

DYNAMIC NEWS

Cornerstone of Quality

VOL 11
Winter 2011

“Your price is too high” - Price versus Cost

from Tom Reilly, the guy who wrote the book on Value Added Selling

Price versus Cost. It is the age old dilemma for every purchasing agent or buyer. When making purchasing decisions, buyers typically look at price rather than at cost. Both are important, but paying the lowest price often ends up costing us more. Rather than looking at the price of an item, consider the cost of the need it hopes to fulfill. But what exactly are we talking about? Let's start with some definitions. **Price** refers to the amount of money that is given to acquire a good or service. **Cost** refers to the amount paid to produce a good or service. The cost represents the sum of the value of the inputs in production - land, labor, capital and enterprise.

Price is not the only component of value; it is simply one. What makes a price look like an incredible bargain? It is the overwhelming size of the package for the price. When a buyer perceives the price as small and the solution big, he considers it a great value. Buyers make relative value decisions.

Another important component is cost. Price is the short-term acquisition number while cost is the long-term ownership number. Cost is bigger than price. A buyer that objects to price without considering cost is making a nearsighted buying decision. If your price is higher but your cost is lower, you probably offer a better value. Paying less on the front-end often means paying repeatedly throughout the life cycle of the product.

“I do not prize the word cheap. It is not a badge of honor. It is a symbol of despair. Cheap prices make for cheap goods; cheap goods make for cheap men; and cheap men make for a cheap country.” William McKinley, 25th President of the U.S.

Price is not the only component of value; it is simply one

The easiest way to avoid price resistance is to give the buyer a fair price. The tough part is determining a fair price. Perceptions of fairness are based largely on emotion, which means buyers' reactions may not always be rational. Here, I want to tie this to pricing your goods and services.

Buyers want to maximize the return on their investment. They want a good deal. Sellers, on the other hand, want to optimize their pricing. They want to apply prices effectively to gain a desirable return on sales. At first glance, this sounds like a zero-sum game—one winner and one loser. In practice, it can be win-win.

The search for the Grail of fair pricing reaches back through history, from contemporary economists to Adam Smith to Aristotle's study of ethics. Aristotle wrote, “equals should be treated equally and unequals unequally.” Some may reach further to the beginning of time and ask, “Did Adam really understand the cost he would pay for that apple?”

The central construct of win-win outcomes is equity: Is the product or service a fair exchange for what I give up to acquire it? Or, am I getting as good as I am giving? Both buyer and seller should be able to answer this question favorably. Satisfaction with the outcome of the transaction is tied to one's expectations of gain. Equity is a sense that what we agree to is fair for both of us. If it's a good deal for one of us and a bad deal for the other then it is a bad deal for both of us. Equity is at the heart of Value-Added Selling. If you are guided by your sense of fairness—to give as good as you get and to get as good as you give—you will contribute and extract meaningful value from the relationship.



PRESIDENT'S MESSAGE

Happy New Year! I hope you had a joyous Christmas and New Year celebration.

We are 6 months into our new fiscal year, and continue ahead of last year. As the recovery continues, we see positive signs of encouragement for a robust 2011. According to McGraw-Hill Construction's 2011 Construction Outlook, construction starts will advance 8% in 2011 after a 2% decline in 2010. Commercial building is expected to increase 16% following a 3 year decline of 62%. Manufacturing building is expected to increase 9%. Additionally, GDP has been positive for 4 quarters and consumer confidence is up, inflation remains under control and businesses have begun spending. Hopefully, the recovery will begin to embrace new employment opportunities.

The focus of this newsletter is on Price versus **True Cost**. Dynamic Sales has been selling **Value** for 45 years and we do it by bringing a total cost solution to our customers that enables them to be profitable at a great total value to their company. I hope you find the information interesting and helpful.

We are thankful for your continued support and we give thanks to Christ for meeting our needs and giving us grace.





We extend a heartfelt thank you to the men and women who have served and our presently serving our country to protect us, our freedoms, and our way of life.

We pray God will bless them and their families



Dynamic Sales Co., Inc.
Cornerstone of Quality.

This represents our foundation in the industry, the expanded product lines we offer as a cornerstone in industrial & contractor supply solutions, and most importantly our values & belief in The Chief Cornerstone — Jesus Christ.

Benefits and Value Proposition

by Jim Henderson

Dealing with Dynamic Sales offers many benefits for your company. The following is a partial list of the Value we bring to the purchasing equation.

- **Personalized Service.**
- **Inventory management Programs.**
- **Bulk buying Programs.**
- **Extended Price Locks.**
- **Free & Timely Deliveries.**
- **95% Fill Rate**
- **Experienced Sales Staff**
- **Service**
- **Quality**
- **Commitment**
- **Integrity**

Additionally, we offer you:

- **A Purchasing agent** - who buys from many sources and provides this inventory to you with efficiency and economy
- **A Product Expert** - who keeps you informed and assists in product problem solving
- **A warehouseman** - who stores the inventory in an organized fashion until you need it
- **A Deliveryman** - who delivers when & where you need it
- **A serviceman** - who helps keep products running to reduce down time
- **A Financier** - who finances the purchase of inventory and extends you credit
- **An Executive** - who uses a nation-wide network of contacts to bring you the latest products, while representing your needs to the manufacturer
- **An Insurer** - who takes the risk of obsolete inventory, shrinkage, and other non-profitable losses for you.

These are some of the benefits of dealing with Dynamic Sales Co., Inc. Our Value Proposition customizes these benefits and more for each customer, demonstrating that we are your Contractor & Industrial Supply Solutions company. We strive to bring long term benefits to our total solution that help you achieve greater market share, increase revenue, operate more profitably, create better quality products and work, and help you create more satisfied customers on your end.

Flexovit Abrasives & Makita Grinders

Focus on Value

Flexovit

Faced with the tide of low cost imports, Flexovit has responded by developing *higher-value products that deliver lower overall job cost*. These products often incorporate premium abrasives such as zirconia and ceramic grains with innovative bond systems. Flexovit USA has been concentrating a great deal of research in these higher productivity products, with "better" and "best" class products like Metalhog, Flexon, and Razorblade product lines.

One of the fastest growing product groups among bonded abrasives are thin cutoff wheels for angle grinders, the Flexovit's Razorblade series, according to Hendrik Iliohan, national sales manager for Flexovit USA. Flexovit manufactures the A60SST "longlife" blade, which has just been reformulated with changes resulting in an increase of wheel life of up to 35%. For the end user this means substantially lower 'cost per cut' and reduced wheel change down time.

Iliohan sees more customers looking beyond price and becoming aware of the substantial savings that can be achieved by using premium products. With the push on to continually reduce the manufacturing costs and improve quality, *users of abrasive products should always assess the **full cost** of a particular product*, and include premium grade products in these assessments.

Makita

Like most other hand-held a/c power tools, the grinder is a tool that the pro user wants in a more compact size with less weight, more durability and more power. As a result, more end-users now use 4.5 and 5 inch grinders for applications that were formerly done by 7 & 9 inch grinders.

Makita has taken note, and is designing grinders accordingly. Their new 4.5 inch grinders are the smallest, lightest weight grinders on the market with the power and durability of their larger predecessors. Additionally, the SJS grinders are specifically designed to combat gear failure problems by disengaging the gears when the tool is overloaded.

While others focus primarily on power, *Makita has designed grinders with features that are important to the user* who has this tool in his hand all day. Not only do Makita grinders satisfy the user request for smaller size and less weight, they are designed to the highest quality standards to handle the work load of much larger tools.



Dynamic Sales - providing our industry with contractor & industrial supply solutions since 1966. We have become a proven leader through Service, Quality, Commitment and Integrity - the four points of our star. Look for the star and order with confidence.



We appreciate each and every opportunity to serve you. So whether you call, fax, e-mail or stop by, you can be assured that we are thankful for the confidence you place in Dynamic Sales and we will continually work to earn your trust.

+JOHN 14:6

MATTHEW 6:33

DYNAMIC NEWS

Cornerstone of Quality

Dynamic Sales Co. Inc.

9419 Koenig Circle | St. Louis, MO 63134

PHONE 1.800.446.6656 | FAX 314.428.2638

Welcome to Dynamic Sales!

We are a Christian, family owned, small business, established in 1966 by Wayne Henderson.

We are open Monday through Friday from 7:30am—5pm CST. Stop by to see our showroom!

Total Value Products from Makita & Flexovit

