day asking us to consider purchasing a particular product or service. Although the direct promotion of price can be effective, it's usually applied to those products that are considered equivalent offerings among all providers, otherwise known as commodities. Because commodities offer little distinction between brands, price becomes the prime consideration. Most retailers of commodities are betting that convenience, selection, or

other value-added components can help distinguish them from competition. But even these retailers have gotten smarter when it comes to price advertising.

FIELD OF DREAMS

The theory behind LASIK advertising goes something like this: "If I advertise, they will come" (with apologies to Kevin Costner). For this month's column, we have the sequel to *Field of Dreams*: "If I advertise price, even more of them will come." While many readers can point to someone who has implemented a low-price strategy with success, there are many more examples which created financial disasters for the laser center provider and soured consumer perception about LASIK in their market. Keep in mind that the low-price strategy requires price advertising because it is dependent on high procedure volumes to offset the significant loss in profit on each procedure.

I could end the column right here by concluding that if the procedure is not price-sensitive, one shouldn't adver-

tise price! But for those readers who believe that price is the key determinant in procedure volume, I offer seven



bad habits of advertising—specific to price advertising—and show how each negatively impacts your potential customers, driving them further away from having LASIK.

SEVEN BAD HABITS

Bringing quality into question.

Low-cost providers argue that they do not sacrifice quality compared to other LASIK providers. However, there is a definitive consumer association between price and quality.

Remember two important consumer mentalities: 1) if it costs more, it must be worth it, and 2) if it's this cheap, they must be cutting corners. The focusing on low price in LASIK

advertising (as opposed to the low price itself) leads many consumers to believe that something is missing in the procedure.

“With estimates ranging from 2% to 9% of the market having been penetrated, we are still far from reaching the mainstream consumers that make up middle two-thirds of the population.”

Eliminating a reason for patients to call.

By advertising your price, you've already answered the question of “how much?” without the prospective patient having to ask. Chances are that the consumer will conclude he or she is not interested today and never call. If your advertising effort doesn't generate leads, it becomes money ill spent.

Devaluing the provider.

“If the procedure is this cheap, all the surgeons must be doing it and they all must be pretty good at it.” This consumer reaction is an undesired by-product of price advertising, especially when multiple providers in the same market area engage in the tactic. It creates the perception that pricing for the LASIK procedure mimics pricing for personal electronics—it just keeps getting better and cheaper. Price promotion also improperly creates a perception of the “going price” in the market. Providers in every market have maintained high price and, not uncommonly, high volumes at the higher price. Unfortunately, with repeated exposure to price advertising, it is the price of the procedure, not its quality or benefit, that people remember.

Creating the perception that price must be the only important issue.

As a group, providers are slitting their own throats by

promoting price. Customers are quickly trained to stall their purchase decision until the special price returns or until their provider of choice caves in and lowers his or her price to match the lower price of other advertisements.

Rousing suspicion.

Considering that this procedure was originally offered in the range of \$2,000 per eye, advertising of prices that are 70% lower automatically creates suspicion and skepticism. It sounds too good to be true, and in many cases, a closer reading of the fine print reveals the reason: “does not include astigmatism treatment,” or “offer applies to the ‘much less experienced doctor’ (author emphasis) only,” or

similar “bait and switch” tactics. The fine print may pass legal scrutiny, but most consumers are not fooled.

Permanently turning off the potential candidate.

Some laser owners like to brag about how their low price promotion jacked up their volume. What they don't realize is the number of listeners and readers who were permanently turned off by the message and won't call. Many consumers dislike the mention of price, and are skeptical of a surgical procedure with such heavy advertising.

Poisoning the market.

That group, divided evenly between “early majority” and “late majority,” tends to be less risk-taking than today's LASIK patient and significantly more price sensitive. Keep in mind that just because numerous providers believed they had reached this level of penetration in their markets does not automatically mean they were right. Their conclusion was usually based on anecdotal evidence (“everyone in our town has heard about LASIK...”) being inappropriately linked to consumer behavior (“and everyone who has heard about the procedure probably knows enough about it to make a decision to have it”). Consumer behavior in this category is ruled by two main factors—fear and price. Clearly, overall market procedure numbers and growth rates would indicate that fear remains the key issue limiting market growth, not price (hint to the skeptical: there was sufficient availability of low-cost providers in

THE SLIPPERY SLOPE OF TIERED PRICING

By Jim Feinstein

Many practices utilize a tiered-pricing structure and then advertise the lowest-tier price to attract patients. Tiers can be based on technology, surgeon, location, or most commonly, the patient's refractive error. Do you know the statistical analysis of your practice's surgical patient base? What is the refractive error of your typical laser vision correction patient? You must determine the mean refractive error in your practice before you implement tiered-pricing. It is not uncommon for practices to incorporate tiers, which can result in an immediate loss in revenues. Why offer a lower fee to your captured patients? We realize that the -1.00 D patient demands less chair time than the -10.00 D patient. However, how many -1.00 D patients are you actually treating? Your enhancement rate is equally important to this equation. Most high myopes understand that their correction is significantly higher than most other patients, and would not balk at paying a higher fee.

If you utilize tiered pricing, set an early precedent and clearly document your practice's policy. How do you handle patients with refractive errors that fall into two different tiers? Do you automatically offer two different prices for the two eyes? Do you offer the lowest tier? Do you average the cost of the two tiers? Either way, we have created an additional accounting nightmare. The failure to be all-inclusive is likely to add a negative perception. Additional fees for follow-up, enhancements, or medications are customary within tiered-pricing models. Patients tend to interpret tiered pricing with a negative connotation. No one likes hidden fees, and we know that laser vision correction advertisements can be, and have been, misleading.

Tiered pricing can be a valuable practice-building tool when a new surgeon joins a practice. As practice building becomes more and more difficult and competitive (internally and externally), a lower pricing tier, within an established practice, may expedite volume growth within a highly competitive practice and market. Tiers can also be beneficial when attempting to recruit patients for studies or clinical trials.

Consistency is the key to success. If your market dictates the need to advertise price, make sure that your pricing point will allow you to be successful. Use your competitor's "weaknesses" as your "strengths," for example, position your pricing model as the most efficient or affordable. Ultimately, the goal of your marketing efforts is to make the phone ring. Once you have captured the prospective patient, be prepared to close. It is important for your entire staff to understand your marketing strategy and has the means to execute these plans. While you may be successful in getting the patient in the door, the real success lies in closing the deal for the maximum number of full-service, full-pay patients.

FY2000 and they didn't make a dent in consumer demand). Those who chose to do price advertising (generally a "low" price) were way ahead of their time.

AND ANOTHER THING

Had enough? Well, here's one more issue to consider: You rarely see price advertising used in other elective medical categories. Plastic surgery, cosmetic dentistry, and orthodontics are closely related medical consumer categories, each requiring consumers to use disposable income rather than insurance. Outside of refractive surgery, providers in these other categories have largely determined that price advertising doesn't provide sufficient benefit to offset the risks to both profit and perception.

What began as an interesting marketing gimmick has turned into a nightmare for the refractive surgery industry, as many providers were fooled into believing that low price was the way to riches for themselves. This strategy may have its time and place, but so far it has done more to delay rather than accelerate consumer adoption of refractive surgery. Next month, we'll delve into the mindset of the consumer and how lack of attention to understanding basic consumer needs in refractive surgery has adversely affected growth of the procedure. ■

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