

FACTS SHEET – Jan 1995

The Bath Plug Syndrome

A client of ours came to us recently complaining that although the product of his business is well received in terms of both quality and price the business never really grows.

This was an interesting complaint. The business is strong, the product good, yet why was there no growth?

A few years ago this problem was analysed and portrayed on a graph called The Bath Plug Syndrome.

Basically it states the obvious, that is, a small business cannot hope to succeed by trading on low cost as well as on quality. It is either one or the other.

Quality in this sense means not just a well manufactured product, but a product (or service) which is distinguishable, or can be differentiated, from the competition.

By being able to distinguish the quality of the product and by marketing it accordingly the small business is able to enter a niche in the wider market and capitalise on the difference of the product.

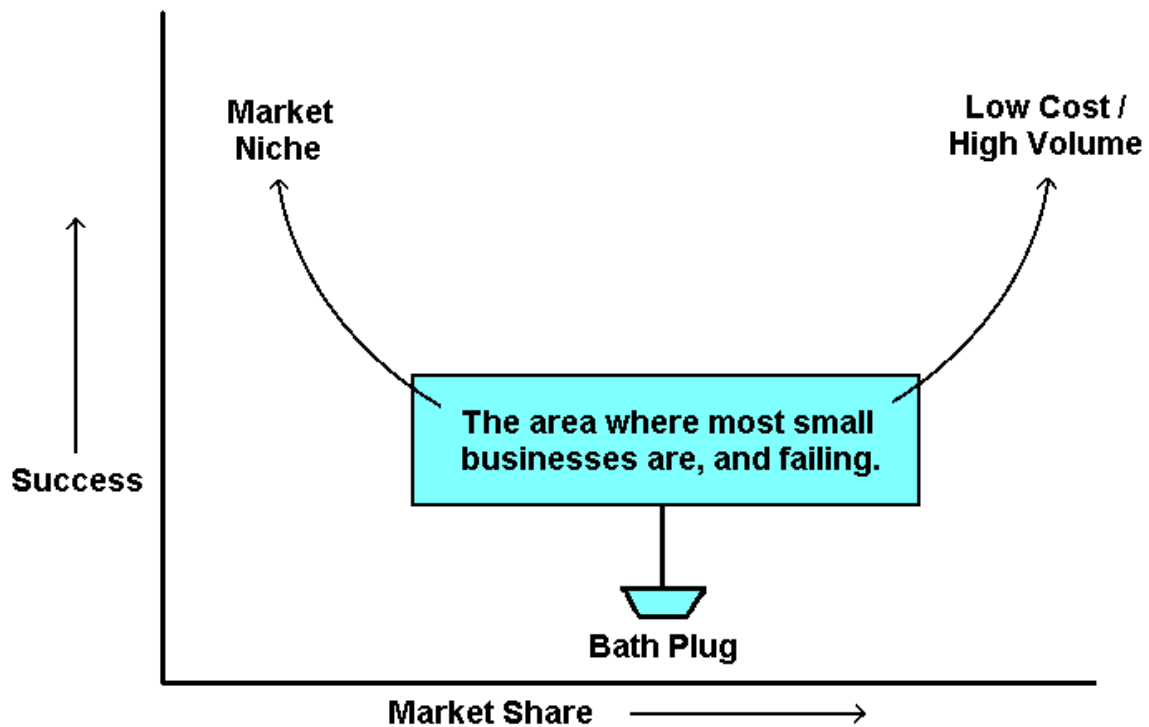
Further, by being able to focus on the niche market the price of the product does not have to be constrained to the same extent if it were traded in the wider market. In other words, the price is pitched at a value more worthy of its quality.

Unfortunately, most small businesses perceive that the only way to trade effectively is to try to gain as much market share as possible by reducing price while little realising the quality of their product.

You can see from the graph, in the shaded area, where most small business and our client's problem lay - in the region where there is little scope for great success and with the potential to go down the plug hole!

And what of our client? They immediately set about identifying their customers, their market and their competition. They found their market niche and began using it.

Currently our client is growing. The price of their product has increased markedly without loss of loyal customers and with an increased growth in volume as an untapped market was found.



Important: The information contained in this Facts Sheet is not advice. Many of the comments in this Facts Sheet are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances. Also please note that changes to legislation may occur quickly.

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