

Mark Anthony Germanos

From: Mark Anthony Germanos [mag@cameronparkcomputer.com]
Sent: Thursday, August 30, 2007 3:06 PM
To: mag@cameronparkcomputer.com
Subject: You Should Buy on a Price Point

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Buy on a Price Point

Let us run your network while you run your business
August 30, 2007

Dear Mark,

Back in 2004, I wrote about cheapness. I bought a cheap printer for my office and expected it to work well for a long time. That did not happen. I ended up buying a replacement printer. The combined cost far exceeded what I would have spent had I purchased a reliable printer first.

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Low Price Indicates Low Reliability

In "price point," I am referring to a) learning the average price of an item, b) determining which desired features are available at that price, and c) purchasing the product. Setting a prudent price point before purchasing an item can help reduce the long-term costs. For example, let us discuss the ever-so-popular multifunction color print/scan/fax devices we see at most consumer electronics stores. I bought one for \$180. I also deployed two of the same model at clients. Within six months, mine had failed. I called the company and they sent a warranty replacement. The two I deployed at clients also failed within six months. The clients called the manufacturer and received warranty replacements. We're looking at a failure rate of 100%. My replacement failed.

I purchased a competing product, from a different manufacturer, for \$400. It works great. It also prints multiple colors. The speed is still acceptable. The setup had the same general logic. What did this multifunction

Opening Notes



The world's largest computer manufacturer is now selling "small business" computers on its web site for \$350. I am hesitant to deploy any, sensing that the low price may translate to low quality.

Regardless, this is a good time to republish an article I wrote in late 2004 entitled *Buy on a Price Point*.

color print/scan/fax functionality cost? \$580.

The initial device was \$180. I discarded that one. The replacement was \$400. That's where we get \$580. The feature sets between these two products was roughly the same. Both were made by internationally known companies. I purchased both at reputable retailers. The initial price point was obviously too low. This experience tells us that we cannot expect to buy a reliable multifunction color print/scan/fax at \$180. The fail rate was 100%. Perhaps the second price point of \$400 will work. The device works. Our realized cost of \$580 is probably too high, and is the result of my unwise initial purchases.

Let's take this knowledge one step further. I see people hold onto failing computers far too long. They recall the initial purchase and try extending the product's life indefinitely. At some point, a product will fail and be worth less than the cost to repair it. People continue "investing" in this depreciating product because they feel a small expense will help extend the life indefinitely or at least postpone the inevitable large purchase. What they don't see is that the device's value continues to decline. People show unconditional love for failing technologies. That does not make sense to me. Save the unconditional love for your kids. Hold products up to a pass/fail test. If they pass, keep them. If they fail, or if the cost to keep them alive outweighs the current value, discard the products. I refer this to your wisdom.

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Some have asked what the blue rectangle means. That is the Microsoft Small Business

Specialist logo. The knowledge I gained while pursuing this certification helps me keep businesses like yours in business. Software doesn't exist for software's sake. Rather, software is a tool that businesses use to help themselves run more efficiently.

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